

# **USAID/Caribbean Regional Program**

## **Operational Plan**

**FY 2006**

June 15, 2006

## **Please Note:**

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**Program Performance Summary FY 2005:** Program Narrative (FY 2005): Background: The Caribbean region consists of 23 relatively small independent states, principally islands, and dependent territories ranging in size from 91 square kilometers (Anguilla) to 214,970 square kilometers (Guyana). Most share a common history of European colonization and mono-crop plantation economies, giving rise to a number of developmental similarities and strong correlation among their current economic problems. The combination of their small size, isolation from markets, susceptibility to natural disasters, and general ecological vulnerability presents a unique development challenge.

During the 1990s, while trade preference agreements with former colonial powers played an important economic role, real gross domestic product (GDP) in the region grew at an average rate of 3.5%. Between 2000 to 2000, however, real GDP decreased from 2.5% to 1.0%. The onset of trade liberalization and globalization has resulted in the gradual loss of preferential trading agreements which, coupled with declining productivity and low capital investment, has caused a reduction in foreign exchange earning potential. The dependence on a very narrow range of goods and services and declining private sector competitiveness have contributed to the low or negative economic growth that many of the Caribbean countries have experienced since 2002.

Many Caribbean countries face serious problems such as growing trade imbalances, high unemployment (especially among youth), widening fiscal deficits, and an unsustainable debt stock. In fact, seven of the ten most highly indebted nations in the world are found in the Caribbean region. At the end of 2001, total public debt in the region ranged between 40% and 135% of GDP. Effective collaboration between the public and private sectors has been limited and, as a result, governments in the region have largely failed to provide the necessary regulatory and institutional infrastructure to foster sustainable private sector development and growth. These factors, combined with the region's vulnerability to natural disasters such as hurricanes, floods, and volcanic eruptions, have created tremendous developmental challenges for the region. These vulnerabilities were cruelly exposed in early September 2004 when Hurricane Ivan cut a deadly path across the Caribbean. As a result of the storm, virtually every one of Grenada's 102,000 inhabitants was adversely affected. Damage on the small island totaled an estimated \$815 million, about twice the country's annual GDP. The economy, which had been predicted to grow at a rate of 4% to 5%, will instead contract by as much as 3% in 2005.

Within this context, critical economic issues for the Caribbean region include: (i) the challenge of meeting the requirements for successfully competing under the proposed Free Trade Area of the Americas (FTAA), the African Caribbean and Pacific/European Union (ACP/EU), and the World Trade Organization (WTO) agreements; (ii) the growing threat of HIV/AIDS to the region's development (the regional adult prevalence rate of approximately 2.0% as of 2004 is surpassed only by sub-Saharan Africa); (iii) high unemployment, especially among youth, and the implications on safety/security and increasing crime; (iv) the urgent need for fiscal reform; (v) traditional and emerging environmental challenges; and (vi) human capacity deficiencies.

The 14 member countries of the Caribbean Community (CARICOM) plan to use regional integration through the Caribbean Single Market and Economy (CSME) to address the challenges to the region's economic vitality. At the sub-regional level, the member countries of the Organization of Eastern Caribbean States (OECS) have already created single monetary and judicial systems and have plans for a more comprehensive union within the CSME. However, the region's leaders have not yet forged the strategic vision for competitiveness that will drive their use of the CSME to achieve global competitiveness.

US Interests and Goals: U.S. strategic goals in the Caribbean derive from its geographic proximity to the United States; homeland security concerns; and the threat from transnational crime and drugs that have found a home in the region. Bilateral relations with the region's states are generally good, with collaboration motivated by common national interests and shared values. The 1997 Barbados Summit accords committed the United States and the signatory Caribbean nations to promoting free trade and economic development, safeguarding the natural environment, and enhancing justice and security. In April 2001, at the third Summit of the Americas in Quebec, President George W. Bush outlined his vision for making this the Century of the Americas, with special attention to the Caribbean, our often-overlooked

Third Border. The small countries of the region are important partners on trade and social issues, as well as on promoting democracy in the hemisphere. They are also important partners in addressing issues related to drug trafficking, migrant smuggling, and financial crimes, in order to mutually enhance security throughout the region.

Donor Relations: A number of donor agencies are active in the Caribbean and contribute significant amounts to programs within the OECS and other Caribbean countries. According to a 2001 World Bank report, the top seven donors to the OECS countries (the Caribbean Development Bank, the European Union, the World Bank, UN organizations, Kuwait, the United States, and Canada - listed in order of size of contributions) accounted for 93% of total disbursements for 1999-2001. Since many of the countries in the region are middle income and lower middle income countries, both Canada (CIDA) and the British Department for International Development (DFID) are diminishing their assistance throughout the region as they seek to concentrate more of their assistance in the poorest countries.

