

## Project Assistance Completion Report

Project Title: St. Kitts Southeast Peninsula Area  
Development Sub-Project  
Project Number: 538-0138.01  
Funding Period: 09/17/86 - 09/30/93  
LOP Funding: ESF Grant \$700,000 increased to \$944,479  
DA Grant \$200,000  
ESF Loan \$1,800,000 increased to  
\$2,300,000  
DA Loan \$9,200,000  
Implementing Agency: Government of St. Kitts and Nevis (GOSKN)  
PACD: Original 09/30/89; Revised 09/30/93

### 1. Project Purpose

To establish an effective institutional, financial and structural framework for the physical development of the Southeast Peninsula of St. Kitts.

This was achieved by the creation of a Land Development and Conservation Board; the adoption of Land Use Management Plans and Land Development Guidelines; the enactment of a National Conservation and Environment Protection Act; a Special Development Area Tax Act and the Construction of an Access Road with Electricity, Water and Telephone Services.

### 2. Background

#### Developmental Problem

Central to the economic development of St. Kitts & Nevis was the burden caused by shrinking demand and soft prices that continued to confront the sugar industry in the 1980s' which at that time was the country's main foreign exchange earner and major employer. The GOSKN was faced with the dilemma of trying to sustain foreign exchange earnings and employment by subsidizing an industry that placed increasing strains on the Government's finances. The resulting current account budget deficits were partially covered by reduced Government capital expenditure, however, Government and private savings being negative, capital formation was largely financed by foreign savings.

The long run consequences of continuing this policy was a worsening of the GOSKN's finances and slower growth as Government infrastructure expenditures shrank and as increased borrowings competed with private sector capital needs. In order for the GOSKN to make a net positive contribution to long term economic development and to maintain the confidence of external donors, it had to take steps to restore positive public and private savings and foster growth in the non-sugar sectors of the economy.

RDO/C and the GOSKN agreed that the strategy to overcome this dilemma was to facilitate the transition into a diversified economy by creating employment and foreign exchange earning opportunities in other sectors, especially tourism. Given the size and importance of sugar to the economy, it was felt that no single sector could bear the full burden of replacing the foreign exchange earning capacity and employment provided at that time by sugar production. However, it was concluded that tourism could make a significant contribution.

During that particular period RDO/C was acting to stimulate all three productive sectors of the economy (non-sugar agriculture, light manufacturing and tourism). However it was concluded that tourism was the most likely sector in which a quick and major impact could be made.

Investigations revealed that to successfully develop tourism a sufficient number of rooms was required to attract block bookings and to justify regular service by major air carriers. Airline estimates placed this number in the range of 1200 to 1400 rooms. At that time St. Kitts and Nevis had about 740 hotel and guest rooms. While overall occupancy rates were still low, peak season occupancy was nearly 100 percent in the 1984-85 season.

The most effective way to accomplish the increase in capacity was to provide access to the Southeast Peninsula which has some of the most desirable potential tourist attractions and beaches.

### 3. Project Funding

The St. Kitts Southeast Peninsula Area Development Sub-Project was a sub-project of the Infrastructure Expansion and Maintenance Systems (IEMS) Project. The IEMS Project was authorized on May 6, 1986. By Amendment No. 1 dated Sept. 16, 1986, the St. Kitts Southeast Peninsula Area Development Sub-Project was authorized.

The Grant and Loan Agreement was signed on Sept. 17, 1986 with ESF grant funds of \$700,000 and ESF loan funds of \$1,800,000. The Fiscal Recovery Program item was carried out with funds from the Public and Policy Planning Project (538-0096). The counterpart contribution was designated "in kind" and set at \$2,100,000. By Amendment No. 1 dated June 24, 1987 the grant funds were increased to \$790,000 ESF and the loan funds were increased to \$9,900,000 (\$2,300,000 ESF and \$7,600,000 SDA) the counterpart contribution was increased to \$4,100,000. By Amendment No. 2 dated June 7, 1988 the grant funds were further increased to \$990,000 (\$790,000 ESF and \$200,000 SDA) and the loan funds were kept at \$9,900,000. The counterpart contribution was kept at \$4,100,000.

By Amendment No.3 dated Sept. 12, 1988 the grant funds were kept at \$990,000 and the loan funds were increased to \$11,500,000 (\$2,300,000 ESF and \$9,200,000 SDA). The counterpart contribution remained at \$4,100,000.

By Amendment No. 4 dated Sept. 28, 1990 the grant funds were increased to \$1,064,510 (\$864,510 ESF and \$200,000 SDA) and the loan funds were kept at \$11,500,000. The counterpart contribution was increased to \$4,131,000. By Amendment No. 5 dated Sept. 28, 1992 the grant funds were increased to \$1,084,510 (\$884,510 ESF and \$200,000 SDA) and the loan funds and the counterpart contributions remained the same. By Amendment No. 6 dated Sept. 23, 1993 the grant funds were increased to \$1,144,479 (\$944,479 ESF and \$200,000 SDA) and the loan and counterpart contributions were kept at their previous levels.

