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UNITED STATES INTERNATIONAL DEVELOPMENT COOPERATION AGENCY  
AGENCY FOR INTERNATIONAL DEVELOPMENT  
Washington, D. C. 20523

REGIONAL DEVELOPMENT OFFICE/CARIBBEAN

PROJECT PAPER

BASIC NEEDS TRUST FUND

Amendment 1

AID/LAC/P-490  
CR P-313

Project Number: 538-0103

UNCLASSIFIED



PROJECT AUTHORIZATION  
AMENDMENT NUMBER ONE

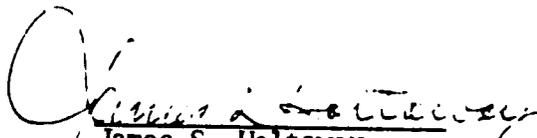
NAME OF COUNTRY: Caribbean Regional  
NAME OF PROJECT: Basic Needs Trust Fund  
NUMBER OF PROJECT: 538-0103

1. Pursuant to Section 531 of the Foreign Assistance Act of 1961, as amended, the Basic Needs Trust Fund Project was authorized on June 26, 1984. That authorization is hereby amended as follows:

2. Paragraph 1 is deleted and the following new paragraph 1 inserted in lieu thereof:

"Pursuant to Section 531 and 106 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Basic Needs Trust Fund Project for the Eastern Caribbean and Belize to be carried out by the Caribbean Development Bank (the "Grantee") involving obligations of not to exceed Seventeen Million Seven Hundred Thousand United States Dollars (\$17,700,000) in grant funds ("Grant") subject to the availability of funds in accordance with the A.I.D. OYB/allotment process, to help in financing foreign exchange and local currency costs for the project. The planned life of the project is seven years and three months from the date of obligation."

3. The authorization cited above remains in force and effect except as hereby amended.

  
James S. Holtaway  
Director

September 30 1988  
Date

BASIC NEEDS TRUST FUND PROJECT AMENDMENT  
538-0103

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LIST OF ABBREVIATIONS AND ACRONYMS

BHN	-	Basic Human Needs
BNTF	-	Basic Needs Trust Fund
BVI	-	British Virgin Islands
CDB	-	Caribbean Development Bank
CIDA	-	Canadian International Development Agency
CP	-	Conditions Precedent
ESF	-	Economic Support Fund
IEE	-	Initial Environmental Examination
IEMS	-	Infrastructure Expansion and Maintenance Systems
MCUA	-	Multiple Criteria Utility Assessment
PACD	-	Project Assistance Completion Date
PP	-	Project Paper
SDF	-	Special Development Fund
SPIF	-	Small Project Implementation Facility
TCI	-	Turks and Caicos Islands
USAID	-	United States Agency for International Development
WHO	-	World Health Organization

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I. SUMMARY AND RECOMMENDATIONS

A. Recommendation

This Project Paper Amendment recommends approval of an amendment to the Basic Needs Trust Fund (BNTF) Project. Authorization is requested for an additional \$5 million Selected Development Activities (SDA) grant, bringing the total authorized amount to \$17.7 million. The proposed obligation for FY88 is \$5 million. The amended Project Assistance Completion Date (PACD) is scheduled to be September 30, 1990.

B. Grantee and Implementing Institution

The Grantee and implementing institution will continue to be the Caribbean Development Bank (CDB). Upon signing the Project Agreement Amendment, the CDB will amend its agreements for the utilization of project funds with the eight less developed countries (LDCs) of the Eastern Caribbean (Anguilla, Antigua/Barbuda, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia, and St. Vincent and the Grenadines) and Belize, who are currently participating in the project, and will enter into agreements with the British Virgin Islands and Turks and Caicos. These eleven countries will participate fully under all activities financed by the Project.

C. Project Summary

The purpose of this Project Paper Amendment is to amend the Basic Needs Trust Fund (BNTF) Project to add US\$5 million from AID and US\$5 million from the CDB, to extend the life-of-project by two years, and to add two additional Caribbean LDCs - the British Virgin Islands and Turks and Caicos. The goal of the Project is to improve the economic and social status of lower income groups and to further promote economic growth. The purpose of the Project is to expand and conserve, using labor-intensive methodologies, the stock of social and economic infrastructure which is essential to future growth and the provision of basic services and employment in the Eastern Caribbean LDCs and Belize. This Amendment is expected to generate 90 additional subprojects, 60,000 additional person weeks of employment, and improved maintenance systems in the eleven beneficiary countries.

Under this cofinancing arrangement, Project funds will be used to continue support for the Basic Needs Trust Fund to finance selected, high priority subprojects in such areas as education, health, water and drainage systems, footpaths, and rural roads. In addition to expanding the capital stock, the Project will

encourage the development of improved maintenance systems through discrete interventions designed to increase the longevity of existing assets. Project funds will also be utilized to support a core of professionals within the CDB's Infrastructure Division who will constitute the project management team. In addition, assistance will be provided for in-country project supervisors, outside A&E and other consultants, as needed, to ensure timely implementation of the construction subprojects and maintenance activities.

D. Summary Project Costs

The following table provides the original, incremental, and total life-of-project (LOP) costs of project components over the amended six year LOP.

TABLE 1  
BNTF AMENDMENT COMPONENT COST SUMMARY  
LOP COST (US\$000s)

<u>COMPONENT</u>	<u>ORIGINAL</u>		<u>AMEND #1</u>		<u>TOTAL</u>		<u>COMBINED TOTAL</u>
	<u>AID</u>	<u>CDB</u>	<u>AID</u>	<u>CDB</u>	<u>AID</u>	<u>CDB</u>	
Physical							
Infrastructure	9,707	2,843	3,795	3,795	13,502	6,638	20,140
Maintenance	650	-	362.5	362.5	1,012.5	362.5	1,375
Project							
Mgmt./Imp.	<u>2,343</u>	<u>657</u>	<u>842.5</u>	<u>842.5</u>	<u>3,185.5</u>	<u>1,499.5</u>	<u>4,685</u>
TOTAL	12,700	3,500	5,000	5,000	17,700	8,500	26,200

E. Summary Findings

The amended project is ready for implementation. The Project committee finds the Project Amendment to be technically, institutionally, financially, economically and socially sound.

F. Project Issues (LAC Bureau Guidance Cable - Annex A)

LAC Bureau Policy currently prohibits the use of new funds for school construction in part due to tight EHRD budget. Although EHRD funding is not proposed for this amendment, STATE 056240 requested information on school construction planned under the project along with the following: 1) definition of maintenance/renovation activities; 2) criteria for selection of renovation projects; and 3) estimates of total number of classrooms to be renovated and cost. This information was cabled to AID/W in Bridgetown 02300 on March 15. Per State 155322, on April 26, 1988, the AA/LAC approved RDO/C's request to include educational subprojects subject to the conditions specified in the action memorandum (Annex I).

G. Contributors to the Project Paper Amendment

The following individuals contributed to the development of this PP Amendment:

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## II. PROJECT AMENDMENT RATIONALE AND DESCRIPTION

### A. Background and Rationale

#### 1. Background

The original Basic Human Needs (BHN) Project and its successor, the Basic Needs Trust Fund (BNTF) Project, were designed to address under- and unemployment and the critical need for social and economic infrastructure. Since 1979, both have sought to (a) provide physical infrastructure to support long-term growth and (b) create employment opportunities for a growing labor force.

Under the BHN project, a \$10.5 million grant and a \$2 million loan agreement were signed with the Caribbean Development Bank in 1979 for primary school construction and other public infrastructure improvements in Antigua and Barbuda, Barbados, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia and St. Vincent and the Grenadines. Over the four year life of project, 102 subprojects were implemented and over 110,000 work-weeks of direct employment provided. The final evaluation cited the project not only for "fast track" implementation based on simplified sub-project approval procedures and decentralized disbursement and monitoring procedures, but also for the significant strides made in providing social and economic infrastructure, generating employment, and alleviating strained fiscal positions of the beneficiary countries.

The follow-on BNTF was developed to improve the economic and social status of lower income groups and to further promote social and economic growth. The project contributes to this goal by expanding and conserving the stock of social and economic infrastructure which is essential to future growth and the provision of basic services and employment in the Eastern Caribbean and Belize. BNTF was formally initiated by USAID and CDB in June 1984 with the signing of a \$12.7 million grant agreement. The CDB for its part agreed to provide \$3.5 million in counterpart grant funds. Beneficiary countries were expanded to include the British dependency of Anguilla.

Conditions precedent to first disbursement were satisfied in September 1984; all individual country grant agreements were signed by December 1984; and, all project supervisors were appointed by January 1985, except for the Grenada supervisor who was appointed in April 1985. Conditions precedent to first disbursement under the country grant agreements were satisfied for all countries by early February 1985, and the CDB and USAID had approved the financing of 62 subprojects by late February 1985.

The mid-term evaluation completed in June 1986 concluded that BNTF was a successful, well-managed project with subprojects selected to meet basic human and community needs. Of the 90 subprojects approved, 70 were under construction of which 37 were completed. The most rapid implementation had been achieved by Anguilla, St. Lucia and St. Vincent; the least rapid by Antigua and Barbuda and Belize. Major recommendations included: greater use of private contractors rather than direct government labor to ensure timely implementation; extension of the September 1987 PACD to implement the second phase of the Physical Infrastructure Fund - the Performance Program; simplification of the subproject selection criteria; and, clarification or deletion of the employment generation objective.

Based on these recommendations, several project modifications were implemented. The PACD was extended for a year to September 30, 1988 to complete implementation of the Performance Program. CDB encouraged participating governments to use private contractors for construction and materials procurement whenever possible. The employment generation target was reduced to agree with the evaluation findings. Subproject selection was simplified under the Performance Program by eliminating the complicated multiple criteria utility assessment (MCUA) formula contained in the original design and instead adhering to the general type of subprojects contained in the original list with emphasis on geographic dispersion, need, development impact, cost and sustainability.

Funds allocated for physical infrastructure were fully committed with the approval of 154 subprojects in the nine participating countries. Annex J breaks out the list of subprojects by country, cost, projected number of beneficiaries and other relevant data. As of February 29, 1988, 100 of these had been completed and another 53 were in various stages of implementation. One sub-project has been withdrawn to accommodate increased costs of another rehabilitation subproject in that country.

In addition, RDO/C, in collaboration with the CDB, has successfully launched an innovative pilot maintenance component utilizing the infrastructure funds provided under the Performance Program to leverage institutional change on the part of the nine host governments in addressing weaknesses in their maintenance systems. In addition to the routine maintenance performed on BHN/BNTF subprojects, this component has sought to increase public awareness of the importance of planned maintenance through the production and distribution of video and radio spots, the provision of maintenance manuals, tool kits and how-to workshops for facility users, and "Best Kept Facility" competitions. Country Maintenance Committees were formed to coordinate the maintenance activities in each country.

Other project accomplishments include the generation of approximately 100,000 personweeks of short-term employment for unskilled workers, thereby mitigating the high unemployment levels in many of the participating countries. In addition, as a result of limiting procurement to the particular participating country and the U.S., the capability of local contractors and consultants to design, implement and oversee construction activities has been enhanced. The increased use of private contractors has reduced by a third, the time required for subproject implementation.

## 2. Rationale

During the negotiation meetings held in 1987 for the replenishment of CDB's Special Development Funds (SDF II), contributors decided that "in its financing operations CDB should give priority attention to the financing of employment-intensive projects geared towards benefitting the poorest groups in the poorest borrowing member countries. To support this thrust, contributors agreed that an appropriation of up to \$8 million shall be made from the contributions for a proposed \$20 million Basic Needs Trust Grant Programme for Group III countries on conditions that USAID, or some other donor, matches the appropriations made from SDF II and beneficiary country counterpart contributions." CDB Group III countries include members of the OECS, Anguilla, Belize, BVI, and Turks and Caicos.

The CDB Governors, in arguing for continuation of BNIF, stressed the role the project played in alleviating the social effects of fiscal measures implemented under structural adjustment programs. According to the Alternate Governor for Dominica, BNIF is ideally structured to do just this since it reaches out to the poorest groups and provides some of the social amenities in health, sanitation and education that improve the condition of life of the rural poor. "This (would be) a very inopportune time to terminate such a program, now that the OECS countries have so clearly demonstrated their willingness to take necessary (structural) adjustment measures."

Current literature supports these claims. A survey of experience with labor-intensive employment schemes has shown that they can play an important role in maintaining incomes and improving economic and social capital during the adjustment process.<sup>1/</sup> This is so because they invariably provide employment and incomes for low-income households during the construction phase, and contribute

<sup>1/</sup> Adjustment with a Human Face, Volume 1: Protecting the Vulnerable and Promoting Growth, 1987; Cornia, Jolly, Stewart; p. 205

to rehabilitation of social and economic infrastructure, which is often an urgent priority in the adjustment period. The schemes have short-run multiplier effects by increasing local purchasing power, as well as positive long-run developmental effects.

In addition to the employment and infrastructure objectives cited above, the need for the development of effective maintenance systems in the participating countries also argues for the continuation of the project. BNTF has succeeded in increasing public awareness of the importance of maintenance as a development priority. This phase was necessary in order to generate the necessary political support for a more holistic approach to the problem of maintenance of public infrastructure. This goal can only be achieved through the development and implementation of maintenance plans which: delineate institutional responsibilities; provide inventories and records of existing facilities; establish unit costings for maintenance and a system of accounts; determine and develop principles and practices in managing maintenance; assess staffing, personnel management, and training needs; and, develop a set of standards and procedures. The above will be the focus of this next phase of the project.

a. Relationship to AID and RDO/C Strategy

Continuation of BNTF will contribute to RDO/C's goal of providing a wider sharing of the benefits of growth. This will be achieved by promoting community development through the provision of basic social and economic infrastructure and employment opportunities over a geographically dispersed population. The infrastructure provided under BNTF complements the assistance provided for productive infrastructure under RDO/C's Infrastructure Expansion and Maintenance Systems Project.

b. Relationship to Other Donors

Other donors in the region, including the British, Canadians and the EEC, continue to provide assistance, albeit on a smaller scale, for the type of subprojects financed under BNTF. In September 1987, the Canadian International Development Agency launched the Small Project Implementation Facility (SPIF) Program for the Windward and Leeward Islands.

Under SPIF, 10 to 15 small-scale priority development projects, in the range of CDN\$50,000 to \$500,000, will be designed and implemented over a 3 year period. Projects eligible for assistance under the program will directly support productive economic activities, the expansion of economic infrastructure, and resource management and conservation initiatives in the following sectors: agriculture, fisheries, forestry, small industries, tourism, and energy.

## B. Project Objectives

The Goal of the Basic Needs Trust Fund is to improve the economic and social status of lower income groups and to further promote social and economic growth. The Purpose of the project is to expand and conserve, using labor intensive methodologies, the stock of social and economic infrastructure which is essential to future growth and the provision of basic services and employment in the Eastern Caribbean and Belize. This will be achieved by the construction or rehabilitation of approximately 240 schools, health clinics, water and drainage systems, and footpaths, and the provision of approximately 130,000 personweeks of employment. The project's objective is to maximize the utilization of the countries' human resources in support of improvements to the basic economic and social infrastructure in order to promote healthy and equitable growth in the region, foster greater self-reliance, and better equip the countries to more readily adapt to the requirements of their changing economies.

## C. Project Components

The three basic components of the present project will be retained: (1) physical infrastructure fund, (2) maintenance systems development, and (3) management and implementation of the project. The Physical Infrastructure Fund provides for the construction of new, as well as for the rehabilitation of, existing infrastructure. Activities under the maintenance component stress sustainability and are designed to establish a sound foundation for conserving the capital stock constructed or rehabilitated under the first component, as well as other public infrastructure. The Management and Implementation component supports the first two components.

### 1. Physical Infrastructure Fund

This Amendment will provide an additional \$7.59 million to be utilized in financing high priority, labor-intensive social and economic infrastructure which meet basic selection criteria. This additional injection to the fund, equally provided from AID and CDB resources, will be used to finance both new construction and rehabilitation of existing infrastructure which will be selected in accordance with the norms defined by the economic consultants and detailed in Annex I.

In addition to the original BNTF beneficiary countries of Anguilla, Antigua and Barbuda, Belize, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines, the other CDB Group III countries of the British Virgin Islands (BVI) and Turks and Caicos (TCI) will be included under this amendment. Given AID's significant bilateral presence in Belize,

only CDB funds will be used to finance BNTF activities there. All of the participating countries, except for BVI and TCI, have submitted preliminary lists of projects for consideration. These lists will be reviewed for compliance with the agreed criteria by CDB staff before being approved for inclusion in the programme. The lists indicate that the countries still have needs in the areas of educational facilities, health centres, basic water systems, drainage and footpaths. The two new participating countries will be approached once AID funding is identified.

## 2. Maintenance Systems Development

The initial maintenance activities funded under BNTF succeeded in raising both public and government awareness of the need for the establishment of routine and preventive maintenance practices. Under this amendment activities are being designed which address both the paucity of information on the state of public infrastructure as well as those which will seek to reduce the cost of overall maintenance in a period of scarce budgetary resources. The core maintenance activity will be the development and implementation of country maintenance plans. Other maintenance activities discussed below are designed to complement and reinforce this core initiative.

### a. Maintenance Plan Development

Technical assistance will be provided to assist each participating country with the development and implementation of a maintenance plan. Under BNTF, the collection of data necessary for the establishment of a proper system was initiated. However, this pilot activity was limited to BHN/BNTF schools and health clinics. The rational allocation of scarce budgetary resources for maintenance in each of the participating countries calls for an expansion of this activity to include all public facilities in the education and health sectors. Factors to be considered in analyzing and improving the existing system include: 1) an assessment of the institutional responsibilities and their coordination (i.e. which agencies are responsible for financing, planning, designing, constructing, operating, and maintaining each type of facility); 2) a review of the existing BHN/BNTF inventory and maintenance records and execution of an inventory for other eligible public facilities; 3) maintenance costing, budgetary allocations, 4) the political and administrative setting; 5) information on staffing, personnel management, and training needs; and 6) the standards and procedures for inspection and maintenance work.

b. In-country Maintenance Materials Fund

The Maintenance Materials Fund has been used to provide materials to maintain facilities funded under the predecessor BHN/CED projects with the countries meeting the counterpart costs of transportation and labour. The scheme has been fairly successful with variation in the demand for these funds based on need, availability of counterpart funding, and competing maintenance requirements of other non-BHN/CED schools and health centers. As discussed above, maintenance activities will be expanded to include all government-owned facilities in the health and education sectors with the same conditions as previously agreed. Rather than straight-line allocations among the participating countries, allocations will be based on identified need as determined by the inventories discussed above, and demonstrated counterpart commitment, as evidenced by budgetary provisions for labour and transportation.

c. Public Awareness Activities

A twenty-minute video, five television spots and six radio spots, stressing the importance of, and the need for, preventive maintenance as a public responsibility, have been produced under this component. Additional funds will be provided under this Amendment to further these public awareness activities, using the video as a focus. The creation and production of relevant posters will also be funded.

d. Maintenance Manuals

The maintenance manuals produced and distributed to BHN/BNTF facilities under this subcomponent have been a great success. In keeping with the extension of BNTF maintenance activities to all government-owned facilities in the education and health sectors, additional copies will be printed and distributed to these facilities, as well as to libraries in the beneficiary countries.

e. Maintenance Implementation

This subcomponent has been used to fund the implementation of recommendations arising out of the maintenance evaluation; viz. the provision of toolkits to BNTF funded facilities, the holding of maintenance workshops for facility users and the provision of prizes for a maintenance competition for the BHN/CED and BNTF schools. The first two abovementioned activities have been very effective and will be continued under the amendment. The maintenance competition will be completed nearer to the current PACD and may be continued contingent upon local demand and the availability of funds provided by the respective governments.