CIDA has assisted in sectors such as economic competitiveness, trade policy, financial sector reform, disaster management, gender equity, and HIV/AIDS, although its focus is narrowing as its assistance within the region diminishes. DFID has provided assistance to address competitiveness, HIV/AIDS, security, and poverty reduction generally, although its focus has continued to narrow as its assistance levels fall. The European Union is providing significant resources for agricultural adjustment, private sector development, and budgetary support to foster public sector reforms. The United Nations agencies are assisting the region in health and combating HIV/AIDS.

USAID collaborates closely with other donor partners, jointly funding some activities, for example the Caribbean Regional Technical Assistance Center (CARTAC), which provides assistance to countries for customs and tax reforms, and the Pan-Caribbean Partnership Against HIV/AIDS (PANCAP), and coordinating closely on others, for example, Hurricane Ivan recovery.

Challenges: The primary development challenges confronting the region are the need to: (1) restore and accelerate sustainable employment generating economic growth by realigning the small island economies to successfully compete in the global marketplace; (2) slow the spread of HIV/AIDS and mitigate its impact; (3) reduce crime and violence; and (4) integrate disaster risk reduction more effectively into national economic development plans, policies, budgets and actions.

The CSME provides an opportunity for the countries of the Caribbean region to achieve economies of scale that can enable them collectively to compete globally. That result will be accomplished only if nations of the region develop a strategic vision for the region's competitiveness that enables them to use regional integration most effectively and that guides their prioritization of integration actions so as to use their limited human and financial resources most efficiently. Declining productivity in traditional economic sectors, such as agriculture, has slowed growth and the likelihood of imminent elimination of trade preferences in those same traditional economic sectors poses only additional challenges to these stagnating economies. Remittances are now one of the largest, if not the largest, growth areas within the region's economies, while growth in tourism, the backbone of most of these economies, slows.

More than 440,000 people are currently living with HIV in the Caribbean, including over 50,000 who were newly infected in 2004. The Caribbean region has the second highest HIV prevalence rate in the world, second only to sub-Saharan Africa. Women in the 15-24 age group are infected at a faster rate than men in the same age range and AIDS has become the leading cause of death for men and women aged 15-24. Because of a host of cultural and social factors, people in the region who have been infected with or affected by HIV/AIDS are subjected to high levels of stigma and discrimination. Unless the region's response to HIV/AIDS is better coordinated and targeted and coupled with intensive efforts to reduce stigma and discrimination, HIV/AIDS will have an ever increasing impact on the health status of the region's population and, more importantly, on the overall sustainable development of the region.

Historically, the region has been susceptible to a wide range of natural disasters, including hurricanes, flooding, landslides, and earthquakes. In September 2004, Hurricane Ivan devastated Grenada and the Cayman Islands and caused significant damage to Jamaica and somewhat less widespread damage to a

number of other islands. Although the region has always been vulnerable to these natural hazards, the economic impact of Hurricane Ivan gave stark reality to the importance of making disaster risk reduction a more integral and explicit component of the region's economic development plans, policies, budgets and actions so the region can sustain its economic gains instead of having to begin again each time a natural disaster occurs.

Most of the countries of the region have deep-rooted democratic traditions and institutions and score among the upper half of all countries on most measures of good governance. Nevertheless, sustaining good governance is an increasing challenge, especially in the areas of accountability, rule of law, and combating corruption. Crime is a serious and growing problem throughout the region, which is fostered by diminished growth and increasing unemployment, especially among young people.

**Key Achievements:** The Mission successfully brought its 2000-2004 strategic plan to a close and put in place a more focused assistance strategy for FY2005-2009. Most importantly, however, the Mission rapidly mobilized to support the region's recovery and rebuilding efforts in the aftermath of the devastation throughout the region caused by Hurricane Ivan. The Mission designed, developed and simultaneously implemented rapid scale up, 12-month, \$42 million recovery and reconstruction programs in Grenada, Bahamas, and Tobago that will largely be completed by December 31, 2005.

**Enhanced Open Trade Environment:** USAID's regional trade assistance aims to help position the region and, in particular, the smaller countries of the eastern Caribbean to successfully compete in a more liberalized trade environment by (1) facilitating compliance with the requirements of international trade agreements, including reform of legal systems, (2) supporting the development of a private sector that is internationally competitive, (3) and reducing the risk profile for natural disasters.