At the end of the project expenditures amounted to: grant funds \$1,087,403.66 and loan funds \$11,499,977.

#### 4. Outputs

##### Planned Outputs

1. The construction of 4 miles of road.
2. The establishment of an environmental management program which included the following:-
  - (a) An environmental education program;
  - (b) A Land Developers Handbook;
  - (c) An environmental impact assessment;
  - (d) An erosion control and sediment reduction plan;
  - (e) A wildlife/endangered species management plan;
  - (f) A beaches and dunes management plan;
  - (g) A national conservation strategy;
  - (h) A marine resources management plan;
  - (i) A parks and protected areas plan and reforestation plan.
3. The establishment of a functioning Land Development and Management Board with the following outputs:-
  - (a) The rules and regulations of the Board enacted and promulgated;
  - (b) The Land Use Management Plan prepared and accepted;
  - (c) The recording of 24 meetings of the Board.
4. The Southeast Peninsula was to be designated as a special development area for tax purposes and 30 bills issued and collected for 2 consecutive years.

5. The installation of utilities and the initiation of hotel and resort construction, as follows:-

- (a) Water system installed;
- (b) Electricity system installed;
- (c) Telephone system installation underway;
- (d) One new resort complex completed.

**Achieved Outputs**

1. 6 miles of road constructed (150% output).

2. The following Environmental Management program carried out:-

- (a) Environmental education program carried out;
- (b) Land Developers Handbook prepared and made an official document of the GOSKN;
- (c) Erosion control and sediment reduction plan prepared and implemented;
- (d) Wildlife/Endangered species management plan prepared and implemented;
- (e) Beaches and dunes management plan prepared and implemented;
- (f) A National Conservation strategy established and a National Conservation and Environment law enacted;
- (g) Marine Resources Management plan prepared and implemented;
- (h) Parks and Protected Areas plan prepared and implemented;
- (i) Reforestation plan prepared and implemented.

3. Land Development and Conservation Board established and the rules and regulations of the Board promulgated. The Land Use Management Plan prepared and implemented. The Board met over 24 times and continues to meet regularly. Furthermore local specialists have been identified for the purpose of advising the Board on developmental issues.

4. Special Development Area Tax Bill enacted and over 30 bills collected; taxes continue to be collected.

5. Water, Electricity and Telephone systems have been installed; 7 development plans have been submitted to the Board of which 6 plans were from hotel and resort developers. The Board has approved 6 development plans. A beach bar and grill, a dive shop and a general shop have been constructed and are operating.

This project raised the collective awareness and consciousness of the people in St. Kitts and Nevis about the environment and environmental issues to a degree never seen before and greatly influenced the Government to enact a National Conservation and Environment Protection Act. Before this project there was only the occasional lone voice in the wilderness as it were. However at the end of the project because of this raised awareness, a national environment protection association had been formed which now monitors and lobbies for environment protection in the country. An example of its early activities was its ability to legally prevent a developer from continuing to destroy the ecology and aesthetic beauty of an area of the peninsula. Additionally, this project has influenced environmental development in the whole Eastern Caribbean and is being used as a case study by environment teaching personnel.

The Prime Minister and other Ministers and Officials of the Government of St. Kitts and Nevis are confident that the opening up of the peninsula will greatly assist the country in its economic development and virtually wipe out unemployment. In fact all the land allotted to tourism development has been sold to developers and there has been virtually no land speculation. All the developers have prepared plans, some in great detail and continue to go through the process such as obtaining planning permission and the necessary permits for building construction and development.

The tax rates for land in the peninsula are higher than anywhere else in St. Kitts. The revenue from taxes and other rates has enabled the Government to maintain the road and provide other services necessary for conserving the peninsula. The road is frequently used by taxis and tour operators for sight seeing trips. In addition there has already been some employment such as beach vending and food and drinks sales, generated in the peninsula especially on the beaches closest to the capital Basseterre.

The Government and the St. Kitts Southeast Peninsula Land Development and Conservation Board have been advised to study and address the social issues of sudden and intense development which in all probability will take place once the US and other economies begin to improve. For example if hotel construction in the peninsula takes off, the labor force in St. Kitts and Nevis will be insufficient to meet the demand. Therefore workers will have to be imported and the issues of housing and meeting their other needs will have to be addressed. The role of women in this type of development and equal opportunities must also be addressed.