### 3. Project Management and Implementation

The mid-term project evaluation found that the current project management system, involving regional and subregional management by CDB and USAID, country-specific management by full-time supervisors and other host country personnel, and the use of engineering consultants for design and construction supervision, generally worked well. Subprojects have been planned, designed, submitted, and approved rapidly; funds have flowed smoothly, so that problems with cash flow have not held up subproject progress; and, communications among the management team have been well coordinated. The same management structure will continue under this amendment. Its essential elements are as follows:

#### a. CDB

Primary management responsibility will be provided by the Infrastructure Division of CDB where an efficient management team is already in existence. The team consists of three engineers and a secretary. The management team is responsible for overall implementation of the Project and is supported by other divisions of CDB (mainly Legal and Finance) as required.

#### b. A & E Consultants

While the beneficiary countries generally have the capability to complete the designs, the small sizes of their respective design units place constraints on their capacity to provide these designs in the time required for rapid implementation. Furthermore, the need for independent verification of construction activities prior to the authorization of disbursements makes the retention of consultants mandatory for technical inspection and issuance of payment certificates on all projects.

#### c. In-country Supervision

The in-country project supervisors have made a substantial contribution to the success of project implementation in their role as day-to-day managers and supervisors of all financed subprojects as well as liaisons with the CDB management team. Funding will be continued during this two year amendment.

#### d. Public Information Program

This component will provide for the publication of information on the program in the various media as well as for the AID plaques and emblems for the subproject sites. A

substantial amount of "free" publicity is obtained in Government publications; however, advertisements of procurement notices need wider dissemination and these costs must be allowed for.

e. Evaluations

The original project design called for three evaluations, two of which have been completed. The third and final evaluation will be undertaken by external consultants at project completion to evaluate overall impact. In the interim, BNTF will be included in RDO/C's Infrastructure Evaluation to be conducted near the end of CY88 and financed under the IEMS project. In accordance with AID payment verification procedures, a compliance audit of BNTF will be conducted by a local CPA firm with affiliate offices in the U.S. and experience in conducting such audits.

D. Sub-project Selection Criteria

Initial subproject selection was based on a Multiple Criteria Utility Assessment formula contained in the original PP. This approach proved to be contrived and impractical. In preparation for this Amendment, AID-financed consultants, and AID and CDB staff conducted site visits to a representative sample of participating countries to propose a methodology for the selection of subprojects. Criteria for subproject selection have been established based on international and regional norms for BNTF-type subprojects, interviews with sectorial specialists, and the original Project Paper. Their purpose is to ensure that, within the design framework, the subprojects are indeed alleviating constraints in their respective sectors.

A distinction is made between certain general norms which apply to all subprojects and specific norms for subprojects in given sectors. A detailed discussion of these norms can be found in Annex I.:

1. General Norms

- o Subprojects should be limited to the following sectors: health, education, water supply, drainage, footpaths, roads, and day care centers.
- o Subprojects financed under BNTF may not exceed US\$500,000.
- o Subproject designs should maximize labor-intensive technologies, while minimizing recurrent maintenance costs.
- o Subprojects should be geographically dispersed.

- o New construction should only be undertaken when answering an identifiable need; rehabilitation works only when a structure operating at or above planned capacity presents major defects and wear-and-tear.

2. Specific Norms

Annex I provides a detailed description of the specific norms and the conclusions reached with respect to subproject eligibility. These are summarized below:

a. Health

To appraise health coverage of a given region, the following indicators should be used:

1. Type of services provided in the clinic
2. Population in the clinic's catchment area
3. Physical accessibility of the clinic
4. Utilization of the clinic by the population

In summary, the construction of new primary health clinics is justified in those areas where people are presently traveling for more than an hour, provided the clinic will offer the 8 minimum service elements in accordance with WHO guidelines, and that their population is at least 2000 people. Extensions and additional clinics in populated areas may be considered where utilization exceeds 100% of planned capacity. Rehabilitation works should only be considered for clinics operating close to or above their expected utilization. Upon subproject approval by the CDB and concurrence by USAID, technical assistance will be available from other AID projects to explore the adoption and implementation of an amended user fee schedule and the possibility of the clinic retaining a portion of the fees as incentives to private financing of health care delivery services.

b. Education

The following indicators should be used to measure the extent of education coverage, and to assist in the decision to build additional school infrastructure:

1. Number of pupils per classroom
2. Dimension of classroom
3. Travel distance to school
4. Children unable to attend school due to infrastructure constraints

Extension or new school construction are justified when one of the three following conditions occur: a) the existing school is operating significantly over capacity, defined as below 20 sq. feet of classroom space per pupil or where shift systems are in use; b) where travel time exceeds 1 hour; and, c) where students are unable to attend school because there is a shortage of classroom space or because they live too far from school. Economies of scale require any secondary school construction to serve a minimum of 400 students.

c. Water Supply

A water supply subproject will be considered as justified when: 1) all provisions are made that the water supplied by the new system will be safe for human consumption; and, 2) the new system will reduce access time to safe water supply to the relevant population to less than 15 minutes walking distance. The development of treatment plants on existing untreated water supplies and the extension of existing systems can be justified on this basis.

d. Drainage and Footpaths

Drainage and footpaths are considered as a basic need whenever it is found that the lack thereof has adverse effects on the living conditions and health of the population.

e. Roads

Road rehabilitation subprojects will be justified if current traffic on the proposed road is of at least 20 vehicle movements per day.

f. Day Care Centers

The following indicators should be used to assist in the decision to build a day care center:

1. Number of children per caretaker
2. Number of children per square foot
3. Centrally located to industrial site's catchment area
4. Financial viability of center

Construction of day care centers is justified when the proposed child/caretaker ratio is not greater than 15/1, when a minimum of 20 sq. ft. per child is allocated, and when adequate financing is available to ensure effective operations of the center. Upon subproject approval by the CDB and concurrence by USAID, technical assistance will be available from other AID

projects to explore alternative modes of financing (e.g. the beneficiary companies in the industrial site) the center's recurrent costs, including operations and routine maintenance.

### 3. Other Selection Criteria

In addition to the selection criteria outlined above, host government priority, availability of alternative funding and consonance with AID and CDB policies will continue to be overriding factors in subproject selection.

#### E. Country Allocations

Under the original BNTF, a total of \$12.55 million was allocated for construction subprojects under the Physical Infrastructure Fund. \$7.6 million was distributed on the basis of absorptive capacity, population, demonstrated need, size and quality of subprojects and recipient government commitment to maintenance. An incentive structure was built into the second phase of the Physical Infrastructure Fund, known as the Performance Program, whereby countries were judged and funds (\$4.95 million) allocated on the basis of the countries' implementation performance, not only in terms of the speed of actual subproject construction, but also the attention accorded to maintenance of BHN/CED subprojects.

Under this Amendment, an additional \$7.59 million has been allocated for subprojects on the basis of the need criteria cited above plus the speed of implementation of the Performance Program subprojects and the in-country maintenance activities arising out the BNTF maintenance evaluation.

TABLE 2  
Country Allocations

Country	Population	Present Allocation \$	Incremental Allocation \$	Total Allocation \$
Anguilla	6,800	348,500	250,000	598,500
Antigua & Barbuda	81,000	1,386,100	500,000	1,886,100
Belize	169,500	1,876,150	1,100,000	2,976,150
British Virgin Is.	12,000	-	300,000	300,000
Dominica	78,100	1,876,150	1,100,000	2,976,150
Grenada	102,100	1,485,100	1,000,000	2,485,100
Montserrat	11,900	548,500	140,000	688,500
St. Kitts & Nevis	45,800	1,584,100	800,000	2,384,100
St. Lucia	139,500	1,762,300	1,100,000	2,862,300
St. Vincent & the Grenadines	111,000	1,683,100	1,100,000	2,783,100
Turks & Caicos Is.	10,000	-	200,000	200,000
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	767,000	12,550,000	7,590,000	20,140,000

III. COST ESTIMATE AND FINANCIAL PLAN

A. Component Cost Summary

The original Project totaled US\$16.2 million in grant assistance of which AID contributed \$12.7 million and the CDB \$3.5 million. Under this Amendment, project funding will be increased by \$10 million with AID contributing \$5 million and CDB \$5 million, bringing the total grant assistance to \$26.2 million. An additional two years will be required to implement the activities described in this Amendment. A summary of the original, incremental, and revised total cost by major project component and source of funding is provided below.

TABLE 3  
BNTF AMENDMENT COMPONENT COST SUMMARY  
LOP COST (US\$000s)

<u>COMPONENT</u>	<u>ORIGINAL</u>		<u>AMEND #1</u>		<u>TOTAL</u>		<u>COMBINED</u> <u>TOTAL</u>
	<u>AID</u>	<u>CDB</u>	<u>AID</u>	<u>CDB</u>	<u>AID</u>	<u>CDB</u>	
Physical							
Infrastructure	9,707	2,843	3,795	3,795	13,502	6,638	20,140
Maintenance	650	-	362.5	362	1,012.5	362.5	1,375
Project							
Mgmt./Imp.	<u>2,343</u>	<u>657</u>	<u>842.5</u>	<u>842.5</u>	<u>3,185.5</u>	<u>1,499.5</u>	<u>4,685</u>
TOTAL	12,700	3,500	5,000	5,000	17,700	8,500	26,200

B. Financial Plan

Table 4 gives details of the financial plan for the amended portion of the Project. Table 5 estimates the level of expenditures by project year for the six year life of project. Project years equate to fiscal years assuming authorization and obligation prior to the current PACD of September 30, 1988. The latest estimate of expenditure on the project indicates that at the present PACD, approximately \$622,000 of the total grant will remain unspent, which explains the difference between the figures presented in Table 4 and 5. This is the result of savings on several completed items and two in progress which are unlikely to be completed before the PACD. The incremental allocations made in Table 4 assume use of these unexpended amounts in the extension to the Project.

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**TABLE 4**  
**SUMMARY FINANCIAL PLAN OF INCREMENTAL ALLOCATION**

ITEM	YEAR 5		YEAR 6		TOTAL
	AID	CDB	AID	CDB	
A. Physical Infrastructure	1,518,000	1,518,000	2,277,000	2,277,000	7,590,000
B. Maintenance					
1. Manuals	2,500	2,500	-	-	5,000
2. Mtce. Plans Dev.	60,000	60,000	-	-	120,000
3. Public Awareness Act.					
a. Video Preparation	-	-	-	-	0
b. Local PR Act.	10,000	10,000	5,000	5,000	30,000
4. Ctry. Mtce. Funds	75,000	75,000	175,000	175,000	500,000
5. Mtce. Implementation					
a. Toolkits	5,000	5,000	20,000	20,000	50,000
b. Mtce. Workshops	10,000	10,000	-	-	20,000
c. Mtce. Competition	-	-	-	-	0
Subtotal	162,500	162,500	200,000	200,000	725,000
C. Project Management and Implementation					
1. CDB					
a. Subproject Ident.	-	-	-	-	0
b. Project Seminar	4,000	4,000	-	-	8,000
c. Dir. Hire - CDB	91,000	91,000	95,000	95,000	372,000
d. Public Info.	-	-	6,000	6,000	12,000
e. Travel - CDB	19,000	19,000	21,000	21,000	80,000
f. Indirect Costs	38,000	38,000	40,000	40,000	156,000
g. Contingencies	-	-	17,000	17,000	34,000
Subtotal	152,000	152,000	179,000	179,000	662,000
2. Country Supervisors	49,000	49,000	97,500	97,500	273,000
3. Consultants (A&E)	191,560	219,000	156,000	156,000	722,560
4. Evaluations	27,440	-	-	-	27,440
<b>TOTAL</b>	<b>2,100,500</b>	<b>2,100,500</b>	<b>2,899,500</b>	<b>2,899,500</b>	<b>10,000,000</b>

TABLE 5  
SUMMARY FINANCIAL PLAN

ITEM	ACTUAL DISBURSEMENTS						COMMITMENTS		PROJECTED DISBURSEMENTS				TOTAL
	YEAR 1		YEAR 2		YEAR 3		YEAR 4		YEAR 5		YEAR 6		
	AID	CDB	AID	CDB	AID	CDB	AID	CDB	AID	CDB	AID	CDB	
A. Physical Infrastructure	1,115,661	16,343	3,861,162	563,065	1,542,783	393,227	3,187,394	1,869,565	1,518,000	1,518,000	2,277,000	2,277,000	20,140,000
B. Maintenance													
1. Manuals	-	-	2,000	-	13,935	-	2,625	-	3,940	2,500	-	-	25,000
2. Mtce. Plans Dev.	-	-	-	-	-	-	10,000	-	100,000	60,000	-	-	170,000
3. Public Awareness Act.	-	-	-	-	479	-	49,522	-	10,000	10,000	5,000	5,000	80,000
4. Ctry. Mtce. Funds	-	-	5,234	-	110,226	-	134,540	-	225,000	75,000	175,000	175,000	900,000
5. Mtce. Implementation	-	-	-	-	55,446	-	44,554	-	45,000	15,000	20,000	20,000	200,000
Subtotal	0	0	7,234	0	180,085	0	241,241	0	383,940	162,500	200,000	200,000	1,375,000
C. Project Management and Implementation													
1. CDB													
a. Subproject Ident.	16,267	1,317	-	-	-	-	-	3,683	-	-	-	-	22,000
b. Project Seminar	5,747	1,616	-	-	5,696	1,425	-	-	8,557	4,959	-	-	28,000
c. Dir. Hire - CDB	80,712	21,343	113,665	33,082	113,271	31,275	162,352	43,500	91,000	91,000	95,000	95,000	972,000
d. Public Info.	4,782	1,094	8,985	2,246	8,628	1,836	9,305	3,124	14,300	3,700	6,000	6,000	70,000
e. Travel - CDB	3,978	1,384	17,766	4,145	20,623	5,228	20,627	6,243	19,000	19,000	21,000	21,000	160,000
f. Indirect Costs	29,265	7,780	46,747	12,260	45,555	12,425	57,413	23,535	38,000	38,000	40,000	40,000	391,000
g. Contingencies	-	-	-	-	-	-	-	-	36,000	9,000	17,000	17,000	79,000
Subtotal	140,771	34,534	187,163	52,533	193,779	52,189	250,430	80,085	206,857	165,659	179,000	179,000	1,722,000
2. Country Supervisors	50,156	13,331	79,665	21,517	71,389	19,372	130,790	33,780	84,000	84,000	87,500	87,500	763,000
3. Consultants (R&E)	155,416	13,712	216,022	25,762	144,487	129,463	302,075	113,063	302,560	258,000	156,000	156,000	1,972,560
4. Evaluations	29,447	-	57,993	-	-	-	-	-	50,000	-	90,000	-	227,440
<b>TOTAL</b>	<b>1,491,451</b>	<b>77,920</b>	<b>4,409,239</b>	<b>663,677</b>	<b>2,132,523</b>	<b>594,251</b>	<b>4,111,930</b>	<b>2,096,493</b>	<b>2,545,357</b>	<b>2,188,159</b>	<b>2,989,500</b>	<b>2,899,500</b>	<b>26,200,000</b>

Notes: 1. Disbursements for Yrs. 1 to 3 are at 12-31-85, '86, and '87 respectively.  
 2. Year 4 ends at 9-30-88.  
 3. Years 5 and 6 are from 10-01-88 to 9-30-89 and 10-01-89 to 9-30-90 respectively.

The elements to be financed were discussed in Section II at length and additional details of the maintenance and project management and implementation components of the Project can be found in Annex F.

C. Methods of Implementation and Financing

The Basic Needs Trust Fund Project is implemented by the Caribbean Development Bank through a separate Trust Fund account established within the CDB. Funds have been disbursed to the CDB on a 90 day advance system in accordance with AID Handbook 11 implementing procedures. As covenanted, the CDB has established a Letter of Credit in a commercial bank in each participating country. Drawdowns on the Letters of Credit are done in accordance with actual expenditures for subprojects and replenished by the CDB as necessary throughout the life of the project. The country supervisor is empowered to make payments based on certified documentation by a designated official of the Ministry of Finance and, as appropriate, by retained consultants.

The implementing organization, through past and present loan and grant funded projects, has substantial experience monitoring AID's financial and procurement requirements. Under the Management and Implementation component, financing is provided for the necessary support staff from CDB's Finance Division to ensure adequate procedures for: controlling and reporting on flows of funds, adhering to and recording compliance with AID and CDB's procurement regulations, and, evaluating the financial statements submitted by the participating countries. In summer 1987, RDO/C's Controller's Office, as a part of its regular oversight responsibilities, conducted a financial review of CDB financial operations with respect to BNTF. The CDB was deemed to be in compliance with AID's financial and procurement procedures.

Fifty thousand dollars (US\$50,000) has been set aside under the Evaluation line item of this Amendment for a project audit in accordance with Payment Verification Policy Statement No. 6. Since annual financial audits of CDB's operations are conducted by external auditors, it is expected that project funds will be used to conduct a compliance audit. This will be carried out by one of the local CPA firms with affiliate offices in the U.S. who have experience in conducting such audits. This mix will enable local CPA firms to build up their capability and ensure IG approval through cross-fertilization with U.S. auditors familiar with AID rules and regulations.

As indicated in the P.P. Amendment cover sheet, the RDO/C controller has reviewed and approved the methods of implementation and financing for the activities included in this amendment.

#### IV. IMPLEMENTATION PLAN

##### A. Implementation Analysis

The amended BNTF is a six year and 3 months project with a PACD of September 30, 1990. Activities under the present phase of BNTF are ongoing, with expected completion of the construction subprojects by the end of June, and all other activities by the September 30, 1988 PACD. The implementation schedule is divided into the two major project components: Physical Infrastructure, and Maintenance Systems Development. The third, Management and Implementation is ongoing, and assuming there is no gap between the current PACD and obligation of this amendment, should involve no significant start-up time. If this is not the case, then at least three months will need to be added to the overall implementation schedule. The implementation schedule (Table 6) assumes a fourth quarter FY 88 obligation and initiation of amendment activities beginning in August. While there is a certain degree of flexibility, the early obligation date is assumed in order to initiate contracting actions for the maintenance development component as soon as possible.