Given the disastrous impact of Hurricane Ivan throughout the region, the Mission focused much of its efforts on reviving and building a new foundation for competitive business and agriculture sectors in Grenada. Beginning in September 2005, the Mission initiated its targeted assistance to build competitiveness in Dominica and Antigua & Barbuda, together with continued assistance to lay the foundation for successful CSME start-up by December 31, 2005.

In Grenada, close to 1,000 persons were trained and "re-skilled" to allow them to reposition themselves in the job market; over 50% of those trained were reemployed within three months of the training. In addition, USAID assistance enabled more than 300 micro businesses to remain afloat as well as stimulated the revival of the hospitality and construction sectors through micro-lending and loan guarantee activities. The immediate assistance to Grenada created a vital foundation for that country's broader economic recovery supported by USAID under a separate Special Objective.

As assistance for Grenada's recovery transitioned to the \$42 million Special Objective, the second phase of activities under the trade strategy commenced with the start-up of a four-year assistance plan in two small island nations, namely Antigua & Barbuda and Dominica, that aims to enhance their ability to successfully participate in the CSME and the global trade environment. Lessons learned from these two country "models" will be transferred to other small island nations within the OECS over the next four years. To sustain benefits from an open trade environment, USAID also initiated assistance at the sub-regional level with the OECS secretariat to identify practical measures to reduce the sub-region's risk profile for natural disasters with a primary focus on preserving private sector investments.

**Enhanced Caribbean Response to HIV/AIDS:** USAID's high-profile HIV/AIDS regional program is helping to enhance the Caribbean region's response to the HIV/AIDS epidemic, with a special focus on the more vulnerable small islands of the eastern Caribbean, by focusing in three areas: 1) expanding access to HIV prevention and treatment services, 2) improving the availability and use of accurate and reliable information, and 3) expanding access to risk reduction behavior change interventions.

This past year, access to quality HIV services was enhanced by updating over 600 HIV service providers skills and knowledge of "state of the art" approaches to treating an HIV positive patient. These newly "tooled" health professionals are currently providing services in 315 voluntary counseling and testing sites

and delivering antiretrovirals in 46 clinics to more than 7,000 HIV positive patients. Improvements in HIV monitoring have been demonstrated, particularly in the reporting of information from the smaller countries in the eastern Caribbean, and critical information gaps in two areas (HIV services and high risk behavior) are being filled. Lastly, 18 prevention programs were supported in nine eastern Caribbean countries targeting behavior change interventions to over 8,000 people, most of whom were hard to reach, vulnerable people.

“Building Back Better” in Grenada and Other Islands Affected by Hurricane Ivan: Building upon a successful immediate post disaster response by USAID, this 12-month, rapid-scale up \$42 million special objective program aims to (1) rehabilitate housing and other community structures; (2) restore business and agriculture productive capacity; (3) repair and reconstruct schools and replace furnishing, equipment and educational materials; and (4) financially support the Government of Grenada. A fifth focus provides limited assistance to the Bahamas and Tobago and promotes the development of a regional policy agenda on disaster risk reduction.

Despite the wide-spread devastation in Grenada, results achieved during this reporting period were remarkable given the breadth of the assistance across several sectors. Highlights as of September 2005 included over 600 houses repaired and 41 new houses under construction; 17 schools under repair; 269 small and medium business and over 900 farmers and fisher folk received direct technical assistance, some received financial grant support; and over \$5 million worth of Government of Grenada utility bills were paid. USAID has been the lead donor in Grenada since the hurricane and USAID assistance is one of the key reasons for Grenada’s relatively speedy recovery from the hurricane, although many challenges remain for that country.

The Caribbean region also benefits from an initiative funded by the Office of US Foreign Disaster Assistance within USAID’s Bureau for Democracy, Conflict, and Humanitarian Assistance for activities to promote sustainable development through reduced risk and losses from natural hazards in the Caribbean.

The Mission’s program outcomes also benefit from the Mission-managed, regional Presidential Initiative Caribbean Center for Excellence in Teacher Training (C-CETT). This program, which is being implemented in seven countries throughout the Caribbean (i.e., St. Vincent, St. Lucia, Grenada, Trinidad and Tobago, Belize, Guyana and Jamaica) has achieved improvements in reading skills in grades 1-3 in a relatively short period of time and is contributing generally to strengthening the human resource base for the region’s trade competitiveness.

Trinidad and Tobago and Barbados were so persuaded by the classroom success of C-CETT that they elected to initiate the C-CETT program in their countries with their own resources. In St. Lucia, the Government has mandated that all schools use the C-CETT approach and is preparing to fund the additional staff required to expand the program. C-CETT has been particularly successful in creating public-private partnerships with both local and international entities that are leveraging USAID’s resources.

