

PJKA 5754

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 01 OF 02 BRIDGE 04441 00 OF 03 282049Z 3412 071867 AID4063
ACTION AID-00

BRIDGE 04441 00 OF 03 282049Z 3412 071867 AID406

ACTION OFFICE LADP-04
INFO FPA-02 LACO-01 LADR-01 GC-01 GCLA-03 OL-01 RELO-01
TELE-01 LACA-03 /070 A1 X28

THE PURPOSE OF THIS GRANT IS TO SUPPORT STRUCTURAL ADJUSTMENT PROGRAMS IN THE EASTERN CARIBBEAN AS A MEANS OF PROMOTING LONG-TERM SELF-SUFFICIENCY IN PUBLIC FINANCES AND OF STRENGTHENING THE CAPACITY OF REGIONAL ECONOMIES TO GENERATE AND SUSTAIN LONG-TERM PRIVATE-SECTOR-LED, EXPORT-ORIENTED GROWTH.

INFO LOG-00 COPY-01 CIAE-00 EB-00 DODE-00 H-01 ARA-00
/010 W

-----341437 282052Z /64-66 38

O 282017Z MAY 87
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC IMMEDIATE 5477

5. BACKGROUND. IN 1986, FIVE IDA-ELIGIBLE ORGANIZATION OF EASTERN CARIBBEAN STATES (OEGS) COUNTRIES REQUESTED THAT THE DONOR COMMUNITY SUPPORT THEM IN CARRYING OUT MEDIUM-TERM STRUCTURAL ADJUSTMENT PROGRAMS. THE DONORS AGREED TO FORM A "TIGHTER CONSULTATIVE GROUP" (TCG) FOR ANY COUNTRY WILLING TO CARRY OUT A FORMAL, DONOR-APPROVED STRUCTURAL ADJUSTMENT PROGRAM, AND TO CONCENTRATE DONOR ASSISTANCE TO SUCH A COUNTRY DIRECTLY IN SUPPORT OF THE PROGRAM. THE USG, ONE OF ONLY FOUR DONORS (THE OTHERS ARE THE IMF, THE IBRD, AND THE CARIBBEAN DEVELOPMENT BANK) ABLE TO PROVIDE BUDGETARY SUPPORT, STRONGLY ENDORSED THE TCG CONCEPT AND AGREED TO SUPPORT IT FINANCIALLY.

UNCLAS BRIDGETOWN 04441

AIDAC

AID FOR LAC/CAR, PETER KOLAR; LAC/DP, JOHN CLARY

E.O. 12356: N/A

TAGS: NONE

SUBJECT: CONGRESSIONAL NOTIFICATION FOR STRUCTURAL ADJUSTMENT SUPPORT PROGRAM (538-0141)

6. PROJECT DESCRIPTION: THE PROJECT PROVIDES BUDGETARY SUPPORT TO OEGS GOVERNMENTS WHICH HAVE AGREED TO CARRY OUT FORMAL STRUCTURAL ADJUSTMENT PROGRAMS AND WHICH WILL HAVE TEMPORARY BUDGETARY GAPS DURING THE PROGRESS OF THE PROGRAMS. IN EXCHANGE FOR THE BUDGETARY ASSISTANCE, RECIPIENTS WILL BE EXPECTED TO CARRY OUT REFORMS TO IMPROVE THEIR ECONOMIC POLICY FRAMEWORK. THE USG WILL COORDINATE ITS PROGRAM ASSISTANCE WITH THAT OF OTHER DONORS. THE DISTRIBUTION OF LOCAL CURRENCY AMONG VARIOUS USES FOR FY88 AND FY89 FUNDS IS NOT CLEAR YET, BUT WILL BE USED, IN DESCENDING ORDER, TO COVER (A) LOCAL COUNTERPART COSTS TO PREDOMINANTLY DONOR-FUNDED

REF: (A) STATE 133504, (B) BRIDGETOWN 04083,
(C) ZALLMAN-PHILLIPS MAY 22, 1987, TELECON

1. THIS IS AN ACTION MESSAGE, AND SUPERCEDES REF B.
2. RDO/C REQUESTS THAT AID/W PROCESS A CONGRESSIONAL NOTIFICATION FOR SUBJECT PROJECT AS FOLLOWS: ADVICE OF PROGRAM CHANGE

COUNTRY	-	-	-	CARIBBEAN REGIONAL
PROJECT TITLE	-	-	-	STRUCTURAL ADJUSTMENT
	-	-	-	SUPPORT PROGRAM
PROJECT NUMBER	-	-	-	538-0141
FY87 CP REFERENCE	-	-	-	LAC VOL., ANNEX III,
	-	-	-	PAGES 301, 310
APPROPRIATION CATEGORY	-	-	-	ESF
LIFE OF PROJECT FUNDING	-	-	-	DOLS 25 MILLION
INTENDED FY 87 OBLIGATION	-	-	-	DOLS 6.5 MILLION

PUBLIC SECTOR INVESTMENT PROGRAMS, (B) CRITICAL RECURRENT EXPENDITURES, PARTICULARLY THOSE DIRECTLY RELATED TO THE STRUCTURAL ADJUSTMENT EFFORT, AND (C) DEBT REPAYMENT.