The only RDO/C implementation action required under both components discussed below is the drafting and signing of the Project Grant Agreement Amendment and modifying the basic implementation letter, where necessary. Following the ProAg signing, the CDB will amend the existing country grant agreements to increase the allocations presently authorized. These agreements deal specifically with subproject review and approval processes, disbursements, the use of consultants, maintenance responsibilities, etc.

##### 1. Physical Infrastructure Fund

The preliminary subproject lists for this Amendment have already been submitted by almost all of the participating governments. The CDB management team will be responsible for reviewing these for eligibility and compliance with the selection criteria before proposing individual subprojects for RDO/C's concurrence and approval by the President of CDB. The CDB management team, in collaboration with the country supervisors, will be responsible for the procurement of A&E consultants for the design, construction and supervision of the approved subprojects. The CDB will organize and conduct the project supervisors' workshop.

##### 2. Maintenance Systems Development

The CDB will solicit qualified consultants in each of the beneficiary countries to assist in the development and implementation of maintenance plans. Letters inviting proposals from in-country consultants will be forwarded around mid-year and it

is anticipated that they will be in place by the end of September. The first task will be to prepare a complete inventory, inclusive of a technical inspection, of the stock of schools and health clinics in the eleven participating countries. This will be followed by identification of the priority repairs, preparation of a budget and reconciliation with the existing country budget for the current financial year. The consultants will also be required to review the existing maintenance practices in the various countries and make recommendations for the improvement and enhancement of these systems in light of their findings. In consultation with the respective governments, the databases and appropriate recommendations prepared by the consultants will be used to assist in the preparation of a plan incorporating routine and preventative maintenance in the context of the existing financial parameters. CDB staff, who are already assisting the countries in preparation of their public sector investment programs, will assist in this exercise as their access to the decision makers in the various countries is superior to that which would be accorded to consultants. The Maintenance Materials Fund will then be allocated on a priority basis, with the participating governments providing labor and transport. Workshops will be conducted for facility users and maintenance personnel to familiarize them with preventative maintenance techniques and basic repairs. These workshops will be conducted by personnel from the particular country's vocational school who have already indicated their willingness to do so. Additional toolkits and maintenance manuals will be prepared and distributed to the newly constructed facilities and other public awareness activities will be implemented throughout the remaining two years.

TABLE 6  
BNTF AMENDMENT IMPLEMENTATION SCHEDULE

August 88	- Project Agreement signed by AID and CDB
	- Letters of invitation soliciting Maintenance Consultants forwarded
	- Public Awareness Campaign launched
September 88	- Country Agreements amended and signed
	- Final subproject selection initiated
October 88	- Maintenance Consultants hired
	- Procurement of A&E consultants initiated
November 88	- Country Supervisors' Contracts extended
December 88	- RDO/C Infrastructure Evaluation conducted
	- Design of Subprojects begins

- January 88 - Subproject construction begins
- February 89 - Maintenance Plans completed
- March 89 - Maintenance Materials Fund activities initiated
- April 89 - Maintenance Workshops conducted, toolkits and manuals distributed
- August 89 - Compliance audit conducted
- October 89 - Country Supervisors Workshop conducted
- August 90 - Construction subprojects completed
- August 90 - Final evaluation of Project Activities
- September 90 - PACD

B. Procurement Plan

1. A&E Consultants

The proposed subprojects range from schools, health clinics, water and drainage systems to rural roads and footpaths and are located in eleven separate countries. All of the subprojects will be undertaken by force account or through private contracts, with preference for the latter due to more rapid implementation. As needed, short-term consultants will assist both private contractors and relevant ministries in planning and design. These consultants will perform periodic inspections of the work and its certification for disbursements. To continue this service which will be undertaken by firms from the participating Caribbean countries, an additional \$780,000 has been budgeted for the remaining two years of the Project.

The private sector capacity is available on each island and the CDB, in consultation with the country supervisors and relevant government authorities, will continue to select and negotiate contracts with qualified firms.

As part of initial project implementation of BNTF, RDO/C's Regional Legal Advisor examined CDB's guidelines for procurement and its guidelines for choice of consultants. The initial Implementation Letter authorized use of the CDB's procurement rules to the extent that they were consistent with the tenor of AID's rules. The IL noted the areas of inconsistency and recommended appropriate solutions. It is recommended that, under this Amendment, the narrow interpretation of situs country as the sole source of procurement besides the United States, be broadened to allow participation by Caribbean member countries of the CDB and possibly other CDB member countries. The waiver requesting this modification is discussed below. This would allow greater flexibility and enhance competition. At the country level, the relevant ministry and the country supervisor will be responsible for procuring services and related materials and equipment in consonance with the CDB's procurement guidelines accepted by AID.

2. Maintenance Plans Consultants

The CDB will solicit, using letters of invitation requesting proposals addressing specific terms of reference, qualified consultants in each of the beneficiary countries to assist in the development and implementation of maintenance plans. These consultants will be supervised and their work coordinated by the CDB management team who will also be responsible for initiating and conducting the discussions with appropriate officials of the various governments on the findings and recommendations of the consultants.

C. Procurement Waiver

The source eligibility for SDA grant monies under this project is Code 000 and the participating CDB member countries. On September 13, 1984, a waiver was approved to (1) permit the procurement of commodities totaling up to 2.5 million U.S. dollars from AID Geographic Code 899 and (2) authorize an increase in the unit price for off-the-shelf procurement from \$5,000 to \$10,000 for the BNTF project. Under this Amendment, the RDO/C Director is being requested to waive U.S. source, origin, and nationality requirements from AID Geographic Code 000 to permit AID financing of the procurement of goods and services, other than transportation services, in any country included in AID Geographic Code 899 for up to an additional \$2.5 million of project funds. The text of the waiver and supporting justification are contained in Annex K.

V. MONITORING PLAN

A. AID Responsibilities

RDO/C's Engineering Office will continue to have overall AID project management responsibilities for the Project. Working in conjunction with the Project Development Office, the Regional Legal Advisor, the Regional Contracting Officer, and the Controller, an engineer in this Office will monitor all grant activities, maintain regular communications with the CDB, assure compliance with the Grant Agreement, and participate in evaluations, and other project work, as necessary. In addition to these general areas, the Engineering Office will (1) review and forward for disbursement all CDB vouchers, (2) participate in any operational approval processes requiring AID approval, (3) receive quarterly progress reports, and (4) visit individual participating countries to assure that the Project is being implemented as mutually agreed upon.

B. CDB Responsibilities

The current CDB management team, consisting of the Chief Project Officer, two Project Officers (both engineers) and a secretary from CDB's Infrastructure Division, will continue to have overall responsibility for all facets of project implementation. This includes liaising with host governments, country supervisors, AID and external consultants, as necessary, to carry out this Project Amendment. The Chief Project Officer will be specifically responsible for the implementation of all aspects of the project and can access additional CDB staff, as needed, to assist with project implementation.

C. Host Country Responsibilities

During the remainder of the Project, a range of subproject construction and maintenance activities will be implemented at the country level. Each participating country will continue to have a country supervisor who will be responsible for all facets of the Project at the country level.

Most of the design and construction of the subprojects will be carried out by external consultants. The country supervisor will be responsible for ensuring preparation of subproject documentation, procurement, weekly monitoring and inspection, report writing, voucher preparation, etc.

Maintenance activities will continue to receive special attention under this Amendment. Local consultants, coordinated by the CDB management team, will assist the host governments in the development and implementation of overall maintenance plans. Maintenance activities will be under the supervision of the country supervisor in association, as appropriate, with government ministries and private contractors.

## VI. SUMMARY ANALYSES

Since the technical aspects, implementing institution, and intended beneficiaries of the project remain unchanged under this Amendment, only the economic analysis has been revised (see Annex I) and its conclusions summarized below. The environmental considerations contained in the Initial Environmental Examination prepared for this Amendment have also been included.

### A. Revised Economic Analysis

The economic analysis in Annex I estimates the overall economic benefit which will be generated by an extension of the BNTF project. In order to calculate the economic return of the project, the analysis attempted to estimate the macroeconomic sectorial marginal rates of return of the project, and to add to these the benefits from temporary employment provided under BNTF to otherwise underemployed disadvantaged poor. The analysis assumes that only subprojects which effectively alleviate sectorial constraints will be undertaken. The general and specific norms discussed in Section II.D. will be used to identify such subprojects. The results of the analysis are present below.

#### 1. Rate of Return of the Project

The analysis estimated rates of return for investment in the social sectors in the Eastern Caribbean and provided the rationale for determining eligible and ineligible sectors for BNTF financing. For primary health care clinics in the Eastern Caribbean, it is reasonable to assume that construction or rehabilitation will, whenever such works are actually needed according to WHO guidelines, generate rates of return in excess of 12%. Taking into account the employment of otherwise unemployed people, the returns from BNTF health-related subprojects will exceed 16%, when in line with WHO guidelines. Additional school infrastructure, water supply and drainage systems will also generate similar rates of return. Though the economic and social benefits of footpaths cannot be quantified, they are in the range of other BNTF subprojects. If the norms cited in Section II.D. are applied, road projects under the BNTF project can be expected to yield rates of return of 16% and above.

The analysis recommended that multipurpose and community centers be excluded from financing under this Amendment given the relatively low socio-economic benefits they generate in comparison with other subprojects described above. For organizational and institutional reasons as well as questionable targetting of the intended poor and disadvantaged project beneficiaries, it is recommended that agricultural and reforestation

projects be excluded, even when the rates of return appear relatively high. The analysis recommended that day care centers not be eligible for financing under this Amendment since the "willingness to pay" is very low and the centers would not be financially viable unless government subsidized, thereby reducing the likelihood that they could function effectively.

## 2. Conclusion

Provided adequate guidelines for project selection are followed, balanced investments in the social sectors to be financed under the BNTF project will yield rates of return of at least 16%, well above the usual requirements for development projects. More specifically, the rates of return for primary health care clinics, school infrastructure, water supply and drainage systems, and roads justify their inclusion as eligible subprojects under this Amendment. Agricultural and reforestation subprojects as well as multipurpose, community, and day care centers were not recommended for financing under this Amendment. In the Mission review of this PP Amendment, it was decided that day care centers are eligible as subprojects under this Amendment if they can be justified on the basis of demand, and if sufficient financing could be arranged to cover both initial capital costs and ongoing operating expenses.

### B. Environmental Considerations

The amendment to the Initial Environmental Examination (IEE) recommending a Negative Threshold Determination was approved by the LAC Chief Environmental Officer (see Annex D). The IEE amendment recognizes that the vast majority of possible subprojects will neither need nor benefit from further environmental analysis. This shall apply to all subprojects which are designed to rehabilitate, add to, extend, repair or maintain existing infrastructure, so long as such development does not significantly change, or cause to be changed, the character or use of the original infrastructure or affected area. However, in the case of subprojects which may change, or cause to change, land use patterns, environmental systems such as hydrology, water and air quality, physical ecology, are of a controversial nature, or where there is a reasonable risk of significant adverse effects on the general environment, further environmental analysis will be required. As a covenant to the Project Grant Agreement, the CDB will, for any subproject where consultants indicate there may be potentially significant adverse effects, further review the findings related to these environmental effects. Any such subprojects will be subject to additional environmental analyses by the CDB staff and AID approval prior to CDB financing.

VII. NEGOTIATING STATUS, CONDITIONS PRECEDENT, AND COVENANTS

A. Negotiating Status

RDO/C has discussed the continuation of the Basic Needs Trust Fund. Agreement has been reached on the additional amounts to be provided by the two institutions, the extension of the PACD, the addition of the British Virgin Islands and Turks and Caicos, and the mix of construction and maintenance activities to be undertaken under this Amendment. This PP Amendment is viewed as a collaborative endeavor and as such, has been submitted simultaneously to RDO/C and CDB management for review. Major issues to be discussed in these reviews are the country allocations, subproject eligibility, expanded procurement, and the additional Special Covenant included below. Once reviewed and approved by the CDB management, and upon notification that AID funds have been identified, the proposal will be submitted to the CDB Board of Directors for consideration and approval prior to signing of the Project Agreement.

B. Conditions Precedent and Special Covenants

The Conditions Precedent to disbursement contained in the original Grant Agreement have been satisfied and no additional CPs are recommended for this Amendment. The Special Covenants in the original Grant Agreement remain in force. The original CPs and Special Covenants are included in Annex L.

VIII. EVALUATION PLAN

A. Final Evaluation

There will be one review and one evaluation conducted during the remaining life of project. A mid-project review of the BNTF Project will be included in RDO/C's Infrastructure Evaluation. The second and final evaluation will be conducted and financed under the Project in the final months preceding the PACD. It will analyze the Project in terms of anticipated outputs and the projected end-of-project status (see Logical Framework Matrix, Annex B). Specifically, it will collect data on the following:

- the value of the capital stock constructed, rehabilitated or improved;
- the actual number of beneficiaries and benefits derived from improved social and economic infrastructure;
- the actual number of person-weeks of employment provided, broken out by skilled and unskilled labor, age, gender, pre- and post-project employment;
- host country commitment to effective and efficient maintenance systems for government-owned health and education facilities, as evidenced by successful development and implementation of maintenance plans, improved planning, budgeting and management for such maintenance activities; and,
- increased public awareness and commitment to the maintenance of public facilities, as evidenced by reduced vandalism; contributions by the beneficiary communities, especially the facility users, to preventive maintenance; best-kept competitions; and other publicity initiatives.



4. THE 1988 CP FOR RDD/C SHOWS THE PLANNED LIFE OF PROJECT FUNDING AS DOLS 18.3 INCREASED FROM DOLS 12.7 IN THE PREVIOUS YEAR. HOWEVER, THE 1989 CP SHOWS A PLANNED LOP AUTHORIZATION OF DOLS 12.7 REVERTING TO THE ORIGINAL FUNDING LEVEL. REF (A) ADVISES OF A PLANNED LOP OF DOLS 17.7 MILLION. PLEASE CLARIFY FUNDING LEVELS AND ACCOUNTS.

5. A CN WILL NOT BE REQUIRED IF THE REVISED LOP LEVEL IS INCLUDED IN THE GLOBAL REPORT TO BE TRANSMITTED TO CONGRESS WITHIN THE NEXT FEW WEEKS. LIKewise, THE ADDITION OF SDA TO THIS PROJECT WILL NOT REQUIRE A CN IF IT IS ALSO INCLUDED IN THE GLOBAL REPORT. (NEW CN GUIDANCE WILL BE TRANSMITTED TO MISSIONS SHORTLY.)

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08/07/88

VZCZCWN I \*  
 RF RUEHC  
 DE RUEHWN #2300/01 077 \*\*  
 ZNR UUUUU ZZH  
 R 171312Z MAR 88  
 FM AMEMBASSY BRIDGETOWN  
 TO SECSTATE WASHDC 9857  
 BT  
 UNCLAS SECTION 01 OF \* BRIDGETOWN 02300

ANNEX A  
 Page 3 of 6

CLASS: UNCLASSIFIED  
 CHRG: AID 03/15/88  
 APPRV: A/DIR:ABISSET  
 DRFTD: PDD:EDWARFIELD  
 CLEAR: NONE  
 DISTR: AID AMB DCM  
 POL/ECON CHRON

AIDAC

E.O. 12356: N/A  
 TAGS: NONE  
 SUBJECT: BNTF PP AMENDMENT

REF(A): '88 STATE 056240; (B) '88 BRIDGETOWN 00600

1. THIS IS AN ACTION MESSAGE.

2. THE PURPOSE OF THIS CABLE IS TO PROVIDE THE INFORMATION REQUESTED IN PARA 3 OF REF (A): DEFINITION OF MAINTENANCE/RENOVATION ACTIVITIES; SELECTION CRITERIA FOR RENOVATION PROJECTS; AND, ESTIMATES OF TOTAL NUMBER OF CLASSROOMS TO BE RENOVATED AND COST. RESPONSE TO THIS REQUEST WAS CONTINGENT UPON THE RECEIPT OF THE SUBPROJECT LISTS FROM THE PARTICIPATING COUNTRIES, AND REVIEW AND REVISION OF THE SELECTION CRITERIA BY THE PP AMENDMENT DESIGN TEAM. BOTH OF THESE ACTIVITIES WERE COMPLETED THIS WEEK. IT SHOULD BE NOTED THAT THE CLASSROOM ESTIMATES AND COST ARE BASED ON A LIST OF SUBPROJECTS SUBMITTED BY PARTICIPATING HOST GOVERNMENTS IN ACCORDANCE WITH GUIDELINES PROVIDED BY THE CARIBBEAN DEVELOPMENT BANK. THE REQUESTS FAR EXCEED THE EXPECTED COUNTRY ALLOCATIONS WHICH WILL BE DETERMINED IN THE COMING WEEKS AS WE FINALIZE THE PROJECT PAPER AMENDMENT.

3. DEFINITION OF MAINTENANCE/RENOVATION ACITIVITIES: MAINTENANCE/RENOVATION ACTIVITIES ARE DEFINED AS WORKS TO AN EXISTING STRUCTURE CURRENTLY IN USE. MAINTENANCE ACTIVITIES ARE THOSE WORKS WHICH IMPROVE THE CONDITION OF THE STRUCTURE, WITHOUT SIGNIFICANTLY CHANGING THE QUALITY OF SERVICE OFFERED BY THAT STRUCTURE. RENOVATION ACTIVITIES ARE THE WORKS NECESSARY TO BRING THE LEVEL OF SERVICE BACK TO NORMAL, WHEN A STRUCTURE IS NOT CAPABLE OF FULFILLING ITS INTENDED USE DUE TO DAMAGES.

4. SELECTION CRITERIA: IN ANTICIPATION OF THE PROPOSED AMENDMENT, PARTICIPATING GOVERNMENTS WERE REQUESTED IN JANUARY TO SUBMIT A LIST OF SUBPROJECTS. INDIVIDUAL COUNTRY ALLOCATIONS WILL BE DETERMINED BASED ON NEED AND PAST PROJECT PERFORMANCE, BOTH WITH RESPECT TO MAINTENANCE AND IMPLEMENTATION. THE SELECTION CRITERIA CONTAINED IN THE PP AND GRANT AGREEMENT AMENDMENT WILL BE APPLIED TO THESE SUBPROJECT LISTS TO DETERMINE THEIR

ELIGIBILITY FOR FINANCING UNDER BNTF. OVER THE PAST THREE WEEKS, TWO ECONOMISTS ASSISTED THE MISSION IN REVIEWING AND REVISING THE SUBPROJECT SELECTION CRITERIA. THEY HAVE PROPOSED A SET OF GENERAL NORMS TO BE APPLIED TO ALL PROJECTS, AND SPECIFIC NORMS FOR GIVEN SECTORS.