Furthermore the whole issue of road use by construction traffic must be studied and addressed. One solution suggested is to mandate that all heavy construction equipment and materials must be brought in by sea. It should be noted that this has already been carried out by one Developer. Another issue of concern to all those involved in the project has been the problem of rockfall, especially from the deep cut at the beginning of the road. The solution to this problem has been designed with the help of engineers from Martinique (where rockfall is a problem as well). The materials for construction have been purchased and the Government has plans to begin erection of its rockfall defenses before June 1994.

The Government Minister responsible for the project has informed RDO/C that these issues and other issues such as land speculation will be continually monitored and addressed.

## 5. Lessons Learned

### Lesson No. 1 - Discussion

Since this project was aimed at the development of a relatively large area of land, investigations were carried out to study the potential effects on the environment and the potential for recovery of investment costs. However when it came to the engineering design of the road virtually no investigations were carried out, even though the depth of cut for road construction was over 100 ft. at some places. When construction started it was found that the sub-strata predictions were completely wrong, especially in the areas of the deep cuts and the road had to be redesigned. This was costly and inefficient because there was no time to investigate the potential problems of the redesign, for example maintenance issues. The deepest and the most problematical cut was at the beginning of the road. If there is a collapse in this area there will not only be a problem to the environment but also to investment, because land access to the peninsula will be completely cut.

### Lesson No. 1 - Carry out proper investigations before designing a project

RDO/C was very concerned of the potential effects to the environment by the proposed development. However, due to a shortage of funds very little attention was paid to the engineering design of the road, which had the potential to effect the environment more than any other activity. In retrospect RDO/C would have saved itself a considerable amount of trouble by insisting on adequate funds to carry out a proper design of the road.

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**Lesson No. 2 - Discussion**

During construction the environmental monitor raised several issues that should have been raised during the design stage of the project. The issues raised had the potential to increase the costs of the project. At times it appeared that the environmental monitor was not aware of the possibility of a contractual claim by the road construction contractor due to design changes and delays. The main reason was that the environmental firm involved in the design of the project was not the same one chosen for monitoring construction. Also it appeared that the environmental personnel had not been fully involved during the design stage of the project especially the design of the road.

**Lesson No. 2 - Fully involve relevant personnel during the design stage of a project**

It is difficult to determine now whether RDO/C fully involved the environmental personnel during the design stage of the project. During implementation of the project it appeared that this had not been done and caused the project officer and the project a lot of unnecessary trouble and diverted attention from other important issues.

**Lesson No. 3 - Discussion**

RDO/C contracted with an environment contractor to design an environment protection program and assist the St. Kitts SEP Land Development and Conservation Board to implement the program. However it was found that the time allowed for this assistance was insufficient. In fact no cognizance had been taken of the fact that implementation of the program would really start when the road was completed and developers began to submit development plans. To overcome this oversight RDO/C hired the services of a specialist to assist the Board.

**Lesson No. 3 - Allow a sufficient period of time to implement the project**

During the design of the project it appears that there was no proper focus on the time it would take to implement the project. Rather it seems that a time period was decided arbitrarily and an attempt was made to fit the project into it.

Lesson No. 4 - Discussion

Funds were reserved in the Financial Plan for evaluation and financial review. However there was no audit plan for this project. This project was audited for the first time when virtually all the work had been carried out and the second time when all the work had been completed. As a result of this neither the project officer nor the project was able to benefit from the audits. It would have been far better to have carried out audits during the mid term and towards the end of the project so that opportunities could have been taken to rectify problems.

Lesson No. 4 - Design an audit plan that would help implement the project

The carrying out of audits was not a common occurrence when this project was designed. Therefore even though funds were allocated in the financial plan for evaluation and financial oversight, there was no implementation plan for carrying out this work. Audits carried out during the project would certainly have been helpful to the project officer. For it would have helped the project officer to focus on overlooked issues.

Drafted by:GE:BSelliah:01/26/94:U:\GDOFUB\DOCS\BSELLIAH\PACR.

Clearance:

GE:CArcher Draft Date: 3/23/94  
 C/GDO:RCohn M Date: 6/3/94  
 C/PDO:PBisek PB Date: 6/3/94  
 CONT:MHorween CHC Date: 5/19/94  
 RCO:AEisenberg AE Date: 5/26/94  
~~D/DIR:BBurnett~~ ~~\_\_\_\_\_~~ Date: ~~\_\_\_\_\_~~  
 DIR:MJordan my Date: 6/3/94

*Seen 5/16/94  
[Signature]*

# memorandum

DATE: June 7, 1994

REPLY TO  
ATTN OF: *MJB*  
Maureen M. Bovell, PDO

SUBJECT: St. Kitts Southeast Peninsula Area Development Sub-Project

TO: Ms. Lee Clift, PPC/CDIE/DI

Please find the subject PACR conformed copy for your files.