THIS IS TO ADVISE THAT A.I.D. INTENDS TO OBLIGATE DOLS 6.5 MILLION IN ESF IN FY 87 FOR THIS ACTIVITY. NOTIFICATION IS REQUIRED BECAUSE THIS IS A NEW PROJECT. CONGRESS HAS NOT BEEN PREVIOUSLY NOTIFIED. THE PROJECT WILL PROVIDE BUDGETARY ASSISTANCE TO GOVERNMENTS OF THE EASTERN CARIBBEAN IN ORDER TO SUPPORT INDIVIDUAL COUNTRY ECONOMIC STRUCTURAL ADJUSTMENT PROGRAMS CARRIED OUT IN THE CONTEXT OF THE MULTIDONOR-FUNDED "TIGHTER CONSULTATIVE GROUP" PROCESS.

7. MISSION PLANS TO OBLIGATE DOLS 6.5 MILLION IN FY87 TO SUPPORT TCG PROGRAMS IN GRENADA AND DOMINICA. THE PROGRAM FOR GRENADA WILL BE USED PRIMARILY TO COMPENSATE THE GOVERNMENT OF GRENADA FOR ONE-TIME PAYMENTS TO CIVIL SERVANTS WHO ARE BEING MANDATORILY RETIRED TO (A) REDUCE GOVERNMENT EXPENDITURES, AND (B) IMPROVE THE EFFICIENCY OF GOVERNMENT OPERATIONS. A SEVERELY REDUCED CIVIL SERVICE WAGE BILL WILL BE AN IMPORTANT ELEMENT IN THE COUNTRY'S STRUCTURAL ADJUSTMENT PROGRAM IN DOMINICA, WHICH WILL BE PART OF AN ONGOING TCG ARRANGEMENT, WILL PRIMARILY GO TOWARD COVERING LOCAL COUNTERPART COSTS OF EXTERNALLY FUNDED PUBLIC SECTOR INVESTMENT.

3. ACTIVITY DATA SHEET:

PROGRAM:	-	-	-	CARIBBEAN REGIONAL
TITLE:	-	-	-	STRUCTURAL ADJUSTMENT
	-	-	-	SUPPORT PROGRAM
FUNDING SOURCE:	-	-	-	ESF
PROPOSED OBLIGATION:	-	-	-	FY 87 DOLS 6,500,000
LOP	-	-	-	DOLS 25 MILLION
NUMBER:	-	-	-	538-0141 GRANT
GRANT:	-	-	-	CONTINUING
PRIOR REFERENCE:	-	-	-	LAC VOL., ANNEX III,
	-	-	-	PAGES 301, 310
INITIAL OBLIGATION:	-	-	-	FY 87
ESTIMATED FINAL OBLIGATION:	-	-	-	FY 89
ESTIMATED COMPLETION DATE:	-	-	-	FY 91

8. OF THE TOTAL DOLS 18.5 MILLION PLANNED FOR FY88 AND FY89, MISSION ANTICIPATES THAT DOLS 5 MILLION WILL BE PROVIDED TO GRENADA, DOLS 3 MILLION WILL BE PROVIDED TO DOMINICA, AND THE BALANCE WILL BE DISTRIBUTED BETWEEN ST. KITTS AND ST. LUCIA. ST. VINCENT HAS RECEIVED A CLEAN BILL OF FINANCIAL HEALTH FROM THE IMF AND HENCE CAN CARRY OUT STRUCTURAL ADJUSTMENT WITHOUT NON-PROJECT ASSISTANCE

4. PURPOSE:

9. RELATIONSHIP OF PROJECT TO A.I.D. REGIONAL STRATEGY: A I.D.'S REGIONAL STRATEGY IS TO CREATE AN ENVIRONMENT IN WHICH THE DOMESTIC AND FOREIGN PRIVATE SECTOR CAN LEAD EXPORT-ORIENTED ECONOMIC DEVELOPMENT. AN IMPORTANT ELEMENT IN THIS

UNCLASSIFIED

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 02 OF 02 BRIDGE 04441 00 OF 03 282049Z 3412 071867 AID4063

ENVIRONMENT IS THE PUBLIC SECTOR'S POLICY FRAMEWORK. THIS PROJECT AIMS TO ENCOURAGE GOVERNMENTS TO ALTER THAT FRAMEWORK SO THAT IT IS CONDUCTIVE TO PRIVATE SECTOR-LED, EXPORT-ORIENTED ECONOMIC DEVELOPMENT.

