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UNITED STATES
AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON, D. C. 20523

REGIONAL DEVELOPMENT OFFICE/CARIBBEAN
RDO/C

PROJECT PAPER

CARIBBEAN POLICY PROJECT
AMENDMENT NUMBER 1

AID/LAC/P-919
CR-765, 861

Project Number: 538-0184

AGENCY FOR INTERNATIONAL DEVELOPMENT			1. TRANSACTION CODE		DOCUMENT CODE	
PROJECT DATA SHEET			<input type="checkbox"/> A = Add <input checked="" type="checkbox"/> C = Change <input type="checkbox"/> D = Delete		Amendment Number <u>1</u>	
2. COUNTRY/ENTITY Regional Development Office/Caribbean			3. PROJECT NUMBER <u>538-0184</u>			
4. BUREAU/OFFICE LAC <u>05</u>			5. PROJECT TITLE (maximum 40 characters) <u>Caribbean Policy Project</u>			
6. PROJECT ASSISTANCE COMPLETION DATE (PACD) MM DD YY <u>09 30 96</u>			7. ESTIMATED DATE OF OBLIGATION (Under 'B' below, enter 1, 2, 3, or 4) A. Initial FY <u>92</u> B. Quarter <u>4</u> C. Final FY <u>95</u>			

8. COSTS (\$000 OR EQUIVALENT \$1 =)						
A. FUNDING SOURCE	FIRST FY <u>92</u>			LIFE OF PROJECT		
	B. FX	C. L/C	D. Total	E. FX	F. L/C	G. Total
AID Appropriated Total						
(Grant)	(1,000)	(1,000)	(2,000)	(5,170)	(1,330)	(6,500)
(Loan)	()	()	()	()	()	()
Other U.S.						
1.						
2.						
Host Country						
Other Donor(s)						
TOTALS	1,000	1,000	2,000	5,170	1,330	6,500

9. SCHEDULE OF AID FUNDING (\$000)									
A. APPROPRIATION	B. PRIMARY PURPOSE CODE	C. PRIMARY TECH CODE		D. OBLIGATIONS TO DATE		E. AMOUNT APPROVED THIS ACTION		F. LIFE OF PROJECT	
		1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan	1. Grant	2. Loan
(1)									
(2)									
(3)									
(4)									
TOTALS									

10. SECONDARY TECHNICAL CODES (maximum 6 codes of 3 positions each)	11. SECONDARY PURPOSE CODE
12. SPECIAL CONCERNS CODES (maximum 7 codes of 4 positions each)	
A. Code	
B. Amount	

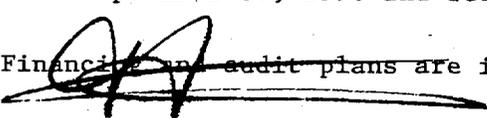
13. PROJECT PURPOSE (maximum 480 characters)

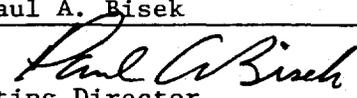
The adoption of macro-economic and sector policies that will lead to increased trade and private sector investment, and position the states of the Eastern Caribbean to sustain economic growth.

14. SCHEDULED EVALUATIONS	15. SOURCE/ORIGIN OF GOODS AND SERVICES
Interim MM YY MM YY Final MM YY 	<input checked="" type="checkbox"/> 000 <input type="checkbox"/> 941 <input checked="" type="checkbox"/> Local <input type="checkbox"/> Other (Specify)

16. AMENDMENTS/NATURE OF CHANGE PROPOSED (This is page 1 of a _____ page PP Amendment.)
 The purpose of this action is to contract the PACD to September 30, 1996 and reduce the authorized LOP funding to \$6.5 million.