THE RELEVANT GENERAL NORMS ARE AS FOLLOWS: A) SUBPROJECTS FINANCED SHOULD NOT EXCEED US DOLS 500,000 AND SHOULD BE COST EFFICIENT; B) SUBPROJECTS MUST BE BUILT ON LAND OWNED BY THE GOVERNMENT; C) SUBPROJECT DESIGNS SHOULD MAXIMIZE LABOR INTENSIVE TECHNOLOGIES, WHILE MINIMIZING RECURRENT MAINTENANCE COSTS; D) SUBPROJECTS SHOULD BE GEOGRAPHICALLY DISPERSED IN THE BENEFICIARY COUNTRIES; AND, E) NEW CONSTRUCTION SHOULD ONLY BE UNDERTAKEN WHEN ANSWERING AN IDENTIFIABLE NEED AS DEFINED BELOW. REHABILITATION WORKS SHOULD ONLY BE UNDERTAKEN WHEN A STRUCTURE IS OPERATING CLOSE TO OR ABOVE ITS ORIGINAL PLANNED CAPACITY BUT PRESENTS MAJOR DEFECTS AND WEAR-AND-TEAR. AS A RULE OF THUMB, IT IS PROPOSED THAT NO FACILITY USED AT LESS THAN 70% OF ITS PLANNED CAPACITY SHOULD BE REHABILITATED WITHOUT FURTHER INSTITUTIONAL ANALYSIS. AS IN THE PREVIOUS PHASES OF BNTF, HOST GOVERNMENT PRIORITY, AVAILABILITY OF ALTERNATIVE FUNDING AND CONSONANCE WITH AID AND CDB POLICIES ARE OVERRIDING FACTORS IN SUB-PROJECT SELECTION.

THE FOLLOWING PARAMETERS WERE USED TO DEVELOP THE SPECIFIC NORMS FOR EDUCATIONAL SUBPROJECTS: NUMBERS OF PUPILS PER CLASSROOM; DIMENSION OF CLASSROOM; TRAVEL DISTANCE TO SCHOOL; AND CHILDREN UNABLE TO ATTEND SCHOOL, DUE TO INFRASTRUCTURE CONSTRAINTS. IT WAS DETERMINED THAT EXTENSION OF SCHOOL CONSTRUCTION ARE JUSTIFIED WHEN ONE OF THE THREE FOLLOWING CONDITIONS OCCUR: A) THE EXISTING SCHOOL IS OPERATING SIGNIFICANTLY OVER CAPACITY; B) SOME OF THE STUDENTS HAVE TO TRAVEL VERY LONG DISTANCES TO SCHOOL; OR C) STUDENTS ARE UNABLE TO ATTEND SCHOOL BECAUSE THERE IS A SHORTAGE OF CLASSROOM SPACE. IN DETERMINING OVERCAPACITY, IT WAS DETERMINED THAT FOR A TYPICAL

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CLASSROOM SIZE (600 TO 800 SQ. FT.), THE NUMBER OF PUPILS SHOULD BE 30 TO 35. TRANSLATED TO ANY CLASSROOM SIZE, ADDITIONAL SCHOOL FACILITIES MAY BE JUSTIFIED WHEN THE NUMBER OF CLASSROOM SPACE FALLS BELOW 20 S [REDACTED]. REGARDING TRAVEL TIME, THE ACCEPTED CARIBBEAN IS THAT TRAVEL TIME TO SCHOOL SHOULD EXCEED 1 HOUR (WALKING OR OTHER MEANS OF TRANSPORTATION). THE NUMBER OF CHILDREN UNABLE TO ATTEND SCHOOL WILL NOT BE USED AS A DECISION FACTOR FOR THE NEED TO BUILD ADDITIONAL SCHOOL FACILITIES, BUT AS A PARAMETER FOR DIMENSIONING THESE FACILITIES. IF SCHOOL AGE CHILDREN ARE NOT ATTENDING SCHOOL, THE NEED FOR ADDITIONAL BUILDINGS SHOULD BE DEMONSTRATED BY ONE OF THE TWO PREVIOUS INDICATORS.

ANNEX A  
Page 5 of 6

TO DATE, WE HAVE RECEIVED SUBPROJECT LISTS FROM 9 OF THE 11 PARTICIPATING COUNTRIES. THE CDB WAS AWAITING THE OUTCOME OF THE ELECTIONS IN THE TURKS AND CAICOS PRIOR TO MAKING ITS INTRODUCTORY VISIT THERE WHICH IT WILL PERFORM IN CONJUNCTION WITH A SIMILAR VISIT TO THE BRITISH VIRGIN ISLANDS PRIOR TO SOLICITING THE SUBPROJECT LISTS. BELIZE IS EXCLUDED FROM THE FOLLOWING CALCULATIONS SINCE IT WILL BE FULLY FINANCED BY CDB FUNDS AS PER REF B. OF THE 71 SUBPROJECTS IDENTIFIED BY THE 8 REMAINING COUNTRIES, 25 INVOLVE SCHOOLS WITH THE BREAKDOWN AS FOLLOWS: NEW SCHOOL CONSTRUCTION (1); REPLACEMENT OF SCHOOLS RENDERED STRUCTURALLY UNSOUND DUE TO HURRICANE DAMAGE (7); REHABILITATION (9); AND EXTENSIONS (8). THIS REPRESENTS A TOTAL OF APPROXIMATELY 103 CLASSROOMS TO BE CONSTRUCTED OR RENOVATED AT A TOTAL ESTIMATED COST OF US DOLS 2.6 MILLION. WITH THE ANTICIPATED SHARING OF CONSTRUCTION COSTS BETWEEN CDB AND USAID, IT IS ESTIMATED THAT THE USAID CONTRIBUTION TO THIS SECTOR WOULD BE APPROXIMATELY US DOLS 1.5 MILLION. THESE LATTER FIGURES DO NOT INCLUDE THE THREE SCHOOL EXTENSIONS REQUESTED BY THE GOVERNMENT OF ANTIGUA AND BARBUDA WHICH HAS BEEN UNABLE TO PROVIDE US WITH COST OR CLASSROOM DATA. THE REQUESTED SCHOOL SUBPROJECTS APPEAR REASONABLE AND WORTHY OF FINANCING UNDER THE BNTF WITH THE EXCEPTION OF ANTIGUA WHOSE SUBMISSION EXCEEDS THE ALLOCATION THAT IT WILL MOST LIKELY BE ACCORDED GIVEN PAST PROJECT IMPLEMENTATION PERFORMANCE. AS A FURTHER POINT OF CLARIFICATION, THE 7 SCHOOL REPLACEMENTS HAVE BEEN REQUESTED BY THE GOVERNMENT OF THE COMMONWEALTH OF DOMINICA WHICH HAS BEEN OPERATING THESE RURAL PRIMARY SCHOOLS OUT OF MAKESHIFT, DILAPIDATED WOOD STRUCTURES SUBSEQUENT TO THE DEVASTATING HURRICANES OF 1979 AND 1980. EIGHT OF NINE SCHOOL REHAB SUBPROJECTS ARE IN GRENADA AND HAVE BEEN THE SUBJECT OF SERIOUS NEGLECT AND DEFERRED MAINTENANCE SINCE THE DAYS OF THE PRG. THE SELECTION CRITERIA CITED ABOVE WILL BE USED IN EVALUATING THE REQUESTS FOR NEW CONSTRUCTION AND EXTENSIONS.

5. WE APPRECIATE LAC/DR'S ASSISTANCE IN PREPARING THE PACD EXTENSION. THE MISSION HAS PROCEEDED

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CAUTIOUSLY IN DEVELOPING THIS THIRD PHASE OF BNTF DUE TO THE UNCERTAIN AVAILABILITY OF FUNDS. HOWEVER, A TIMELY OBLIGATION PLUS REQUESTS FOR INFORMATION FROM LAC/DR HAVE NECESSITATED INITIATION OF AMENDMENT ACTIVITIES. [REDACTED] HELP BUT AROUSE SERIOUS EXPECTATIONS OF PARTICIPATING COUNTRIES AND THE COB THAT THE [REDACTED] BE FORTHCOMING. AN INTERESTING [REDACTED] OVER THE LIFE OF THE PROJECT HAS BEEN THE SERIOUSNESS THAT THE COB HAS COME TO ATTACH TO THE MAINTENANCE COMPONENT OF THE PROJECT AS EVIDENCED BY THEIR WILLINGNESS TO CONTRIBUTE THEIR OWN GRANT RESOURCES TO THIS PROJECT COMPONENT DURING THE REMAINING TWO YEARS OF THE PROJECT. SO NOT ONLY WILL A SIGNIFICANT BASE OF SOCIAL AND ECONOMIC INFRASTRUCTURE HAVE BEEN DEVELOPED BY THE PACD, BUT THE SYSTEMS WITH WHICH TO SUSTAIN THE MAINTENANCE OF THIS CRITICAL INFRASTRUCTURE WILL ALSO BE IN PLACE.

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PROJECT DESIGN SUMMARY  
LOGICAL FRAMEWORK

Life of Project:  
From FY84 to FY90  
Total USAID Funding: \$17.7 mil.  
Date Prepared: 4/8/88

Project Title & Number: Basic Needs Trust Fund (538-0103)

NARRATIVE SUMMARY	OBJECTIVELY VERIFIABLE INDICATIONS	MEANS OF VERIFICATION	IMPORTANT ASSUMPTIONS				
<u>Program or Sector Goal:</u> To improve the economic and social status of lower income groups and to further promote social and economic growth.	<u>Measures of Goal Achievement:</u> Increase in total public and private sector employment with accompanying increases in real per capita income.	National Statistics	<u>Assumptions for achieving goal targets:</u> Governments are pursuing development strategies that focus attention on equity-based economic policies.				
<u>Project Purpose:</u> To expand and conserve, using labor-intensive methodologies, the stock of social and economic infrastructure which is essential to future growth and the provision of basic services and employment in the Caribbean LDCs and Belize.	<u>End of Project Status</u> (a) Approximately 106 million in new or rehabilitated capital stock will occur; (b) Provision of basic social services to approximately 470,000 beneficiaries. (c) Improved maintenance systems for health of educational facilities (d) Increased Public awareness and commitment to facility maintenance.	(a) (b) Information on proposed subprojects; final evaluation. (c) (d) Final evaluation.	<u>Assumptions for Achieving Purpose:</u> 1. That the institutional and financial resources to utilize effectively the resources constructed or rehabilitated exists. 2. That the governments and the general public accept maintenance of existing social infrastructure as an important development priority.				
<u>Outputs:</u> (a) New or rehabilitated subprojects (b) Person-weeks of employment (c) Maintenance plans developed and implemented (d) Maintenance video, TV spots and radio spots shown regularly on local TV	<u>Magnitude of Outputs:</u> 240 130,000 11 Countries 11 Countries	Information or proposal subprojects; country supervisor and CDB reports; AID and CDB inspections; final evaluation.	<u>Assumptions for achieving outputs:</u> 1. That the demand for additional Capital Stock rehabilitation still exists. 2. That labor-intensive approaches are used to attract currently unemployed to unskilled labor positions. 3. That the maintenance plans are responsive to government needs and resources. 4. That the publicity campaign receives government support.				
<u>Inputs:</u>	<u>Implementation Target (Type and Quantity)</u>				AID/CDB disbursement reports.	<u>Assumptions for Providing Inputs:</u>	
	<u>Year 1-4</u>		<u>Year 5</u>				<u>Year 6</u>
	AID	CDB	AID	CDB	AID	CDB	
Physical Infrastructure	9,707	2,843	1,518	1,518	2,277	2,277	
Maintenance	650	-	163	163	200	200	
Management/Implementation	2,343	657	421	421	421	421	
	12,700	3,500	2,102	2,102	2,898	2,898	

5C (2) - PROJECT CHECKLIST

Listed below are statutory criteria applicable to projects. This section is divided into two parts. Part A includes criteria applicable to all projects. Part B applies to projects funded from specific sources only: B(1) applies to all projects funded with Development Assistance; B(2) applies to projects funded with Development Assistance loans; and B(3) applies to projects funded from ESF.

CROSS REFERENCES: IS COUNTRY CHECKLIST UP TO DATE? HAS STANDARD ITEM CHECKLIST BEEN REVIEWED FOR THIS PROJECT?

A. GENERAL CRITERIA FOR PROJECT

1. FY 1988 Continuing Resolution Sec. 523; FAA Sec. 634A. If money is sought to obligated for an activity not previously justified to Congress, or for an amount in excess of amount previously justified to Congress, has Congress been properly notified? A Congressional Notification will be sent forward and the waiting period will have expired prior to project authorization.
2. FAA Sec. 611(a) (1). Prior to an obligation in excess of \$500,000, will there be (a) engineering, financial or other plans necessary to carry out the assistance, and (b) a reasonably firm estimate of the cost to the U.S. of the assistance? Yes; also, prior to financing a subproject, the technical design and estimated costs will be reviewed by the CDB and submitted to AID for its concurrence.
3. FAA Sec. 611(a) (2). If legislative action is required within recipient country, what is the basis for a reasonable expectation that such action will be completed in time to permit orderly accomplishment of the purpose of the assistance? No action required.
4. FAA Sec. 611(b); FY 1988 Continuing Resolution Sec. 501. If project is for water or water-related resource construction, have benefits and costs been computed to the extent practicable in accordance with the principles, standards, and procedures established pursuant to the Water Resources Planning Act (42 U.S.C. 1962, et seq.)? (See A.I.D. Handbook 3 for guidelines.) N/A

5. FAA Sec. 611(e). If project is capital assistance (e.g., construction), and total U.S. assistance for it will exceed \$1 million, has Mission Director certified and Regional Assistant Administrator taken into consideration the country's capability to maintain and utilize the project effectively? Yes (see Annex G).
6. FAA Sec. 209. Is project susceptible to execution as part of regional or multilateral project? If so, why is project not so executed? Information and conclusion whether assistance will encourage regional development programs. This is a regional project and is strongly supportive of CDB's role as a regional development bank.
7. FAA Sec. 601(a). Information and conclusions on whether projects will encourage efforts of the country to: (a) increase the flow of international trade; (b) foster private initiative and competition; (c) encourage development and use of cooperatives, credit unions, and savings and loan associations; (d) discourage monopolistic practices; (e) improve technical efficiency of industry, agriculture and commerce; and (f) strengthen free labor unions. Yes. Project will provide vitally needed social and economic infrastructure and productive employment for skilled and unskilled labor as well as foster private initiative and competition among local consultants and contractors.
8. FAA Sec. 601(b). Information and conclusions on how project will encourage U.S. private trade and investment abroad and encourage private U.S. participation in foreign assistance programs (including use of private trade channels and the services of U.S. private enterprise). Project serves to increase the capital stock of the 11 participating countries and will further strengthen the countries in their efforts to promote free enterprise led growth and trade.
9. FAA Secs. 612(b), 636(h). Describe steps taken to assure that, to the maximum extent possible, the country is contributing local currencies to meet the cost of contractual and other services, and foreign currencies owned by the U.S. are utilized in lieu of dollars. No U.S. locally owned currencies will be used. However, significant counterpart contribution will be made by the eleven countries.
10. FAA Sec. 612(d). Does the U.S. own excess foreign currency of the country and, if so, what arrangements have been made for its release? No.

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11. FY 1988 Continuing Resolution Sec. 521. If assistance is for the production of any commodity for export, is the commodity likely to be in surplus on world markets at the time the resulting productive capacity becomes operative, and is such assistance likely to cause substantial injury to U.S. producers of the same, similar or competing commodity? N/A.
12. FY 1988 Continuing Resolution Sec. 553. Will assistance (except for programs in Caribbean Basin Initiative countries under U.S. Tariff Schedule "Section 807," which allows reduced tariffs on articles assembled abroad from U.S.-made components) be used directly to procure feasibility studies, prefeasibility studies, or project profiles of potential investment in, or to assist the establishment of facilities specifically designed for, the manufacture for export to the United States or to third country markets in direct competition with U.S. exports, of textiles, apparel, footwear, handbags, flat goods (such as wallets or coin purses worn on the person), work gloves or leather wearing apparel? No
13. FAA Sec. 119(g) (4)-(6). Will the assistance (a) support training and education efforts which improve the capacity of recipient countries to prevent loss of biological diversity; (b) be provided under a long-term agreement in which the recipient country agrees to protect ecosystems or other wildlife habitats; (c) support efforts to identify and survey ecosystems in recipient countries worthy of protection; or (d) by any direct or indirect means significantly degrade national parks or similar protected areas or introduce exotic plants or animals into such areas? No
14. FAA 121 (d). If a Sahel project, has a determination been made that the host government has an adequate system for accounting for and controlling N/A.

receipt and expenditure of project funds (either dollars or local currency generated therefrom)?

15. FY 1988 Continuing Resolution. If assistance is to be made to a United States PVO (other than a cooperative development organization), does it obtain at least 20 percent of its total annual funding for international activities from sources other than the United States Government? N/A.
16. FY Continuing Resolution Sec. 541. If assistance is being made available to a PVO, has that organization provided upon timely request any document, file or record necessary to the auditing requirements of A.I.D., and is the PVO registered with A.I.D.? N/A.
17. FY 1988 Continuing Resolution Sec. 514. If funds are being obligated under an appropriation account to which they were not appropriated, has prior approval of the Appropriations Committees of Congress been obtained? N/A.
18. FY Continuing Resolution Sec. 515. If deob/reob authority is sought to be exercised in the provision of assistance, are the funds being obligated for the same general purpose, and for countries within the same general region as originally obligated, and have the Appropriations Committees of both Houses of Congress been properly notified? Yes.
19. State Authorization Sec. 139 (as interpreted by conference report). Has confirmation of the date of signing of the project agreement, including the amount involved, been cabled to State L/T and A.I.D. Leg within 60 days of the agreement's entry into force with respect to the United States, and has the full text of the agreement been pouched to those same offices? (See Handbook 3, Appendix 6G for agreements covered by this provision). N/A

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B. FUNDING CRITERIA FOR PROJECT

1. Development Assistance Project Criteria

- a. FY 1988 Continuing Resolution Sec. 552 (as interpreted by conference report). If assistance is for agricultural development activities (specifically, any testing or breeding feasibility study, variety improvement or introduction, consultancy, publication, conference, or training), are such activities (a) specifically and principally designed to increase agricultural exports by the host country to a country other than the United States, where the export would lead to direct competition in that third country with exports of a similar commodity grown or produced in the United States, and can the activities reasonably be expected to cause substantial injury to U.S. exporters of a similar agricultural commodity; or (b) in support of research that is intended primarily to benefit U.S. producers? N/A.
- b. FAA Secs. 102(b), 111, 113, 281(a). Describe extent to which activity will (a) effectively involve the poor in development by extending access to economy at local level, increasing labor-intensive production and the use of appropriate technology, dispersing investment from cities to small towns and rural areas, and insuring wide participation of the poor in the benefits of development on a sustained basis, using appropriate U.S. institutions; (b) help develop cooperatives, especially by technical assistance, to assist rural and urban poor to help themselves toward a better life, and The project will a) assist the poor by providing vital social and economic infrastructure, and productive employment for unskilled laborers with emphasis on geographic dispersion of project benefits;  
b) N/A

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otherwise encourage democratic private and local governmental institutions; (c) support the self-help efforts of developing countries; (d) promote the participation of women in the national economies of developing countries and the improvement of women's status; and (e) utilize and encourage regional cooperation by developing countries.

c) N/A  
d) employ women as unskilled laborers where relevant; and,  
e) encourage regional cooperation through continued support for the CDB.