10. BENEFICIARIES: THE EFFECTS OF IMPROVED BALANCE OF PAYMENTS AND PUBLIC FINANCES AND OF SUSTAINED ECONOMIC GROWTH WILL PRODUCE ECONOMIC BENEFITS THAT WILL AFFECT A BROAD RANGE OF INDIVIDUALS AND SOCIAL GROUPS.

11. HOST COUNTRY AND OTHER DONORS: THE IMF, IBRD, CIDA, BDD, CDB, AND OTHER DONORS THAT PARTICIPATE IN THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT WILL ALL BE PROVIDING PROGRAM AND/OR PROJECT ASSISTANCE TO ANY OECS STATE THAT UNDERTAKES A FORMAL STRUCTURAL ADJUSTMENT PROGRAM. THE HOST COUNTRY WILL BE PROVIDING THE CIVIL SERVICE STAFF TO IMPLEMENT THE POLICY CHANGES WHICH GOVERNMENT DECIDES TO CARRY OUT.

12. MAJOR OUTPUTS:

A) PUBLIC SAVINGS (OECS AVERAGE) INCREASES BY ONE PERCENTAGE POINT PER YEAR BETWEEN 1986 AND 1990

B) MEDIUM-TERM STRUCTURAL ADJUSTMENT PROGRAMS IN PROGRESS (OR COMPLETED) IN FIVE OF THE SIX OECS COUNTRIES BY 1990.

13. AID FINANCED INPUTS:

LIFE OF PROJECT USDOLS 25,000,000 IN BUDGET SUPPORT.

14. US FINANCING (IN THOUSANDS OF DOLLARS):

	OBLIG	EXPEN	UNLIQ
THRU SEPTEMBER 30TH 1986	NIL	NIL	NIL
ESTIMATED FY 87	6,500	6,500	NIL
ESTIMATED THRU 1987	6,500	6,500	NIL
PROPOSED FY 88	6,500		
FUTURE YEAR OBLIGATIONS	12,000		
ESTIMATED TOTAL COST	25,000		

13. NOTE THAT FY87 CP AND FY88-89 ACTION PLAN LISTED PLANNED LOP AS 25 MILLION, BUT FY88 CP AS DOLS 15 MILLION. REQUEST YOU NOTIFY PLANNED LOP AS 25 MILLION.

14. PLEASE PROCESS THIS CN, NOTIFY RDO/C OF

EXPIRATION DATE AND TRANSMIT FINAL CN COPY TO RDO/C PROGRAM OFFICE. RUSSO

UNCLASSIFIED

2

UNCLASSIFIED
-Department of State

INCOMING
TELEGRAM

PAGE 01 OF 02 BRIDGE 04083 00 OF 02 152111Z 5497 064675 AID3677
ACTION AID-00

BRIDGE 04033 00 OF 02 152111Z 5497 064675 AID36

ADJUSTMENT PROGRAMS IN THE EASTERN CARIBBEAN AS A MEANS OF PROMOTING LONG-TERM SELF-SUFFICIENCY IN PUBLIC FINANCES AND OF STRENGTHENING THE CAPACITY OF REGIONAL ECONOMIES TO GENERATE AND SUSTAIN LONG-TERM PRIVATE-SECTOR-LED, EXPORT-ORIENTED GROWTH.

ACTION OFFICE LADP-04
INFO FPA-02 LACO-01 LADR-03 GC-01 GCL4-03 OL-01 RELO-01
TELE-01 LACA-03 CC-01 /B21 A1 X15

INFO LOG-00 COPY-01 CINE-00 EB-00 DODE-00 H-01 ARA-00
/018 W

5. BACKGROUND IN 1986 SIX ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS) COUNTRIES REQUESTED THAT THE DONOR COMMUNITY PROVIDE A POOL OF BUDGETARY SUPPORT FUNDS TO COVER PUBLIC FINANCE GAPS INCURRED WHILE THE COUNTRIES UNDERTOOK STRUCTURAL ADJUSTMENT PROGRAMS. IN LIEU OF THIS UNWORKABLE PROPOSITION, THE DONORS AGREED TO FORM A 'TIGHTER CONSULTATIVE GROUP' (TCG) FOR ANY COUNTRY WILLING TO CARRY OUT A FORMAL, DONOR-APPROVED STRUCTURAL ADJUSTMENT PROGRAM. THE TCG WOULD MONITOR THE PROGRAM AND WOULD, TO THE EXTENT POSSIBLE, PROVIDE PROGRAM ASSISTANCE ON A COORDINATED, ALBERT BILATERAL, BASIS. THE USG STRONGLY SUPPORTED THE MULTILATERAL DONORS IN THIS APPROACH TO STRUCTURAL ADJUSTMENT, AND PLEDGED TO PROVIDE, SUBJECT TO THE AVAILABILITY OF FUNDS, AN UNSPECIFIED AMOUNT OF PROGRAM ASSISTANCE.