I certify that the methods of Implementation and Financial audit plans are in compliance with the Payment Verification Policies


 Tyrone Watkins
 Acting Controller

17. APPROVED BY	Signature Paul A. Bisek	Date Signed MM DD YY <u>06 09 95</u>	18. DATE DOCUMENT RECEIVED IN AID/W, OR FOR AID/W DOCUMENTS, DATE OF DISTRIBUTION MM DD YY
	Title  Acting Director		

PROJECT AUTHORIZATION

Amendment Number One

Name of Grantee: Organization of Eastern Caribbean States (OECS)
Name of Project: Caribbean Policy Project
Project Number: 538-0184

1. Pursuant to Sections 103 and 531 of the Foreign Assistance Act of 1961, as Amended, the Caribbean Policy Project (CPP) for the Organization of Eastern Caribbean States was authorized on September 2, 1992. Paragraph 1 of the Authorization is amended to read:

"Pursuant to Sections 103 and 531 of the Foreign Assistance Act of 1961, as amended, I hereby authorize the Caribbean Policy Project ("Project"), for the benefit of the Organization of Eastern Caribbean States (OECS) the ("Grantee"), involving planned obligations not to exceed Six Million, Five Hundred Thousand United States Dollars (US \$6,500,000) in grant funds for the period through September 30, 1996, subject to the availability of funds in accordance with the A.I.D. Operating Year Budget allotment process, to help in financing foreign exchange and local currency costs for the Project."

2. The authorization cited above remains in force except as hereby amended.

Paul Bisek
Acting Director


Date: 6/9/85

CARIBBEAN POLICY PROJECT

PROJECT PAPER SUPPLEMENT

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BACKGROUND TO SUPPLEMENT

A. Purpose of Supplement

The member countries of the Organization of Eastern Caribbean States (OECS), along with other Western Hemispheric countries, in December 1994, subscribed to the establishment of a free trade area within the hemisphere by the year 2005. Their ability to participate in such a trading bloc will require timely reform of trade policies, both intra- and extra-regional, as well as the introduction of policies facilitative of competitive production. The Caribbean Policy Project was designed to assist with the formulation and implementation of such reforms. While the goal and purpose of the project are not changing, the decision by AID/W not to allow continuation of the project beyond closure of RDO/C at the end of FY 96, requires that the PACD for the project be contracted to fall within that closure date. A consequence of such contraction is a reduction in the authorized funding level and a commensurate revision in project outputs.

In conformance with close-out mandate, the mission decided to reduce the project life to September 30, 1996. Continuation of the project through that date will allow RDO/C to deliver on its representations to the Prime Ministers in the OECS territories by having specific activities implemented at the country level. Based on the responsiveness and involvement of private and public sector participants at national and regional workshops, it is expected that the consensus building objective of the project can be attained resulting in a readiness of the public and public sectors to collaboratively seek solutions to problems affecting trade and economic growth. In addition it is expected that several activities being implemented by institutions in the member countries will be completed.

The USG Action Plan governing follow-up to the December Summit explicitly supported the provision of technical assistance in support of liberalization by poorer countries in the region. Such support would be provided through an AID/W centrally funded Hemispheric Free Trade project which may provide some subsequent support to identified policy initiatives or on-going activities under CPP.

This supplement describes the impact of the project contraction.

B. Project History

The Caribbean Policy Project was authorized on September 21, 1992 with planned obligations not to exceed \$12 million over a five year period. It was intended that a Regional Implementation Unit (RIU), set up in the OECS/Economics Affairs Secretariat (EAS), would be the entity coordinating the implementation of all project activities.

The grantee (OECS/EAS) experienced difficulty in putting the RIU in place and that had a retarding effect on the initiation of project activities. In order to alter the flagging image of the project and to bolster implementational capacity of the OECS/EAS, RDO/C secured the Grantee's agreement to replace the RIU with a U.S.-based consulting firm. The 8a firm of Akins and Associates was contracted by RDO/C on February 10, 1994 and has been providing technical assistance through its long term field staff as well as coordinating the delivery of short term TA. The availability of that resource provided an immediate stimulus to project implementation and has maintained momentum in project activities since then. However, during the past year, uncertainty about the project's existence beyond closure of RDO/C and uncertainty about additional funding for FY 95, dampened the rate of project implementation.