**FY 2006 Program****SO: 538-009 Caribbean Region Positioned to Succeed in an Open Trade Environment****Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$1,617,000 DA, \$725,000 ESF). USAID's assistance supports the efforts of regional institutions to develop laws, policies and institutions needed for successful implementation of the Caribbean Single Market and Economy (CSME) and compliance with trade agreements. One key tool is to initiate the World Bank's Doing Business surveys in Antigua and Barbuda and Dominica which prioritizes action on legal and regulatory policy changes that are necessary for these countries to be globally and regionally competitive. USAID will also provide expert technical assistance to help the governments of Antigua & Barbuda and Dominica undertake the legal and other modifications needed for successful implementation of the framework for the Caribbean Single Market and Economy (CSME) including compliance with various global trade agreements. USAID is providing capacity building support to increase these countries abilities to participate effectively in trade negotiations, particularly those related to the Free Trade Area of the Americas (FTAA). USAID funds technical assistance to modernize government systems to enable them to support more competitive business activities. There are a range of measures including reform to critical commercial laws, microeconomic reform to improve the business climate, competition policy leading to greater transparency in processes, environmental standards and government service provision in support of businesses. Principal implementers: Chemonics, CARICOM Secretariat, and the Government of Barbados.

**Improve Emergency Preparedness & Disaster Mitigation**

Improve Emergency Preparedness & Disaster Mitigation (\$1,220,600 DA). USAID identifies and addresses trade-related environmental issues, as well as disaster risk reduction measures that negatively impact the region's economic viability. USAID supports public-private cooperation to help increase the enforcement of building codes that dramatically reduce damage to physical structures from predictable natural disasters, such as hurricanes and earthquakes. USAID supports the policy dialogue within CARICOM, the OECS, and other key sector stakeholders to make disaster risk reduction a priority with a specific agenda for action. Principal implementer: Chemonics.

**Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness (\$2,053,400 DA, \$265,000 ESF). USAID's funds are improving the ability of the private sector to develop a more competitive business environment in the region and improve the response of firms to regional and global market demands. The program provides technical assistance for business development to help identify opportunities in new business sectors. This will increase the diversification of exports, enable more competitive industries to emerge, and improve business services. USAID's assistance also supports the review of business activities related to World Cup 2007 Cricket to identify possibilities to leverage opportunities for small business. Principal implementer: Chemonics.

**FY 2007 Program****SO: 538-009 Caribbean Region Positioned to Succeed in an Open Trade Environment****Improve Economic Policy and the Business Environment**

Improve Economic Policy and the Business Environment (\$2,147,000 DA, \$730,000 ESF). USAID will continue to provide technical assistance to support the region's participation in global trade through targeted help in services as well as linking negotiations with the private sector. USAID assistance will continue to focus on strengthening the dialogue between the public and private sectors on prioritizing and achieving successful actions on initiatives foster private sector competitiveness. In addition, 2007-2008 will be a landmark period for the CSME as the region seeks to strengthen a common market and move to

a common economy in 2008. USAID assistance supports the necessary actions of regional institutions to achieve this vision. USAID will continue assistance to support tax and customs reforms in the OECS as well as to the governments of Antigua & Barbuda and Dominica to carry out reforms to support a more competitive business environment. Principal contractors and grantees: Chemonics, CARICOM Secretariat, Government of Barbados; and the Caribbean Regional Technical Assistance Center.

### **Improve Emergency Preparedness & Disaster Mitigation**

Improve Emergency Preparedness & Disaster Mitigation (\$1,113,000 DA). The activity will continue to support the region's actions on trade-related environment issues and initiatives ensuring that island states are able to better withstand natural disasters. USAID assistance will be provided for activities that support legislation and enforcement of disaster risk reduction measures. Principal contractors and grantees: Chemonics.

### **Improve Private Sector Competitiveness**

Improve Private Sector Competitiveness (\$2,740,000 DA, \$270,000 ESF). USAID's assistance will continue to support the development of the private sector in the OECS with a focus on Antigua & Barbuda and Dominica while at the same time emphasizing diversification and development of business clusters and industries. Business development activities will focus on preparing the region to maximize the economic benefits from hosting the Cricket World Cup in 2007. USAID-funded activities will also improve labor skills in the region by working with the private sector to deliver workforce skills training. USAID activities will ensure that the private sector will have available relevant economic and trade data to make informed business and investment decisions. A limited number of policy studies will identify remaining constraints to the movement of persons, capital, goods and other factors of production across the region. Principal contractor: Chemonics.