- c. FAA Secs. 103, 103A, 104, 105, 106, 120-21. Does the project fit the criteria for the source of funds (functional account) being used? Yes. 106.
- d. FAA Sec. 107. Is emphasis placed on use of appropriate technology (relatively smaller, cost-saving, labor-using technologies that are generally most appropriate for the small farms, small businesses, and small incomes of the poor)? The project emphasizes labor rather than capital-intensive construction technology.
- e. FAA Sec. 110, 124(d). Will the recipient country provide at least 25 percent of the costs of the program, project, or activity with respect to which the assistance is to be furnished (or is the latter cost-sharing requirement being waived for a "relatively least developed" country)? N/A. This is a regional project.
- f. FAA Sec. 128(b). If the activity attempts to increase the institutional capabilities of private organizations or the government of the country, or if it attempts to stimulate scientific and technological research, has it been designed and will it be monitored to ensure that the ultimate beneficiaries are the poor majority? N/A.

g. FAA Sec. 281(b). Describe extent to which program recognizes the particular needs, desires, and capacities of the people of the country; utilizes the country's intellectual resources to encourage institutional development; and supports civil education and training in skills required for effective participation in governmental processes essential to self-government.

Project responds to basic needs of the host country populations through the provision of vital social and economic infrastructure.

h. FY 1988 Continuing Resolution Sec. 538. Are any of the funds to be used for the performance of abortions as a method of family planning or to motivate or coerce any person to practice abortions?

No.

Are any of the funds to be used to pay for the performance of involuntary sterilization as a method of family planning or to coerce or provide any financial incentive to any person to undergo sterilizations?

Are any of the funds to be used to pay for any biomedical research which relates, in whole or in part, to methods if, or the performance of, abortions or involuntary sterilization as a means of family planning?

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- i. FY 1988 Continuing Resolution. No.  
Is the assistance being made available to any organization or program which has been determined to support or participate in the management of a program of coercive abortion or involuntary sterilization?
- If assistance is from the population functional account, are any of the funds to be made available to voluntary family planning projects which do not offer, either directly or through referral to or information about access to, a broad range of family planning methods and services?
- j. FAA Sec. 601(e). Will the project utilize competitive selection procedures for the awarding of contracts, except where applicable procurement rules allow otherwise? Yes.
- k. FY 1988 Continuing Resolution. Not applicable to this project, all HC contracts.  
What portion of the funds will be available only for activities of economically and socially disadvantaged enterprises, historically black colleges and universities, colleges and universities having a student body in which more than 20 percent of the students are Hispanic Americans, and private and voluntary organizations which are controlled by individuals who are black Americans, Hispanic Americans, or Native Americans, or who are economically or socially disadvantaged (including women)?
- l. FAA Sec. 118(c). Does the assistance comply with the environmental procedures set forth in A.I.D. Regulation 16? Yes.  
Does the assistance place a No

high priority on conservation and sustainable management of tropical forests? Specifically, does the assistance, to the fullest extent feasible: (a) stress the importance of covering and sustainably managing forest resources; (b) support activities which offer employment and income alternatives to those who otherwise would cause destruction and loss of forests, and help countries identify and implement alternatives to colonizing forested areas; (c) support training programs, educational efforts and the establishment or strengthening of institutions to improve forest management; (d) help end destructive slash-and-burn agriculture by supporting stable and productive farming practices; (e) help conserve forests which have not yet been degraded by helping to increase production on lands already cleared or degraded; (f) conserve forested watersheds and rehabilitate those which have been deforested; (g) support training, research, and other actions which lead to sustainable and more environmentally sound practices for timber harvesting, removal, and processing; (h) support research to expand knowledge of tropical forests and identify alternatives which will prevent forest destruction, loss, or degradation; (i) conserve biological diversity in forest areas by supporting efforts to identify, establish, and maintain a representative network of protected tropical forest ecosystems on a worldwide basis, by making the establishment of protected areas a condition of support for activities involving forest clearance or degradation, and by helping to identify

tropical forest ecosystems and species in need of protection and establish and maintain appropriate protected areas; (j) seek to increase the awareness of U.S. government agencies and other donors of the immediate and long-term value of tropical forests; and (k) utilize the resources and abilities of all relevant U.S. government agencies?

- m. FAA Sec. 118(c) (13). If the assistance will support a program or project significantly affecting tropical forests (including projects involving the planting of exotic plant species), will the program or project (a) be based upon careful analysis of the alternatives available to achieve the best sustainable use of the land, and (b) take full account of the environmental impacts of the proposed activities on biological diversity? N/A.
- n. FAA Sec. 118(c) (14). Will assistance be used for (a) the procurement or use of logging equipment, unless an environmental assessment indicates that all timber harvesting operations involved will be conducted in an environmentally sound manner and that the proposed activity will produce positive economic benefits and sustainable forest management systems; or (b) actions which will significantly degrade national parks or similar protected areas which contain tropical forests, or introduce exotic plants or animals into such areas? No.
- o. FAA Sec. 118 (c) (15). Will assistance be used for (a) activities which would result in the conversion of forest lands to the rearing of livestock; (b) the

construction, upgrading, or maintenance of roads (including temporary haul roads for logging or other extractive industries) which pass through relatively undegraded forest lands; (c) the colonization of forest lands; or (d) the construction of dams or other water control structures which flood relatively undegraded forest lands, unless with respect to each such activity an environmental assessment indicates that the activity an environmental assessment indicates that the activity will contribute significantly and directly to improving the livelihood of the rural poor and will be conducted in an environmentally sound manner which supports sustainable development?

- p. FY 1988 Continuing Resolution.  
If assistance will come from the Sub-Saharan Africa DA account, is it (a) to be used to help the poor majority in Sub-Saharan Africa through a process of long-term development and economic growth that is equitable, participatory, environmentally sustainable, and self-reliant; (b) being provided in accordance with the policies contained in section 102 of the FAA; (c) being provided, when consistent with the objectives of such assistance, through Africa, United States and other PVOs that have demonstrated effectiveness in the promotion of local grassroots activities on behalf of long-term development, in Sub-Saharan Africa; (d) being used to help overcome shorter-term constraints to long-term development, to promote reform of sectoral economic policies, to support the critical sector priorities of agricultural production and natural resources,

N/A.

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health, voluntary family planning services, education, and income generating opportunities, to bring about appropriate sectoral restructuring of the Sub-Saharan African economies, to support reform in public administration and finances and to establish a favorable environment for individual enterprise and self-sustaining development, and to take into account, in assisted policy reforms, the need to protect vulnerable groups; (e) being used to increase agricultural production in ways that protect and restore the natural resource base, especially food production, to maintain and improve basic transportation and communication networks, to maintain and restore the natural resource base in ways that increase agricultural production, to improve health conditions with special emphasis on meeting the health needs of mothers and children, including the establishment of self-sustaining primary health care systems that give priority to preventive care, to provide increased access to voluntary family planning services, to improve basic literacy and mathematics especially to those outside the formal educational system and to improve primary education, and to develop income-generating opportunities for the unemployed and underemployed in urban and rural areas?

3. Economic Support Fund Project Criteria

- |    |  |              |
|----|--|--------------|
| a. | <u>FAA Sec. 531(a)</u> . Will this assistance promote economic and political stability? To the maximum extent feasible, is this assistance consistent with the policy directions, purposes, and programs of Part I of the FAA? | Yes.<br>Yes. |
| b. | <u>FAA Sec. 531(e)</u> . Will this assistance be used for military or paramilitary purposes?   | No.          |
| c. | <u>FAA Sec. 609</u> . If commodities are to be granted so that sale proceeds will accrue to the recipient country, have Special Account (counterpart) arrangements been made?  | N/A.         |





## CARIBBEAN DEVELOPMENT BANK

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Telephone: (809) 426-1152 Cable Address: "Caribank" Telex WB 2287. Telefax: 426-7269

Our Ref: 27/2/67

May 17, 1988

Mr. J. Holtaway  
 Director  
 United States Agency for  
 International Development  
 P.O. Box 302  
BRIDGETOWN

Dear Sir:

At the negotiation meeting for replenishment of CDB's Special Development Fund (SDF 11) held in September 1987, contributors agreed that CDB should give priority attention to the financing of employment-incentive projects aimed at benefitting the poorest groups in its less developed borrowing member countries. To this end, the contributors agreed that an appropriation of up to US\$8.0 million be made available from the fund for a proposed US\$20.0 million Basic Needs Trust Fund Grant Programme for Group 111 countries on condition that USAID, or some other donor, match the appropriation.

Following on this resolution, CDB staff has been holding discussions with your staff on an amendment to the Basic Needs Trust Fund Project. The discussions have proposed that the project continue to address the basic needs of lower income groups in the Eastern Caribbean LDC and Belize by providing vital social and economic infrastructure. In addition to the original nine beneficiary countries the remaining Group 111 countries are now proposed for inclusion under the amendment. As agreed during the discussions, only CDB resources will be used in Belize since substantial AID resources are being provided to that country on a bilateral basis.

This letter formally requests an additional grant of US\$5.0 million which will be matched by US\$5.0 million from the CDB to finance an additional two years of project activities. This will bring AID's total contribution to the project to US\$17.7 million and CDB's to US\$8.5 million.

We look forward to your favourable reply and to the successful continuation of the project.

Yours sincerely,

Neville V. Nicholls  
 President

CPG/NVN/seb

COST ESTIMATES FOR SELECTED PROJECT COMPONENTS

I. Maintenance: \$725,000

a. Manual Reproduction and Distribution: \$5,000

A 55 page manual illustrating simple repair techniques and containing checklists for use in preventative maintenance practice was prepared and 500 copies printed for distribution to BHN/CED and BNTF funded facilities. This incremental allocation, plus a saving of some \$1,400, will be used to print an additional 500 copies for further dissemination.

b. Maintenance Plans Development: \$120,000

It is proposed to retain country based consultants to prepare standardised inventories and inspection reports of all government-owned facilities in the health and education sectors and prepare estimates of the priority repairs. The consultants will also be required to review the existing maintenance arrangements in the various countries and make recommendations, for discussion with the governments by CDB staff, to incorporate the databases produced into the maintenance planning cycle.

c. Public Awareness Activities: \$30,000

As part of the CMC's activities in several countries students are being encouraged to produce posters related to preventative maintenance practices. This effort will be encouraged through wide viewing of the video already produced under this item. It is proposed to commercially reproduce the best five of these posters for regional distribution and an allowance, based on estimates of reproduction costs in Barbados, of \$10,000 has been allowed for this. The remaining funds will be used to facilitate screening of the video in rural schools in the beneficiary countries.

d. Country Maintenance Funds \$500,000

It is proposed to divide this allocation among the beneficiaries on the basis of priority need identified in the inspection reports. This fund will be used to provide materials for which the governments will contribute the labour and transportation costs. An anticipated saving of \$150,000 of the present allocation will be utilized to boost the total amount available for this purpose to \$650,000. As the latest information shows the existence of some 440 and 280 government-owned facilities in the education and health sectors it is anticipated that only priority repairs will be feasible.

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e. Maintenance Implementation: \$70,000

Based on recommendations arising from the maintenance evaluation the allocation here was used to purchase the toolkits for BHN/CED and BNTF facilities and fund workshops for the facility users to demonstrate basic maintenance techniques. Provision is now being made to provide additional toolkits for new facilities (\$50,000) and to hold additional workshops for users and maintenance personnel at these facilities (\$20,000).

II. Project Management and Implementation

a. Project Seminars: \$8,000

Previous seminars at CDB for the in-country supervisors have proven very effective in devising common solutions to implementation problems. It is proposed to hold one such seminar in later 1988 or early 1989 to discuss requirements of the extension and review progress. Costs are calculated as follows: Travel - \$5,000; Per Diem - \$6,680; Miscellaneous Costs - \$1,100. A saving of \$5,200 from the first allocation will be utilized.

b. CDB Direct Hire: \$372,000

The Project will finance CDB staff engaged in the management of project implementation. Allowance has been made for an annual input of 675 person days of management and professional staff time and 400 person days of support staff time.

c. Public Information: \$12,000

This allocation will provide funds for publicity related to the Project and will finance radio spots, newspaper advertisements and the installation of permanent signs on completed facilities.

d. Travel: \$80,000

This item will provide financing to cover inter-island travel and per diems of the CDB staff assigned to manage implementation of the project. Based on existing practice approximately five trips per participating country will be undertaken.

e. Indirect Costs: \$156,000

The Project provides financing for indirect costs associated with carrying out the Project. The CDB indirect rates of 41% and 45% of person-day costs for managerial and professional staff and support staff respectively have been applied.

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f. Contingency: \$34,000

A contingency allowance for items associated with this component has been provided. The anticipated saving of \$45,000 on the previous allocation will also be retained on this item.

g. Country Project Supervisors: \$273,000

The Project provides for the reimbursement of actual salaries and allowances for local transportation to the governments for the appointed country project supervisors. These have been allowed at the rate of \$15,200 per annum for the first year and \$15,900 for the second year.

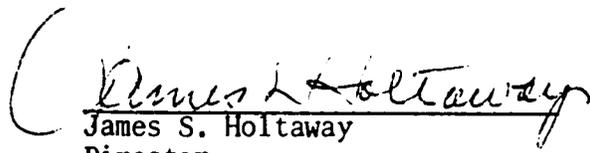
h. A & E Consultants: \$723,000

A total of \$7.59 million in new construction will be undertaken and this allowance of approximately 10% is based on the average cost of services on existing and completed contracts for the Project to date.

CERTIFICATION PURSUANT TO SECTION  
611(e) OF THE FOREIGN ASSISTANCE  
ACT OF 1961, AS AMENDED

I, James Holtaway, the principal officer of the Agency for International Development in the Eastern Caribbean, having taken into account, among other factors, the maintenance and utilization of projects in the Eastern Caribbean previously financed or assisted by the United States, do hereby certify that, in my judgement, the Caribbean Development Bank (CDB) and the recipient host countries have both the human resources and financial capability to effectively maintain and utilize the additional grant assistance provided under the Basic Needs Trust Project (538-0103).

This judgement is based, inter alia, upon the past performance under the project in which the countries have made a concerted effort to maintain the infrastructure provided under both the Basic Human Needs and the Basic Needs Trust Fund Projects. The purpose of this project is not only to expand, but also to conserve basic social and economic infrastructure. Both macro and micro interventions have been introduced to improve existing maintenance systems for BHN/BNTF infrastructure as a pilot endeavor in the initial phases of BNTF. Under this Amendment, these activities will be expanded to include all health and educational facilities to ensure an appropriate allocation of both human and financial resources in maintaining this infrastructure. The expected result is an enhanced maintenance capability on the part of the participating countries.

  
James S. Holtaway  
Director  
Regional Development  
Office/Caribbean

GRAY AMENDMENT

Contracting for goods and services under this project will be performed exclusively by the CDB and Host Countries and therefore it would not be practical or feasible to require that they follow Gray Amendment procurement considerations.

BASIC NEEDS TRUST FUND

ECONOMIC ANALYSIS

Prepared by: Louis Berger International, Inc.  
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March, 1988

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SUMMARY CHART OF INDICATORS

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## BASIC NEEDS TRUST FUND AMENDMENT

### ECONOMIC ANALYSIS

#### 1. Background

The Basic Needs Trust Fund (BNTF) project finances a wide spectrum of small infrastructure subprojects, in all sectors of public investment. The goal of the project is to improve the economic and social status of lower income growth and to further promote social and economic groups. The project has concentrated on the realization of social subprojects with growth generating potential, such as schools, health centers and water supply to poor residential areas.

The objectives of this analysis are to estimate the overall economic benefit which will be generated by the extension of the project for two additional years, and to propose a methodology for the selection of subprojects.

Three factors have influenced our methodological approach to this analysis. The first factor is that BNTF finances subprojects in all sectors of activity and that the selection criteria should be valid on a cross sectorial basis<sup>1</sup>. Secondly, BNTF subprojects are usually small in size and independent economic evaluations for each subproject are not justified. Finally, the BNTF project has the dual purpose of expanding and conserving the economic and social infrastructure on the one hand, and providing relief for the current acute unemployment situation in the Eastern Caribbean on the other hand.

This report is based on the review of existing documentation, interviews with specialists at USAID, other specialized institutions, and government officials of St. Lucia and Antigua. The information which could be collected pertains mostly to the Windward and Leeward Islands, as only scant information could be obtained for Belize, Turks and Caicos and the British Virgin Islands. The results presented here, however, should apply to all territories covered by the project.

#### 2. Approach and Methodology

Reviewing the projects implemented under BHN/BNTF we distinguish two main sector groups:

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<sup>1</sup> The criteria must be simple enough, given the important data limitations.

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- the economic or productive sectors,
- the social sectors.

Economic or productive sectors are defined as sectors where subprojects will generate direct and immediate financial returns to the beneficiaries. For example, roads belong to this category because road improvements reduce vehicle operating costs, and therefore the level of expenditure incurred for transport. Schools on the other hand do not provide any immediate direct financial return to the beneficiaries<sup>2</sup>, but may contribute to a better future for her or him, and eventually will prove profitable for society as a whole since better educated people are more productive. According to the above definition, we have distributed the sectors in which there were BNTF subprojects as follows:

SOCIAL	ECONOMIC
Health	Agriculture
Education	Roads
Water (for residential areas)	Day care centers
Drainage ( " )	
Footpaths (providing pedestrian access to poor residential areas)	
Education/Social (Multipurpose centers)	
Reforestation	

Close to 90% of total BNTF expenditures occurred in the social sectors.