No evaluations of the project have occurred to date, but the financial management stewardship of the OECS up to September 30, 1994 has been audited. Audit findings disclosed some internal control weaknesses.

C. Project Performance

To date, approximately 82 person-months of technical assistance has been provided by employees of the long-term contractor as well as short term consultants. The outputs of that TA have included the establishment of information systems in agriculture and tourism, tourism policy development, analysis of the impact of policy adjustments and trade liberalization consultations. A limited quantity of computer hardware has been procured under TA deliverables. In addition to the OECS Trade Information Systems (ASYCUDA follow-on) sub-grant, six other sub-grants were approved for implementation by sub-grantees with commencement dates between March and May 1995. Activity under the Trade Information Systems sub-project, which is intended to standardize the processing of customs data, commenced last November and implementation has been steady.

II. PROJECT MODIFICATIONS

A. Relationship of CPP to Mission Strategic Objectives

The project was designed as a key initiative in support of the Mission's Strategic Objective No. 1, Increased and Diversified Trade. Since natural resources invariably constitute a primary ingredient for economic activity, it was also considered appropriate for the project to examine policies in that area, thus supporting the Mission's other strategic objective, Improved Natural Resource Management. The primary thrust of the project, though, was to support the analysis and implementation of policy options related to liberalized and increased trade, competitive and market climates, increased private sector access to capital, productive factors, inputs and infrastructure, and rational fiscal administration. As a result of the contraction of the project, the natural resource management objective will no longer be pursued.

B. Implementation Arrangements

Since the institutionalization of the RIU by the EAS was protracted, RDO/C secured the agreement of the grantee to replace the RIU with a U.S. firm. The firm was contracted to provide implementational support to the EAS through a TA services contract which includes both administrative and program functions. As a result of curtailment of the project, the technical assistance allocation assumes a much larger proportion of overall project resources than was originally planned in the design. However RDO/C has decided to maintain the implementation arrangement since the mechanism has proved to be effective and to alter the arrangement would only set back project implementation. In view of RDO/C's downsizing and the desire to minimize accounting oversight responsibilities, RDO/C secured the agreement of the OECS for the financial management function for all project activities, except "sub-grants", to be assumed by the contractor. As a result of that modification there will be no further audits of the OECS/EAS but the contractor will be audited by AID/W. Sub-grants are being managed directly by RDO/C through the FAR mechanism. The existing arrangements will continue through the end of the project.

C. CPP Outputs and EOPS

Since the LOP is being reduced, project outputs will be modified accordingly. The delay in activating program activities led to a change in the planned implementation sequence of project elements. The design anticipated that there would have been a progression in implementation from the establishment of reliable databases through data analysis and policy formulation to policy articulation and implementation. The protracted implementation start-up obviated such. As a result, the master plan for statistics and database development has not, and will not, be developed. Selected statistical exercises have occurred and will continue to occur as integral components of specific technical assistance interventions. Participant training will not occur under the project and one final Project Advisory Committee meeting will occur before the end of the project.

The program emphasis during the remaining LOP will be consensus building and short term technical assistance for priority policy initiatives having regional application/benefit. Towards that end, the CPP project office will assume a proactive role in initiating activities which will build on project accomplishments to date or respond to eligible priorities of the OECS Heads of Government. The following outputs are projected to be accomplished under the truncated project:

- An estimated 5 sector databases at the national level.
- Two national/regional surveys.
- An estimated 8 policy and sector constraint analyses.
- An estimated 7 regional workshops on policy issues.
- An estimated 20 national workshops, seminars, meetings and consensus building events, and
- Seven policy development sub-grants to public and private sector organizations.

At the project's conclusion we expect the public and private sectors in the OECS to be routinely working collaboratively in developing strategies and solutions to trade issues. Such collaboration would be made meaningful through prior performance of the requisite analyses.