### **FY 2006 Program**

#### **SO: 538-010 HIV Transmission Reduced in Target Countries in Most-at-Risk Populations and Impact of HIV/AIDS Mitigated in the Region**

### **Reduce Transmission & Impact Of HIV/AIDS**

Reduce Transmission & Impact Of HIV/AIDS (\$6,435,000 CSH). USAID provides technical assistance to increase the use of prevention and treatment services; increase the number of trained counselors providing counseling and testing services, train clinical health care providers in the prevention of mother-to-child transmission services, and the care and treatment of HIV-infected patients, including the use of anti-retroviral medications. A regional network of training centers, called the Caribbean HIV/AIDS Regional Training (CHART) Initiative, has been established to increase technical capacity throughout the region. All training includes the cross-cutting theme of reducing stigma and discrimination. Should additional funding be made available, focused technical assistance will be provided at a sub-regional and national level to facilitate the availability of an adequate supply of drugs (particularly anti-retrovirals) and health commodities and supplies (particularly HIV test kits) by working to ensure that logistics and delivery systems are functioning to facilitate availability of these essential items.

USAID provides assistance to enhance the enabling environment for a regional HIV/AIDS response. The Caribbean region is unique because the regional organizations, structures and policy dialogue forums are actively functioning to coordinate and target all HIV/AIDS resources available to the region, to develop and reform laws and policies, and to program regional activities. USAID supports efforts to improve both regional and national level HIV/AIDS surveillance and monitoring and evaluation systems. This support is provided to the established regional organizations focusing in these areas as well as targeted at the national level within nine countries in the eastern Caribbean. Future discussions with non-governmental organizations (NGOs) will determine whether USAID will provide technical assistance to NGOs that focus on prevention and behavioral change interventions for most-at-risk-populations in selected countries.

USAID activities include community-based and national scale prevention efforts within nine eastern Caribbean island nations. A special emphasis will be placed on identifying high-risk settings or “hot spots”, including highly mobile transient points. Integrated within these activities are referral mechanisms to prevention, care, treatment, and support services. The emphasis is on achieving results in terms of behavioral change and, ultimately, reductions in HIV infection. Principal implementers: International HIV/AIDS Alliance (IHAA), University of North Carolina, and University of Washington.

**FY 2007 Program**

**SO: 538-010 HIV Transmission Reduced in Target Countries in Most-at-Risk Populations and Impact of HIV/AIDS Mitigated in the Region**

**Reduce Transmission & Impact Of HIV/AIDS**

Reduce Transmission & Impact Of HIV/AIDS (\$5,640,000 CSH). USAID's program to increase the use of prevention and treatment services will continue to strengthen the Caribbean HIV/AIDS Regional Training Initiative (CHART) to increase the number of quality trained HIV/AIDS service providers in the region. A cross-cutting theme will be the reduction of stigma and discrimination especially among health-care workers. To further enhance the enabling environment for an effective regional response to HIV/AIDS, USAID will continue to provide country-level technical assistance in monitoring and evaluation, with the aim of standardizing national systems across the region. USAID will continue to work with the regional Caribbean organizations, such as CARICOM and the Caribbean Regional Epidemiology Center (CAREC) as well as national HIV/AIDS programs on strengthening surveillance capacity. USAID may provide technical assistance to NGOs that focus on prevention and behavioral change interventions for most-at-risk-populations in selected countries. Given the modes of HIV transmission within the Caribbean, emphasis will be placed on identifying high-risk settings or “hot spots”, including highly mobile transient points to best target most at risk populations. The emphasis remains on achieving results in terms of behavioral change and, ultimately, reductions in HIV infection. Principal implementers: International HIV/AIDS Alliance (IHAA), University of North Carolina, and University of Washington.

## **Results Framework**

### **538-009 Caribbean Region Positioned to Succeed in an Open Trade Environment**

**Program Title: Open Trade**

**IR09.1:** Market opportunities leveraged through open trade

**IR09.2:** Natural assets and national investments protected

### **538-010 HIV Transmission Reduced in Target Countries in Most-at-Risk Populations and Impact of HIV/AIDS Mitigated in the Region**

**Program Title: HIV/AIDS**

**IR010.1:** Expanded access to prevention and treatment services

**IR010.2:** Improved availability and use of accurate and reliable information on HIV/AIDS

**IR010.3:** Expanded access to risk reduction behavior change interventions in target countries

### **538-011 More Secure Lives and Livelihoods for People in Grenada and Other Islands affected by Hurricane Ivan**

**Program Title: Disaster Rehabilitation and Preparedness**