Subprojects under the BNTF will not exceed US\$ 500,000. Over two thirds of subprojects to date cost less than US\$ 100,000, and the preliminary lists submitted by the governments indicate that a similar distribution can be expected for this amendment. Because of their size, individual economic analysis of subprojects is not feasible. Instead, the governments will be asked to supply basic information showing that the subproject is in line with norms presented in Section 5 of this document. However, for subprojects over US\$ 200,000 in the productive sectors, it is recommended that an economic analysis should be conducted prior to project approval.

For the purpose of the present evaluation, only an aggregate approach on a sectorial basis can shed some light on the economic return which will be generated by the BNTF project. The current

<sup>2</sup> Construction workers employed for the subproject excluded.

methodology used to estimate rates of return for investment in the social sectors often relies on the evaluation of what is known as the value of human capital. Using wage rates as a proxy for the value of human capital, an education project will generate benefits equal to the difference between the incomes with and without schooling over the lifetimes of the future school graduates. Similarly, the value of a health project is measured by the foregone income of sick and dead people. The major advantage of this approach is that it is perhaps the only one for which some data can be found. Its major flaw is that it is based on very questionable assumptions, in particular those pertaining to the value of human life, and leads to unacceptable results such as less care and schooling should be provided to women, the unemployed and other disadvantaged groups.

Another methodology is based on the "willingness to pay" criterion, where the value of social services is measured by how much individuals are prepared to pay for these services. The problems with this method are 1) in almost all countries social services are subsidized, making it impossible to measure the willingness to pay, and 2) the benefits perceived by individual beneficiaries will differ from those of society, making this measure inadequate for intersectorial comparisons.

In addition to the general problems linked to the methodology for evaluating social sector projects, it has been already well established that the accomplishment of projects in the social sectors depend generally far more on institutional constraints and structures, than on financial or infrastructure resources<sup>3</sup>. It would therefore be deceptive to indicate social rates of return for the BNTF subprojects, without any consideration of institutional factors. Due to the size of the subprojects however, it would not be cost-efficient to include a full institutional analysis as a precondition to their realization.

Taking into account all the above considerations, we have developed selection criteria which will ensure that the selected subprojects achieve the highest possible rates of return in each sector. Since BNTF subprojects pertain essentially to infrastructure, these criteria have been designed to ensure that inadequate infrastructure is indeed a constraint in the subproject area. Data requirements for the selection criteria have been kept to a minimum; past experience indicates that complicated criteria are ignored altogether. The rate of return of the project can then be measured indirectly, by estimating the macroeconomic sectorial rates of return. This approach is theoretically sound because by definition, the microeconomic social rate of return of the best investment in any sector, is equal to the macroeconomic marginal rate of return of that

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<sup>3</sup> See for example "Adjustment with a Human Face" pp 218-219.

sector.

The second component of the economic benefits generated by the BNTF project relates to the provision of temporary employment to otherwise underemployed disadvantaged poor. Due to the relatively short period of employment, and to the limited size of BNTF subprojects as compared to the islands' economies, multiplier effects from this employment should not be expected. The economic benefit is therefore restricted to the directly hired laborers, plus the indirect labor for the provision of materials, fixtures and other equipment for the subproject. The experience from the BNTF project to date indicates that the labor content in this project, which would have been unemployed otherwise is of about 40 percent. If the shadow wage rate is equal to 1/2 the going wage rate, the benefit flow should be incremented by 20% of project cost during the years of construction. If a cost/benefit ratio of at least unity is required for subproject approval, it would be enough for the social benefits to be equal to 80% of project costs. If an IRR of 12%<sup>4</sup> is required as a minimum for subproject approval, then it can be shown (by simulating various cost-benefit flows) that the provision of employment will add between 3 to 5% to the IRR calculated under the assumption of full employment, depending on the profile of the benefit flow.

In order to calculate the economic return of the project, it was attempted to estimate the macroeconomic sectorial marginal rates of return of the project, and to add to these the benefits from temporary employment. The results are presented in the next section.

As mentioned before, only subprojects which effectively alleviate sectorial constraints should be undertaken. In order to identify such subprojects, a number of general and sector specific norms have been developed. They are presented in section 5.

### 3. Rate of Return of the Project

No previous estimation of rates of return for investment in the social sectors in the Eastern Caribbean could be identified. In the following paragraphs, a short description of the state of the social sectors in the Eastern Caribbean sheds some light on the rates of return which can be expected for this project.

#### 3.1 Health

In order to appraise the adequacy of health services, WHO recommends the use of "coverage" indicators. Coverage is measured by the availability and accessibility of health services to the

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<sup>4</sup> These shadow wage rates and IRR are generally used by CDB for its projects in the area.

population. Availability is defined by the ratio between the population in a district and the health facilities and personnel in that district. Accessibility is measured by the time necessary for the population to reach the health facility. Data on the health situation in the Eastern Caribbean was obtained through interviews with USAID and the Pan American Health Organization/World Health Organization (PAHO/WHO) health officials, and through the Health Situation Analysis reports conducted by the Ministries of Health and PAHO/WHO in various countries. From these enquiries, it appears that the coverage of the various countries in terms of health clinics (primary care) varies from country to country. In all countries however, there exist a number of health facilities requiring rehabilitation works. The table below presents a subjective appraisal of the primary health coverage of the Eastern Caribbean countries, in terms of the number and location of facilities relative to the population. Adequate indicates that there does not appear to be a need for new clinics. Inadequate indicates that some scattered areas may still justify the opening of a primary health care clinic. The table also presents the percentage of investments programmed in the health sector by the various governments in their total Public Sector Investment Programme (PSIP). This latter figure, could be read as indicative of the commitment of each country to improving their health sector infrastructure, and therefore, the relative urgency of improvements in that sector. Data for Anguilla and Belize was supplied by CDB economists. For all other countries, data was obtained from the respective World Bank Country Economic Memorandum updates and corresponds to planned expenditures for 1986-1988. Note that these two measures do not necessarily need to be in line since the first pertains to primary health care only while the second reflects investment in the entire sector.

<u>Country</u>	<u>Coverage</u>	<u>% Health in PSIP</u>
Anguilla	Adequate	15.0
Antigua	Adequate	0.3
Belize	Largely insufficient	15.2
Dominica	Insufficient	0.7
Grenada	Adequate	9.1
Montserrat	Adequate	0.0
St. Kitts	Adequate	1.1
St. Lucia	Insufficient	2.1
St. Vincent	Insufficient	2.1

More than in any other sector, the cost-benefit assessment of health projects is highly controversial, and experts in this field are averse to propose any estimate of the economic worth of health investment. It is generally preferred to value the outcome

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of health projects on the basis of their cost-effectiveness in the place of cost-benefit. However this methodology does not allow the comparison with projects in other sectors.

WHO has developed a set of guidelines and indicators to measure the progress towards the attainment of "Health for All by the Year 2000". The criteria for subproject selection presented in Section 5.2 are derived from these guidelines. It is reasonable to assume that the construction or rehabilitation of primary health care clinics in the Eastern Caribbean will, whenever such works are actually needed according to WHO guidelines, generate rates of return in excess of 12%. Taking into account the employment of otherwise unemployed people, the returns from BNTF health related subprojects will exceed 16%, when in line with WHO guidelines.

### 3.2 Education

Though detailed information on the coverage of schools in the Eastern Caribbean could not be obtained, it appears that it is similar in pattern to that of health clinics. The share of education in the PSIP is presented below:

<u>Country</u>	<u>% Education in PSIP</u>
Antigua	1.2
Dominica	0.8
Grenada	7.9
Montserrat	9.0
St. Kitts	9.5
St. Lucia	2.8
St. Vincent	2.8

With the only exception of Grenada, all countries planned to devote a larger share of their public investments to education than to health. Though this reflects principally the fact that school infrastructure is more expensive because it is bigger, it also reflects the fact that expected rates of return from education are known to be very high. Psacharopoulos and Woodhall report the findings of an econometric study of returns to education. According to their results, the social rates of return for education in developing countries average 27% for primary education, 16% for secondary education, and 13% for higher education. Caribbean countries were not included in their study which covered 44 countries worldwide.

The school infrastructure in the Eastern Caribbean islands is probably equivalent to that of the most advanced developing countries which are consistently above 12 percent. It is therefore reasonable to assume that the social rate of return of additional school infrastructure in the Eastern Caribbean, when needed, will also generate a rate of return of at least 12

percent. Taking into account the benefits generated by the provision of additional employment, the rate of return for this projects will be of 16 percent. To ensure that school infrastructure built under the BNTF addresses actual constraints, norms were also developed for that sector. They are presented in section 5.3.

### 3.3 Water Supply, Drainage and Footpaths

The availability of water safe for human consumption is considered a primary health basic need. According to PAHO/WHO some of the population of the Eastern Caribbean still does not have access to treated water, and the extension of the water supply network will generate at least the same returns as the provision of health care facilities. It should be noted however, that due to the topography of the countries, water supply relies on a relatively great number of sources, making the management of the system a key constraint in the provision of adequately treated water.

Some residential districts in the Eastern Caribbean were developed in low lying or swampy areas, where inadequate drainage presents serious health problems for the population. Here again, the provision of drainage systems to such areas is justified as a health project.

Following the rapid development of urban areas in the Eastern Caribbean some neighborhoods have no streets, and sometimes no other access than a dirt path. The provision of footpaths to such areas will improve access to health services, facilitate the movement of workers to their work place and more. Though these benefits cannot be quantified they are certainly in the range of other BNTF subprojects.

### 3.4 Multipurpose and Community Centers

A number of multipurpose centers were built under BNTF and a few more have been proposed by the beneficiary countries. It appears that very few of these centers are being utilized for their originally intended purposes for a variety of reasons including institutional and organizational constraints. Notwithstanding the important role such centers may play in the harmonious development of communities, principally in isolated settings, the socio-economic benefits they generate are low in comparison with other subprojects described above, which effectively address the essential needs of the local populations. It is therefore recommended that multipurpose centers be excluded from this amendment.

### 3.5 Agriculture and Reforestation Projects

Some agricultural projects were undertaken under the BNTF with

very mixed results. The success of such projects generally requires specialized planning which the BNTF as designed and implemented is not equipped to provide. Though BNTF could limit its financing to the infrastructure component of agricultural projects, such disassociation of the project components leads to poor coordination, and, as has already been the case, to the erection of unutilized infrastructure. In addition, and this applies even more to reforestation project, it is very difficult to ensure that the beneficiary from such projects belong to the poor and disadvantaged groups targeted by the project. For all the above reasons, we recommend that agricultural and reforestation projects be excluded from the BNTF amendment, even when their rates of return appear relatively high.

### 3.6 Roads

Because roads belong to the economic sectors' category, the undertaking of road projects under BNTF should be fully justified in terms of economic returns. Based on experience in St. Vincent, norms for road projects have been developed below. If these guidelines are followed, road projects under the BNTF project can be expected to yield rates of return of 16% and above.

### 3.7 Day Care Centers

Proposals have been submitted for the financing of the construction of day care centers under the BNTF. The justifications put forward for these centers is that they will increase the supply of labor to industrial zones in the region, as some parents don't have access to alternative sources of day care for their infants. The "Feasibility Study of Work-Based Family Planning in the Eastern Caribbean" has demonstrated however, that though there is an apparent high level of expressed demand for day care services, the "willingness to pay" is very low and the centers would not be financially viable unless government subsidized. It is therefore very unlikely that such day care centers can be effectively functioning and it is recommended that day care centers should not be financed under the present amendment.

### 3.8 Conclusion

Provided adequate guidelines for project selection are followed, balanced investments in the social sectors to be financed under the BNTF project will yield rates of returns of at least 16%, well above the usual requirements for development projects.

## 4. Economic Evaluation of Maintenance/Renovation Activities

It appears that none of the countries receiving assistance under

the BHN/BNTF projects have sufficient maintenance budgets to keep their existing infrastructure (with the possible exception of water supply) in adequate state of repair. For example, the BNTF Maintenance Evaluation of 1985 indicates that only two countries gave reasonable cost estimates for the maintenance of BHN/BNTF funded buildings. In St. Kitts, the maintenance of the BNTF buildings (i.e. 2% of the total number of buildings to be maintained by the Government) amounts to 56% of the total budget for building maintenance. In Anguilla, the one school built under the project, would absorb over 50% of the total school maintenance budget which should provide for 8 schools. As a consequence, government buildings in general, and schools and health buildings in particular, are becoming progressively dilapidated.

Generally, social services were historically provided to areas by order of need, starting from the most populated areas until even the most isolated ones have access to them. Existing buildings generally service larger population centers than proposed new ones. It follows that, as a general rule necessary rehabilitation works on old buildings will be economically more justified than new construction. In other words, if a building is currently being used close to or above its original planned capacity but presents major defects and wear-and-tear, its rehabilitation or replacement should be undertaken prior to the construction of a new facility in a less developed area. By the same token, maintenance or rehabilitation activities which will significantly prolong a building's useful life should generally receive priority over new construction and extensions. In order to ensure that the buildings with the most needs are maintained first under the maintenance component first, full conditions inventories of the schools and health clinics in the beneficiary countries should be conducted. These inventories would record the physical condition of the buildings, and their level of use.

Because of the severe budgetary constraints affecting the maintenance programs of the beneficiary countries, the efficiency of maintenance activities is of cardinal importance. The BNTF already addresses the training requirements of the facility staff, and additional maintenance activities under the Maintenance Materials Fund have shown that the participating countries are technically able to conduct proper building maintenance. Assistance is however still required in the field of maintenance management, which is the activity of allocating resources for maintenance in the most efficient way. Maintenance plans covering all schools and health clinics under governmental responsibility should be elaborated in each of the participating countries, through a collaborative effort of local governments, local consultants and outside assistance. The output of these activities would be efficient maintenance plans for the short-term, and the creation of a local capability in maintenance management for the long-term.

## 5. Criteria for Subproject Selection

Criteria for project selection have been established based on international and regional norms for BNTF type subprojects, interviews with sectorial specialists, and the original Project Paper. Their purpose is to ensure that the projects are indeed alleviating constraints in their respective sectors, within the framework set forth in the Project Paper.

We distinguish between general norms which apply to all projects, and specific norms for given sectors. The table presented at the end of this section summarizes these norms.

### 5.1 General Norms

1. Subprojects financed under BNTF may not exceed US\$ 500,000. Subprojects should also be cost-efficient. The BNTF project has now wide experience in the realization of small infrastructure in the Eastern Caribbean. Unit costs of subprojects should be in line with those of similar projects previously undertaken.

2. Subprojects must be built on land owned by the Government.

3. Subprojects should be limited to the following sectors: health, education, water supply, drainage, footpaths, and roads.

4. The engineers designing the subprojects should have the dual objective to maximize the use of labor intensive technologies, while minimizing the requirements for recurrent maintenance in the future.

5. Subprojects should be dispersed geographically in the beneficiary countries. Subprojects should not be concentrated in one area, unless it is relatively more populated or has been neglected by other development projects.

6. New construction should only be undertaken when answering an identifiable need. Definitions of needs are sector specific and presented in the following paragraphs. Rehabilitation works should only be undertaken when a structure is operating close to or above its original planned capacity but presents major defects and wear-and-tear. As a rule of thumb, it is proposed that no facility used at less than 70% of its planned capacity should be rehabilitated without further institutional analysis. Planned capacity should be expressed in terms of patients per day for health clinics, sq. feet per pupil for schools, and population serviced for other social investments.

### 5.2 Health

To appraise the coverage of a given region by health services the following indicators are used:

1. Types of services provided in the clinic
2. Population in the clinic's catchment area
3. Physical accessibility of the clinic
4. Utilization of the clinic by the population

For the purpose of the BNTF project, and in line with the guidelines of "Health for All by the Year 2000" set forth by WHO, the norms presented below should be applied to justify the construction of new primary health care clinics.

1. Services: Any primary care clinic must provide at least the following elements of care:

- health education and information,
- promotion of proper nutrition,
- availability of safe water,
- maternal and child health (trained personnel for attending pregnancy and childbirth and caring for the children up to at least 1 year of age),
- immunization to principal infectious diseases such as diphtheria, tetanus, whooping cough, measles, poliomyelitis and tuberculosis,
- prevention, control and treatment of endemic diseases,
- family planning and curative medicine, and
- provision of at least 20 essential drugs.

2. Population: Some of the Caribbean countries already have primary health care clinics servicing less than 2000 people, corresponding to the world's best coverage. Unless an island itself has less than this population (Barbuda or the Grenadines), clinics should not be designed for populations of less than 2000 in the catchment area (Note that the catchment area is defined as the area from which people will use the services, and is not limited to the zone defined by the accessibility norm below.

3. Accessibility to the clinic: Physical accessibility is essential before any kind of care can be provided. It is the main obstacle presently affecting the health situation of in the Windward Islands and Belize. For this region PAHO/WHO recommends the following norms as acceptable accessibility:

maximum distance radius between clinics = 3 - 5 miles.

maximum travel time for patient to clinic = 1/2 - 1 hour

According to the above, those areas where people are presently traveling for more than an hour qualify for a new health clinic,

provided the clinic will offer the 8 minimum service elements and that their population is at least 2000 people.

Extensions of health clinics, or the construction of additional clinics in populated areas may be considered on a case by case basis in those instances where utilization exceeds 100% of planned capacity. However health specialists indicate that such areas are better served by improved and expanded polyclinics, rather than numerous primary care units.

To justify the rehabilitation of a primary health care clinic, its utilization by the population of its catchment area should be measured. The degree of utilization of a clinic can be affected by a number of factors such as socio-economic, religious etc. The Ministries of Health should indicate the expected utilization of their health clinics in terms of average number of patients per day. Rehabilitation works should only be considered for clinics operating close to or above their expected utilization. Note that this utilization should not be necessarily derived from the population of the catchment area. Consider for example an area with a population of 5000, of which 2000 are relatively affluent. The primary health care unit of that area should not be expected to service this latter group, as richer people tend to rely on private doctors. However, if it is found that the clinic is not even operating at a level which could be expected for a population of 3000, because many prefer the services of the nearby town's polyclinic, then the improvement of that polyclinic should be envisaged as an alternative to the refurbishment of the primary care clinic.

### 5.3 Education

Norms for this sector are based on interviews with teachers, specialists, and on norms developed by the Ministry of Education in Dominica. All these sources concurred on the definition of acceptable school infrastructure for the region. The following parameters are used to measure the extent of education coverage, and to assist in the decision to build additional school infrastructure:

1. Number of pupils per classroom
2. Dimension of classroom
3. Travel distance to school
4. Children unable to attend school, due to infrastructure constraints.

The above indicators, when translated into norms, allow a quantitative and qualitative assessment of the level of satisfaction of the demand for school services.

Extension or new school construction are justified when one of the three following conditions occur:

- The existing school is operating significantly over capacity,
- some of the students have to travel very long distances to school, or
- students are unable to attend school because there is a shortage of classroom space or because they live too far from school.