D. Financial Plan

When the initial decision was made to close out RDO/C's program, there was indication that the major constraint to completing planned activities would be the shortened time frame. However, subsequent severe budget reductions became a significant factor, especially in delaying activities because of a prolonged period of uncertainty as to the level of funds that would be available. This PP supplement was consequently also deferred until the Mission was able to clarify both the probable level of funds that would be available and the activities which could be completed with those funds in the time remaining. The Mission has now determined that the maximum total amount which is likely to be available and which could be used in the remaining period is \$6,500,000. The financial Plan is as follows:

FINANCIAL PLAN

Item	Amount (US\$)
1. Technical Assistance (Regional and U.S.)	4,614,230
2. Regional Implementation Unit	183,000
3. Implementation Sub- grants	1,544,770
4. Audits/Evaluations	47,000
5. Project Management	111,000
TOTALS	6,500,000

MODIFIED LOGICAL FRAMEWORK

Caribbean Policy Project: 538-0184

Narrative Summary	Objectively Verifiable Indicators	Means of Verification	Important Assumptions
<p>Goal: To make the Eastern Caribbean more economically competitive in the international market-place</p>	<ul style="list-style-type: none"> - Positive rate of per capita GDP Growth; - Positive rate of Growth of External Trade; - Positive rate of Growth of Foreign and Domestic Investment 	<ul style="list-style-type: none"> - National Accounts - Trade Statistics 	<ul style="list-style-type: none"> - Governments of the Eastern Caribbean States actively pursue equitable and sustainable economic growth policies. - No radically disruptive external or internal events impacting on economic structure or performance. - Disruptions from natural disasters kept within manageable levels. - Short to medium term response to improvements in policy framework for private investment by local and foreign investors.
<p>PURPOSE: The adoption of macro-economic and sector policies that would lead to increased trade and private sector involvement in commercial activities, and position the states of the Eastern Caribbean to sustain economic growth.</p>	<p>END OF PROJECT INDICATORS</p> <ul style="list-style-type: none"> O Practical analyses of trade, private sector and other developmental constraints. O Collaborative policy development between the public and private sector partners in the region leading to consensus on major policy issues. 	<ul style="list-style-type: none"> O Published reports and documents O Records and media reports of collaborative policy efforts and dialogue. 	<ul style="list-style-type: none"> - Policy institutions recognize the utility of good data, analyses, implementational assistance. - Public sector leadership recognizes critical role of private sector in investment and economic growth strategies. - Political consensus can be attained to deal with trade, investments and growth policies.

<p>OUTPUTS:</p> <p>0 Establishment of national sector databases.</p> <p>0 Policy and sector constraint analyses, reports, assessments.</p> <p>0 Regional and national conferences, seminars, workshops on policy issues.</p> <p>0 Consensus building events.</p> <p>0 Implementational and financial plans executed for new policy measures.</p>	<p>◆ Five databases developed.</p> <p>◆ Two national/regional surveys.</p> <p>0 Eight analyses conducted.</p> <p>0 Seven regional workshops on policy issues.</p> <p>0 Twenty national workshops, seminars, meetings and consensus building events.</p> <p>0 Seven policy development activities by public and private sector organizations.</p>	<p>0 Project reports.</p> <p>0 Media reports.</p> <p>0 Increased collaboration between private and public associations and government policy-makers.</p>	<p>- U.S. and local consultants and implementatin teams are capable of planning, executing and achieving high quality outputs.</p> <p>- Public and private sector willing and able to cooperate with project activities.</p>
<p>INPUTS</p> <p>Technical Assistance</p> <p>Regional Implementation Unit</p> <p>Implementation Sub-grants</p> <p>Audits/Evaluations</p> <p>Project Management</p> <p>TOTAL</p>	<p>(U.S. \$)</p> <p>4,614,230</p> <p>183,000</p> <p>1,544,770</p> <p>47,000</p> <p>111,000</p> <p>6,500,000</p>	<p>USAID Project Papers</p>	<p>- All conditions Precedent to Disbursement are met in timely manner</p> <p>- Funds are obligated and available as planned</p>