Overcapacity: For a typical classroom size (600 to 800 sq feet), the number of pupils should be around 30 to 35. Translated to any classroom size, additional school facilities may be justified when the number of classroom space falls below 20 sq feet per pupil. Another indicator for overcapacity is the use of a shifts system, where some pupils attend school in the morning and other in the afternoon, for lack of space.

Travel time: An accepted norm in the Caribbean is that travel time to school should not exceed 1 hour (walking or other means of prevailing transportation).

Number of children unable to attend school: This indicator should not be used as a decision factor for the need to build additional school facilities, but as a parameter for determining the dimensions these facilities. If school age children are not attending school, the need for additional buildings will have already been demonstrated by one of the two previous indicators. If children are left out of school because of capacity constraints, then this will already be demonstrated by overcrowding of the existing schools or the use of shifts. If the reason invoked is travel time, then this will be shown by the distance from their residence to the nearest school. When deciding whether to build a new school, the number of children presently not attending will become an important parameter.

A last criteria which must be taken into account when undertaking the construction or rehabilitation of secondary schools is their absolute size. These schools include common facilities such as laboratories, workshops and administration space which can only be justified for a minimum number of pupils. According to our field observations, a secondary school should serve a minimum of 400 students.

#### 5.4 Water Supply

The supply of water safe for human consumption is a service considered essential to primary health care. It is considered that the minimum needs of the population are not addressed when the access time to safe water exceeds 15 minutes. A water supply project will be considered as justified when:

1. All provisions are made that the water supplied by the new system will be safe for human consumption,

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2. The new system will reduce access time to safe water supply to the relevant population to less than 15 minutes, walking distance.

According to these norms, the development of treatment plants on existing untreated water supplies is economically justified, as well as the extension of existing systems to new areas.

### 5.5 Drainage and Footpaths

Drainage and footpaths are considered as a basic need whenever it is found that the lack thereof has adverse effects on the living conditions and health of the population.

### 5.6 Roads

Based on the results of the St. Vincent feeder roads study, road rehabilitation projects will be justified if current traffic on the proposed road is of at least 20 vehicle movements per day.

## 6. Data Collection for Subproject Selection

The forms which have already been provided to governments for presenting subproject proposals remain adequate. Care should be taken that information in these forms relates to all the norms described above. A copy of these forms is annexed to this document.

Item 6. "Rationale" should present the justification of the project, according to the norms presented in this document. If, for example, the project is a new health clinic, the text could read:

"Indispensable" Health Clinic will be located in the "Somewhere" district. The population of this district is estimated at 3500. Presently the nearest facility is the "Downtown" hospital located 1 hour drive away. Bus services are scarce during the day, with an average waiting time of more than 30 minutes. Daily services provided by the clinic will include the eight basic services. In addition, the clinic will be visited on a bi-weekly basis by a doctor from the "Downtown" hospital.

SUMMARY CHART OF INDICATORS

Specific sector indicator	Type of infrastructure improvement		
	REHABILITATION	EXTENSION OR NEW FACILITY IN ALREADY SERVICED AREA	NEW FACILITY IN NEW AREA
<b>ALL PROJECTS</b>			
Cost	< US\$ 500,000	< US\$ 500,000	< US\$ 500,000
Land	Government owned	Government owned	Government owned
Staffing	Staff provided for Operation & Maint.	Staff provided for Operation & Maint.	Staff provided for Operation & Maint.
<b>PRIMARY HEALTH CENTERS:</b>			
8 primary health elements	Provided in existing facility	Provided in existing facility	Commitment from the government to provide them
Ratio of utilization	Minimum 70%	Over 100%	n.a.
Beneficiary Population in catchment area	> 2000	> 2000	> 2000
Travel time	n.a.	n.a.	Reduced from more than 1 hour
<b>PRIMARY SCHOOLS:</b>			
Number of pupils per classroom	>20	>30	n.a.
Overcrowding	n.a.	< 20 sq feet/pupil	n.a.
Reduced access travel time	n.a.	n.a.	Reduced from more than 1 hour
Total number of pupils in school	Secondary: > 400	Secondary: > 400	Secondary: > 400
<b>WATER SUPPLY:</b>			
Distance to closest source	n.a.	n.a.	> 15 minutes walk
Safety warranty	Safe water supplied	Safe water supplied	Government commitment to treat water
<b>ROADS:</b>			
Minimum daily vehicle movement	20	n.a.	Perform economic analysis

n.a.: Norm not applicable

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9. Maintenance:

- (a) Type of maintenance envisaged.
- (b) Estimated recurrent costs of maintenance.
- (c) The agency responsible for maintenance after construction and method of implementing maintenance.

10. Benefits

- (a) Describe the benefits to be derived from implementation of the sub-project.
- (b) Estimate the number of beneficiaries and sectors of population involved.

11. Environmental Considerations

Describe the environmental effects of the sub-projects will have.

12. Estimated Employment Generation (man-weeks or man-months)

- (a) During implementation.
- (b) After implementation (if applicable).
- (c) Will any indirect employment be generated? (e.g. manufacture of local goods to be used in construction).
- (d) Estimate of indirect employment generated.

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LIST OF PEOPLE INTERVIEWED

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Roy Grohs  
Stafford Griffith  
Gail Goodrich  
Holly Wise  
Dr. Cecilia Karch

CDB

Carlson Gough  
Vere Brathwaite  
Morris Charles

ST. LUCIA

Ausbert D'auvergne - Permanent Secretary -  
Ministry of Planning  
David Prescod - Project Supervisor

ANTIGUA

Grandville Flax - Project Supervisor  
Keith Hurst - Financial  
Edwards - Permanent Secretary  
Planning Unit

OTHERS

Eden A. Weston - Director of Economic Planning

PAHO/WHO

Dr. Halmond C. Dyer - Caribbean Program Coordinator

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BASIC NEEDS TRUST FUND (578-0103)  
FISCAL INFRASTRUCTURE FUND  
PHASE I & II

30-JUN-87

ATTACHMENT A

COUNTRY	NAME	TYPE	NEW/EXT/ REHAB/		AMOUNT	LABOR CONTENT	BENEFICIARIES	IMPLEM. TIME (MONTHS)	TOTAL APPROVED	BALANCE UNALLOCATED
			COMPLETE	MANUELS						
ANGUILLA										
	1 ISLAND HARBOR HEALTH CLINIC/DAY CARE	HEALTH	NEW	350	60,000	55%	600	4.00		
	2 WEST END HEALTH CLINIC/DAY CARE	HEALTH	NEW	350	60,000	55%	600	4.00		
	3 VOCATIONAL/TECHNICAL SCHOOL	EDUC	EXT	600	80,000	55%	1,000	5.00		
	* 4 SOUTH-HILL HEALTH CLINIC	HEALTH	NEW	100	45,000	50%	2,112	2.50		
	* 5 VALLEY HEALTH CENTER	HEALTH	EXT	380	80,000	40%	2,100	4.00		
	* 6 ISLAND HARBOR WATER TANK	WATER	NEW	8	10,000	40%	600	1.00		
	* 7 WEST END WATER TANK	WATER	NEW	8	10,000	40%	600	1.00		
	SUB TOTAL			1,776	345,000	48%	8,612	3.07	348,500	3,500
ANTIGUA										
	1 CEDAR GROVE HEALTH CENTER	HEALTH	EXT	300	5,800	40%	2,000	4.00		
	2 ALL SAINTS MAIN HEALTH CENTER	HEALTH	EXT/REHAB	700	17,600	40%	3,000	12.00		
	3 FIENNES INSTITUTE	HEALTH	REHAB	280	16,900	40%	130	6.00		
	4 MENTAL HOSPITAL	HEALTH	EXT/REHAB	400	36,600	40%	410	15.00		
	5 SMALL FARMER STORAGE	AG	NEW	460	64,200	32%	40	12.00		
	6 LIBERTA PRIMARY SCHOOL	EDUC	REHAB	300	83,500	40%	340	12.00		
	7 ANTIGUA GRAMMAR SCHOOL	EDUC	EXT/REHAB	600	120,000	35%	330	9.00		
	8 BOLANS SECONDARY SCHOOL	EDUC	NEW	2,000	500,000	37%	450	24.00		
	9 DOCTOR'S RESIDENCE, BARBUDA	HEALTH	NEW	450	130,000	38%	1,200	6.00		
	10 SPRING VIEW HOSPITAL, BARBUDA	HEALTH	REHAB	140	25,000	40%	1,200	3.00		
	* 11 SEAVIEW FARM PRIMARY SCHOOL	EDUC	NEW	150	271,500	35%	300	9.00		
	* 12 PRINCESS MARGARET SECONDARY SCHOOL	EDUC	REHAB	600	114,600	40%	600	12.00		
	SUB-TOTAL			6,980	1,385,700	38%	10,000	10.33	1,386,100	370

BELIZE

1 KING'S FARM HEALTH CENTER	HEALTH	REHAB	100	30,000	40Z	8,000	3.50		
2 GEORGEVILLE HEALTH CENTER	HEALTH	NEW	150	62,700	40Z	600	6.00		
3 SIENE BIGHT HEALTH CENTER	HEALTH	REHAB	70	21,000	40Z	500	2.50		
4 GUINEA GRASS HEALTH CENTER	HEALTH	NEW	150	62,700	40Z	1,300	6.00		
5 CHUNDA HEALTH CENTER	HEALTH	NEW	150	62,700	40Z	700	6.00		
6 VOCATIONAL TRAINING CENTER	EDUC	EXT	1,500	300,000	40Z	120	18.00		
7 BELMOPAN WATER SYSTEM	WATER	EXT	200	66,000	35Z	800	6.25		
8 BELIZE CITY WATER SYSTEM	WATER	EXT	400	72,000	30Z	1,000	11.00		
9 SAN IGNACIO WATER SYSTEM	WATER	EXT	150	27,000	35Z	500	3.50		
10 COROZAL TOWN WATER SYSTEM	WATER	EXT	350	61,000	35Z	1,400	7.50		
11 BENOUE VIEJO DEL CARMEN WATER SYSTEM	WATER	EXT	200	19,400	35Z	400	5.00		
12 ORANGE WALI TOWN SYSTEM WATER SYSTEM	WATER	EXT	60	9,200	35Z	250	1.25		
13 SAN JOSE PRIMARY SCHOOL	EDUC	EXT	250	40,000	40Z	120	4.00		
14 FUNTA GORDA MULTI-PURPOSE CENTER	EDUC/SUP	NEW	200	38,000	40Z	5,000	5.00		
15 BELMOPAN COMMUNITY PRE SCHOOL	EDUC/HLI	NEW	200	70,000	50Z	80	5.00		
*16 FLACENCIA HEALTH CENTER	HEALTH	NEW	400	65,000	45Z	700	8.00		
*17 COROZAL COMMUNITY COLLEGE EXT.	EDUC	EXT	600	100,000	40Z	80	9.00		
*18 STANN CREEK HIGH SCHOOL EXT.	EDUC.	EXT	600	100,000	40Z	60	8.00		
*19 BELIZE CITY HOSPITAL REHAB.	HEALTH	REHAB	300	40,000	40Z	600	4.00		
*20 RECONSTRUCTION CROOKED TREE VILLAGE ROAD	ROAD	REHAB	150	45,000	10Z	800	3.00		
*21 TRIAL FARM PRIMARY SCHOOL EXT.	EDUC	EXT	300	50,000	40Z	80	6.00		
*22 BELIZE CITY DRAINAGE	DRAINAGE	NEW	900	250,000	30Z	6,000	10.00		
*23 FORT LOYOLA HEALTH POST	HEALTH	NEW	200	25,000	40Z	4,000	6.00		
*24 CROOKED TREE VILLAGE SCHOOL	EDUC	REHAB	120	15,000	40Z	150	3.00		
*25 SAN ANTONIO SCHOOL	EDUC	REHAB	120	15,000	40Z	350	3.00		
*26 TRINIDAD SCHOOL WATER SUPPLY	WATER	NEW	45	7,500	40Z	107	2.00		
*27 LOUISIANA PRIMARY SCHOOL	EDUC	NEW	225	100,000	45Z	200	10.00		
*28 SAN BENITO FORTI WATER SUPPLY	WATER	NEW	10	5,000	40Z	200	1.00		
*29 ORANGE WALI HOSPITAL	HEALTH	EXT	70	35,000	35Z	250	6.00		
*30 BELMOPAN JUNIOR SCHOOL	EDUC	EXT	200	50,000	40Z	80	8.00		
SUB-TOTAL			8,370	1,851,100	38Z	34,407	5.88	1,876,150	25,050

DOMINICA

1 SCOTTS HEAD WATER TANK	WATER	NEW	40	18,600	40Z	240	2.00
2 PETITE SAVANNE WATER SYSTEM	WATER	REHAB	40	10,570	25Z	800	1.00
3 EGGLESTON PRIMARY SCHOOL	EDUC	NEW	300	26,000	40Z	45	3.50
4 WOTTON WAVEN PRIMARY SCHOOL	EDUC	NEW	300	26,000	40Z	45	4.00
5 CLIFTON HEALTH CENTER	HEALTH	NEW	420	62,300	40Z	700	5.00
6 DUBLANC PRIMARY SCHOOL	EDUC	NEW	800	138,300	40Z	200	10.00
7 SCOTTS HEAD SCHOOL PHASE II	EDUC	NEW	400	103,700	40Z	240	5.00

8 MORNE TROSPER SCHOOL	EDUC	NEW	620	121,740	40%	145	10.00			
9 CLIFTON COCOYER WATER SYSTEM	WATER	NEW	286	61,000	40%	450	6.00			
10 PETITE SOUFRIERE WATER SYSTEM	WATER	NEW	132	38,000	74%	750	2.75			
11 WEIRS/MONIEY HILL WATER SYSTEM	WATER	NEW	300	50,000	40%	500	5.00			
12 ROSEAU PRIMARY SCHOOL	EDUC	NEW	1,200	247,720	40%	420	11.00			
13 RIVIERE CYRIQUE HEALTH CENTER	HEALTH	NEW	400	62,420	40%	600	4.50			
14 ANSE DE MAI HEALTH CENTER	HEALTH	NEW/REHAB	120	13,000	35%	820	2.00			
*15 PETITE SAVANNE PRIMARY SCHOOL	EDUC	NEW	1,200	247,720	45%	200	12.00			
*16 MASSACKE HEALTH CENTER	HEALTH	NEW	500	62,530	45%	1,200	6.50			
*17 RIVER DOUCE WATER SUPPLY	WATER	NEW	1,000	53,900	35%	21,000	9.00			
*18 MORNE JUANE WATER SUPPLY	WATER	NEW	500	66,800	35%	270	6.50			
*19 DES FOR WATER SUPPLY	WATER	NEW	240	22,450	30%	200	5.00			
*20 BELLEVUE RAMLE WATER SUPPLY	WATER	NEW	300	39,750	30%	100	6.00			
*21 GARDEL/EGGLESTON	WATER	NEW	900	226,260	35%	750	10.00			
*22 BELLEVUE/CHOFIN	WATER	NEW	600	124,680	35%	360	7.50			
SUB-TOTAL			10,600	1,823,040	37%	30,235	6.10	1,876,150	53,110	
GRENADA										
1 ANNANDALE CONSERV/WATERSHED IMPROVMT	REAFFOR	NEW	3,000	167,000	65%	6,000	36.00			
2 DOUGALDSTON WATER SYSTEM PHASE I	WATER	IMPROVE	1,080	215,600	37%	3,000	12.00			
3 TUFTON WATER SYSTEM-PHASE I	WATER	NEW	1,350	243,100	37%	6,550	10.50			
4 DOVER PRIMARY SCHOOL/CARRIACOU	EDUC	REHAB	900	139,088	40%	250	6.50			
5 PRINCESS ALICE HOSPITAL	HEALTH	REHAB	900	167,000	40%	40,000	8.75			
* 6 ST. PAUL'S SCHOOL	EDUC	REHAB	320	50,840	40%	600	26.00			
* 7 GRAND ROY SCHOOL	EDUC	REHAB	360	50,100	40%	310	30.00			
* 8 MOUNT PLEASANT SCHOOL CARRIACOU	EDUC	REHAB	160	46,385	35%	96	20.00			
* 9 HARVEY VALE SCHOOL CARRIACOU	EDUC	REHAB	200	48,240	38%	240	20.00			
*10 ST. GILES SCHOOL	EDUC	REHAB	420	77,925	42%	445	35.00			
*11 DOCTOR'S QUARTERS PRINCESS ALICE HOSF.	HEALTH	NEW	300	44,530	38%	48,000	20.00			
*12 ST. PAUL'S HEALTH CENTER	HEALTH	NEW	360	51,950	45%	3,800	30.00			
*13 TIVOLI HEALTH CENTER/NURSES QUARTERS	HEALTH	REHAB/NEW	300	22,265	42%	2,000	20.00			
*14 GRENVILLE/BATTLE HILL PIPELINE	WATER	REHAB	150	74,215	25%	2,000	10.00			
*15 ST. GEORGE'S SCHOOL	EDUC	EXT	200	60,000	40%	80	16.00			
SUB-TOTAL			10,000	1,458,238	40%	113,371	20.05	1,485,100	26,862	
MONTSEERRAT										
1 IMPROVEMENT OF HEALTH CENTERS/CLINICS	HEALTH	REHAB	320	45,640	37%	7,600	9.00			
2 PLYMOUTH SECONDARY SCHOOL/INDUST. ARTS	EDUC	NEW	400	78,470	40%	650	8.00			
3 SALEM SECONDARY SCHOOL/INDUST. ARTS	EDUC	REHAB	90	14,840	45%	500	3.00			
4 SMALL FARM DEVELOPMENT-Brodericis	AG	NEW	400	52,700	35%	60	10.00			
5 MONTSEERRAT SECONDARY SCHOOL/HOME EC.	EDUC	NEW	540	100,180	40%	?	12.00			
6 RODENT CONTROL	AG	NEW	576	100,000	31%	12,000	8.00			
* 7 PLYMOUTH SECONDARY SCHOOL CRAFT STORAGE	EDUC	EXT	125	26,000	35%	200	2.00			
* 8 MONTSEERRAT SECONDARY SCHOOL/TECHNICAL DRAWING/ARTS & CRAFT	EDUC	EXT	220	47,000	35%	200	6.00			
* 9 MONTSEERRAT TECHNICAL COLLEGE/BUSINESS STUDIES	EDUC	REHAB	150	33,000	35%	100	1.00			
*10 SALEM JUNIOR SECONDARY SCHOOL	EDUC	EXT	70	14,000	35%	100	2.00			
*11 BRODERICIS FARM ROAD	ROAD	REHAB	140	28,000	45%	60	4.00			
SUB-TOTAL			3,031	539,830	37%	21,470	5.91	548,500	8,670	

ST. LUCIE

1 MAINEY PRIMARY SCHOOL	EDUC	REHAB EXT	600	140,200	71%	264	12.00		
2 SWINEY FOSTER HIGH SCHOOL	EDUC	REHAB EXT	170	176,500	32%	692	5.00		
3 LAYTON HIGH SCHOOL	EDUC	NEW/REHAB	1,800	144,850	76%	542	18.00		
4 TOLSON HOSPITAL	HEALTH	EXT/REHAB	500	100,150	32%	3,000	4.00		
5 MIDNIGHT COMMUNITY CENTER	EDUC/SOC	NEW	500	102,500	34%	5,000	12.00		
6 BIFFEN PASTURE PIPELINE	WATER	NEW	540	65,450	54%	800	3.00		
7 HAMILTON CHARLESTOWN PIPELINE	WATER	NEW	640	50,320	60%	1,000	3.50		
* 8 GARDIN HOME EXT.	HEALTH	EXT	1,300	115,850	37%	200	6.50		
* 9 VILLAGE ROADS RENAB	ROADS	REHAB	2,000	246,250	46%	4,000	10.00		
SUB-TOTAL				8,800	1,584,100	40%	15,498	8.22	1,584,100

ST. LUCIE

1 FORESTIERE II ROCHER WATER SYSTEM	WATER	NEW	20	56,470	29%	3,000	14.00		
2 PALCA/LONDONDERRY WATER SYSTEM	WATER	EXT	47	15,650	35%	150	2.00		
3 GRANDE RIVIERE HEALTH CENTER	HEALTH	NEW	290	74,500	42%	800	4.25		
4 JACHEL HEALTH CENTER	HEALTH	NEW	270	74,100	42%	1,200	4.00		
5 ETANG HEALTH CENTER	HEALTH	NEW	306	78,600	42%	1,000	4.50		
6 DUGARD COMBINED SCHOOL	EDUC	EXT	240	63,600	42%	165	3.50		
7 MICODD MULTI-PURPOSE CENTER	EDUC/SOC	NEW	600	148,400	34%	12,600	9.00		
8 BARONNEAU MULTI-PURPOSE CENTER	EDUC/SOC	NEW	700	163,000	36%	5,500	10.00		
9 SALTIBUS WATER SYSTEM	WATER	NEW	280	76,530	38%	2,000	5.00		
10 ANSE LA VERDURE WATER SYSTEM	WATER	NEW	144	32,100	37%	300	3.00		
11 BARONNEAU/FAIX BOUCHE WATER SYSTEM	WATER	NEW	280	157,705	35%	3,000	4.50		
*12 TETE CHEMIN WATER SYSTEM	WATER	NEW	90	20,300	37%	350	2.50		
*13 DENNERY MULTI-PURPOSE CENTER	EDUC/SOC	NEW	900	154,000	38%	6,000	10.00		
*14 MILLET COMBINED SCHOOL	EDUC	NEW	1,200	241,200	35%	3,000	11.00		
*15 BELLEVUE/VIEUX FORT HEALTH CENTER	HEALTH	NEW	500	90,920	38%	5,000	9.00		
*16 FOND ST. JACQUES/BELFOND WATER SUPPLY	WATER	NEW	300	62,340	35%	1,000	6.50		
*17 DESRUISSEUX MULTI-PURPOSE CENTER	EDUC/SOC	NEW	900	167,000	38%	4,000	10.00		
*18 CASTRIES URBAN FOOTPATHS	ROAD	NEW	480	44,540	50%	500	4.00		
SUB-TOTAL				7,619	1,720,955	38%	49,565	6.49	1,762,300

ST. VINCENT

1 JOHN HILL WATER SYSTEM	WATER	REHAB NEW	600	97,050	52Z	4,000	14.00		
2 WATER STORAGE TANK/Canouan	WATER	NEW	120	39,000	40Z	1,000	4.00		
3 BUCHAN SHARPE'S LIND ROAD	ROAD	NEW	160	67,750	40Z	1,000	2.50		
4 MONLEY HILL FOOTPATH	ROAD	NEW	450	94,700	40Z	800	4.50		
5 DRAINAGE IMPROVEMENT/Layout	DRAINAGE	REHAB	240	48,750	38Z	400	3.00		
6 BONHOMME ROAD/Stubbs, Calder	ROAD	NEW	700	129,500	38Z	550	5.90		
7 FANCY VILLAGE ROAD	ROAD	NEW	250	36,900	40Z	300	2.50		
8 ASHBURTON ROAD	ROAD	NEW	360	74,300	36Z	250	4		
9 ROUCHER BAY ROAD	ROAD	NEW	104	22,850	40Z	100	2.00		
10 CANEWOOD ROAD	ROAD	NEW	160	27,700	40Z	200	2		
11 MAYREAU FOOTPATH	ROAD	NEW	160	55,000	38Z	150	2.00		
12 SCHOOL HILL ROAD/ Fort Elizabeth	ROAD	NEW	140	36,900	39Z	150	3.00		
13 CEMETERY HILL ROAD/ Fort Elizabeth	ROAD	NEW	308	72,000	38Z	200	3.50		
14 PAGET FARM CLINIC ROAD	ROAD	NEW	152	25,600	38Z	350	2.00		
15 FETIT BORDAL ROAD	ROAD	NEW	500	58,900	44Z	300	4.50		
16 HADLEY VILLAGE ROAD	ROAD	NEW	300	26,450	40Z	500	3.00		
17 HADLEY VILLAGE FOOTPATH	ROAD	NEW	225	16,800	45Z	500	1.50		
18 KUCHIES MT. CARRAGE ROAD	ROAD	NEW	900	71,300	36Z	150	4.00		
19 COWDREY VILLAGE ROAD	ROAD	NEW	470	35,250	38Z	200	12.00		
20 NEW FENNISTON VILLAGE ROAD	ROAD	NEW	765	59,370	40Z	300	20.00		
21 MURRAY VILLAGE ROAD	ROAD	NEW	340	31,910	35Z	200	8.00		
22 UFFER EDINGOZO VILLAGE FOOTPATH	ROAD	NEW	900	58,630	42Z	300	20.00		
23 BRIGHTON VILLAGE ROAD	ROAD	NEW	675	54,550	38Z	100	15.00		
24 DALLAWAY VILLAGE ROAD	ROAD	NEW	800	63,080	50Z	200	22.00		
25 SANDY BAY VILLAGE ROAD	ROAD	NEW	900	64,940	38Z	200	20.00		
26 HIGHER LOWMANS VILLAGE ROAD	ROAD	NEW	1,140	90,910	37Z	200	24.00		
27 BIAROU VILLAGE ROAD	ROAD	NEW	950	73,700	38Z	500	22.00		
28 MAYREAU VILLAGE FOOTPATH	ROAD	NEW	125	9,280	44Z	150	8.00		
29 CLIFTON VILLAGE ROAD/UNION ISLAND	ROAD	NEW	725	63,570	38Z	100	18.00		
30 ASHTON VILLAGE ROAD/UNION ISLAND	ROAD	NEW	500	42,380	38Z	100	16.00		
SUB-TOTAL			14,277	1,646,640	40Z	13,450	9.07	1,683,100	36,460
PROJECT TOTAL	154		71,523	12,354,633	40Z	296,608	8.35	12,550,000	195,367

Source/Origin Waiver  
Waiver Control No. \_\_\_\_\_

**ACTION MEMORANDUM FOR THE MISSION DIRECTOR**

From: Elizabeth Warfield, PDO

Action Requested: To waive U.S. source, origin, and nationality requirements from AID Geographic Code 000 to permit AID financing of the procurement of goods and services, other than transportation services, in any country included in AID Geographic Code 899.

- (a) Cooperating Country: Anguilla, Antigua and Belize, British Virgin Islands, Dominica, Grenada, Montserrat, St. Kitts/Nevis, St. Lucia, St. Vincent and the Grenadines, Turks and Caicos
- (b) Project: Basic Needs Trust Fund (538-0103)
- (c) Funding Source: SDA Grant
- (d) Description of Goods and Services: Procurement of electrical, plumbing and medical/laboratory equipment, construction materials, A&E design and supervision consultants, construction contractors, maintenance planners, and other external consultants
- (e) Approximate Value: \$2.5 million
- (f) Source: CDB member countries, including Latin American and Caribbean MDCs, U.K., Canada, France, etc.
- (g) Origin: same as above
- (h) Contracting mode: Host country contracts in accordance with Handbook 11

Justification: You are being requested to grant a waiver from geographic source/origin code 000 to code 899 for up to \$2.5 million of AID project funds because the imposition of geographic code 000 source/origin requirements for all procurement under the project would undermine the attainment of project objectives. Handbook 1B chapter 5B paragraph 4a(7) permits waiver of source, origin, and nationality requirements when "such other circumstances are determined to be critical to the success of project objectives."

Delegation of Authority No. 754 gives you the authority for source, origin, nationality waivers to AID Geographic Code 899 when the cost of goods and services does not exceed \$5 million.

Discussion: Code 000 is the authorized source for SDA-funded loans and all grants (except to countries on the U.N. list of relatively least developed countries which does not apply in this case). A waiver is requested from code 000 to code 899 which would apply to goods and services procured by either foreign exchange or local cost financing for the individual subprojects and the maintenance activities financed by the CDB. RDO/C expects to finance approximately 90 additional subprojects in this manner under this Amendment. A number of factors make the application of source/origin/nationality rules particularly problematic in the Caribbean LDCs. These include the following:

- A. **Small domestic markets:** In larger economies, shelf-item procurement using local currencies is common. However, in the Caribbean LDCs, the local market is so small that true shelf items are not available for a broad range of goods. This applies to construction equipment likely to be procured under the project.
- B. **Limited domestic consulting services:** Most of the consulting firms in the participating territories are regionally owned. Procurement to date has been limited to the situs country of the subproject activity, thereby precluding the participation of these regional firms. The result is a temporary severing of the individual indigenous consultants from their firm in order to qualify under the present procurement limitations. Further, this procurement interpretation has limited the pool of talent that the CDB can call upon to implement region-wide project activities, thereby necessitating individual waivers. The expansion of the procurement of services to the Caribbean members of the CDB, as was practiced under the original BHN project, is an appropriate solution to this situation.
- C. **High Import Component:** Elsewhere in Latin America, the local source content of many commodities, particularly construction materials, is significant. In the subject countries, however, little is produced domestically, and most construction materials are imported from a variety of countries. Therefore, authorization to permit procurement of local source items is less significant here than elsewhere.
- D. **Trade Patterns:** While the U.S. has emerged as the leading developed country trading partner for most of the region, important commercial links exist with the U.K., other EEC countries, Canada and Japan. A number of different kinds of activities might be excluded from the project if they cannot procure from customary, non-U.S. sources of supply.

Furthermore, the CDB is jointly financing this Project Amendment. The Bank's \$5 million is being provided from its Special Development Fund which is a special pool of funds contributed by its members. SDF monies are provided on the condition that SDF contributors are eligible for procurement activities under the project, which reinforces the argument cited above. AID's policy on cofinancing does not allow for a general

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Article 4: Conditions Precedent to Disbursement

SECTION 4.1. First Disbursement. Prior to the first disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

(a) A statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2., and of any additional representatives, together with a specimen signature of each person specified in such statement; and

(b) Evidence that Grantee has established the Basic Needs Trust Fund together with an appropriate system for implementing the project, including criteria for country eligibility and subproject selection and an appropriate staffing system within the Grantee's organization.

SECTION 4.2. First Disbursement for Project Activities in a Particular Participating Country

Prior to first disbursement, or the issuance of any documentation pursuant to which disbursement will be made, to finance project activities in a particular participating country, the Grantee will, except as the Parties may otherwise agree in writing, provide A.I.D., in form and substance satisfactory to A.I.D., an executed agreement with the participating country setting forth the terms and conditions of the country's participation in the Project.

SECTION 4.3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 4.1. and 4.2. have been met, it will promptly notify the Grantee.

SECTION 4.4. Terminal Dates for Conditions Precedent

(a) If all of the conditions specified in Section 4.1. have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation. The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter:

(a) Evaluation of progress toward attainment of the objectives of the Project;

(b) Identification and evaluation of problem areas or constraints which may inhibit such attainment;

(c) Assessment of how such information related to (a) and (b) above may be used to help overcome such problems; and

(d) Evaluation, to the degree feasible, of the overall development impact of the Project.

Except as A.I.D. may otherwise agree in writing, the Grantee covenants that:

(a) Prior to first disbursement to a participating country for any subproject activities in such country, it will obtain from such country evidence that a Project Supervisor has been designated and assigned full-time to project activities in such country;

(b) Prior to first disbursement to a participating country for any project activities in such country, it will obtain from such country evidence that an account in a central bank or commercial bank acceptable to the Grantee has been established through which all local activities will be financed;

(c) Prior to first disbursement to a participating country for each sub-project activity in such country, it will contract with consultants, as necessary, to assist the participating country in carrying out sub-project design, implementation and monitoring;

(d) Prior to first disbursement to a participating country for a specific infrastructure subproject activity, the Grantee will obtain from such country:

(i) a specific subproject proposal for Grantee review and approval which satisfies the appropriate subproject selection criteria, including the environment;

(ii) evidence, satisfactory to the Grantee, that the particular facility to be renovated is government-owned and operated, that the land upon which the facility is to be situated belongs to the government or that the activity to be conducted under the subproject will occur on publicly owned property;

(iii) evidence, satisfactory to the Grantee, of (a) a commitment (1) to continue maintenance of the particular subproject activity and (2) to budget for adequate funding of maintenance; and (b) an explanation of how this maintenance will be provided for, including local community involvement;

(iv) evidence, satisfactory to the Grantee, of a commitment to adequately staff the public facilities to be constructed or renovated; and

(v) for the procurement of furnishings, an itemized listing (including specifications) satisfactory to the Grantee, of such furnishings.

SECTION 5.3. Condition Precedent to Grantee Disbursement for a Construction Subproject

The Grantee covenants that, prior to first disbursement for a construction subproject, the Grantee will obtain, in form and substance satisfactory to the Grantee, design and engineering details adequate to comply with the Council of Caribbean Engineering Organizations Codes.

SECTION 5.4. Environmental Analysis. The Grantee covenants that, prior to first disbursement to a participating country for any particular subproject activity which the Grantee finds to have potentially significant environmental effects, the Grantee will submit to A.I.D. for A.I.D.'s review and prior approval the Grantee's findings on the environmental effects of such subproject.

SECTION 5.5. Performance Program. Prior to the approval by the Grantee of any subproject under the Performance Program, the Grantee shall advise A.I.D. of its intent to approve the particular subproject by country, title, and total amount to be funded for A.I.D.'s prior concurrence.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1. will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in the United States ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2. will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in the country where the activity is located ("Local Currency Costs").

APRIL 26, 1988

ANNEX "M"

ACTION MEMORANDUM FOR THE ASSISTANT ADMINISTRATOR, LAC

FROM : LAC/DR, Terrence J. Brown

SUBJECT: RDO/C - Basic Needs Trust Fund Project (538-0103)  
Amendment

Action Requested: Your approval is requested to make an exception to Bureau policy to permit the inclusion of educational subprojects under the amendment to the Basic Needs Trust Fund (BNTF) Project in the Caribbean Regional Development Office program.

Background: The BNTF Project was authorized on June 20, 1984 at \$12.7 million in ESF grant funds with a completion date of September 30, 1987. The PACD was later extended to September 1988. The purpose of the project is to expand and conserve, using labor-intensive methodologies, the social and economic infrastructure of nine participating member countries of the Caribbean Development Bank. To date, the BNTF has surpassed its original target of 100 new or rehabilitated subprojects with 154 subprojects including 48 schools, 37 water/drainage systems, 33 health clinics, 31 village roads, and 5 other basic infrastructure activities completed.

The Mission plans to amend the project to extend the PACD to September 30, 1990 and to increase Life-of-Project (LOP) funding by \$5.0 million to a new LOP level of to \$17.7 million. Under the extension, the Mission proposes to continue school rehabilitation and extension activities. Individual country allocations will be determined based on need and past project performance, both with respect to maintenance and implementation.

Discussion: The Mission defines maintenance activities as works which improve the condition of a structure without significantly changing the quality of service offered by that structure. Rehabilitation activities bring the level of service back to normal when a structure is not capable of fulfilling its intended use due to damages. Extension activities are defined to mean the addition of new classrooms to already existing institutions.

To date, of the 71 subprojects identified by eight of the participating countries, 25 involve schools with the breakdown as follows: new school construction (1); replacement of schools rendered structurally unsound due to hurricane damage (7); rehabilitation (9); and extensions (8). This represents

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a total of approximately 103 classrooms to be constructed or renovated at a total estimated cost of \$2.6 million, of which the USAID contribution would be approximately \$1.5 million.

The Mission has developed strict parameters for judging the requests for education subprojects. It was determined that extension or school construction are justified when one of the three following conditions occur:

- The existing school is operating significantly over capacity;
- Some of the students have to travel very long distances to school; or
- Students are unable to attend school because there is a shortage of classroom space.

The Mission finds the requested school sub-projects to be reasonable and worthy of financing under the BNTF with the exception of Antigua whose submission exceeds the allocation that it will most likely be accorded given past project implementation performance. The selection criteria cited above will be used in evaluating the requests for new construction and extensions.

As a point of clarification, the seven school replacements have been requested by the Government of the Commonwealth of Dominica, which has been operating these rural primary schools out of makeshift, dilapidated wood structures subsequent to the devastating hurricanes of 1979 and 1980. Eight of nine school rehabilitation subprojects are in Grenada and have been the subject of serious neglect and deferred maintenance since the days of the People's Revolutionary Government (PRG). Selection criteria will be applied to these subproject lists to determine their eligibility for financing under BNTF.

The BNTF Project has been a very popular project with all the governments involved and they continue to press for the extension of the project at the highest levels. It is important to note that an interesting development over the life of the project has been the seriousness that the CDB has come to attach to the maintenance component of the project as evidenced by their willingness to contribute their own grant resources to this project component during the remaining two years of the project. So not only will a significant base of social and economic infrastructure have been developed by the PACD, but the systems with which to sustain the maintenance of this critical infrastructure will also be in place.

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It should be noted that the amendment to BNTF is not included in RDO/C's current FY 88 or FY 89 budget. RDO/C had hoped to use funds deobligated from the Panama program for the Amendment; this now looks unlikely. RDO/C will advise AID/W of the priority and timing of this Amendment in its FY 90 ABS. Approval of the schools subcomponent is necessary at this time to permit the Mission to complete a full PP Amendment in anticipation of future funding.

Recommendation: Based on the above justification and adherence to strict criteria for evaluating subprojects, that you approve the RDO/C Mission's request to permit the inclusion of educational subprojects in the activities to be carried out under the amendment to the BNTF Project.

Approved: *Bright Duke*

Disapproved: \_\_\_\_\_

Date: 4/26/88