-----365125 152113Z /66 38

O 152036Z MAY 87
FM AMEMBASSY BRIDGETOWN
TO SECSTATE WASHDC IMMEDIATE 5266

UNCLAS BRIDGETOWN 04083

AIDAC

AID FOR LAC/CAR, PETER KOLAR; LAC/DP, JOHN CLARY

E.O. 12356: N/A
TAGS: NONE
SUBJECT: CONGRESSIONAL NOTIFICATION FOR STRUCTURAL ADJUSTMENT SUPPORT PROGRAM (538-0141)

6. PROJECT DESCRIPTION THE PROJECT PROVIDES BUDGETARY SUPPORT TO OECS GOVERNMENTS WHICH HAVE OPTED TO CARRY OUT FORMAL STRUCTURAL ADJUSTMENT PROGRAMS. THE FUNDS ARE INTENDED TO HELP FILL BUDGETARY GAPS AT THE SAME TIME THAT CONDITIONALITY ENCOURAGES THE RECIPIENT TO IMPROVE FISCAL PERFORMANCE AND IMPROVE THE ECONOMIC POLICY FRAMEWORK. IF A GIVEN OECS STATE AGREES TO A MEDIUM-TERM STRUCTURAL ADJUSTMENT PROGRAM, RDO/C WILL BE PREPARED TO CONSIDER BUDGETARY SUPPORT UNDER THIS PROJECT, AND WILL COORDINATE THE PROVISION OF THE SUPPORT WITH OTHER INTERESTED DONORS. ALTHOUGH

REF: STATE 139504

1. THIS IS AN ACTION MESSAGE.

2. RDO/C REQUESTS THAT AID/W PROCESS A CONGRESSIONAL NOTIFICATION FOR SUBJECT PROJECT AS FOLLOWS: ADVICE OF PROGRAM CHANGE

RDO/C'S PROGRAM ASSISTANCE WILL GENERALLY BE PROVIDED ON AN ANNUAL BASIS WITHOUT ANY GUARANTEE OF FUNDING IN FUTURE YEARS. RDO/C WILL TAKE INTO ACCOUNT THE NECESSITY FOR FUNDING IN OUTYEARS IN ITS PLANNING OF ESF FOR THOSE OUTYEARS. THE FY87 OBLIGATION IS INTENDED TO COVER A DOLS 5,000,000 GRANT TO GRENADA AND A DOLS 1,500,000 GRANT TO DOMINICA.

COUNTRY - - - CARIBBEAN REGIONAL
PROJECT TITLE - - - STRUCTURAL ADJUSTMENT
- - - SUPPORT PROGRAM
PROJECT NUMBER - - - 333-0141
FY87 CP REFERENCE - - LAC VOL., ANNEX III,
- - - PAGES 301, 310
APPROPRIATION CATEGORY - ESF
LIFE OF PROJECT FUNDING - DOLS 25 MILLION
INTENDED FY 87 OBLIGATION DOLS 6.5 MILLION

7. RELATIONSHIP OF PROJECT TO AID REGIONAL STRATEGY AID'S REGIONAL STRATEGY IS TO CREATE AN ENVIRONMENT IN WHICH THE DOMESTIC AND FOREIGN PRIVATE SECTOR CAN LEAD EXPORT-ORIENTED ECONOMIC DEVELOPMENT. AN IMPORTANT ELEMENT IN THIS ENVIRONMENT IS THE PUBLIC SECTOR'S POLICY FRAMEWORK. THIS PROJECT AIMS TO ENCOURAGE GOVERNMENTS TO ALTER THAT FRAMEWORK SO THAT IT IS CONDUCTIVE TO PRIVATE SECTOR-LED, EXPORT-ORIENTED ECONOMIC DEVELOPMENT.

THIS IS TO ADVISE THAT AID INTENDS TO OBLIGATE DOLS 6.5 MILLION IN ESF IN FY 87 FOR THIS ACTIVITY. NOTIFICATION IS REQUIRED BECAUSE THIS IS A NEW PROJECT. CONGRESS HAS NOT BEEN PREVIOUSLY NOTIFIED. THE PROJECT WILL PROVIDE BUDGETARY ASSISTANCE TO GOVERNMENTS OF THE EASTERN CARIBBEAN IN ORDER TO SUPPORT INDIVIDUAL COUNTRY ECONOMIC STRUCTURAL ADJUSTMENT PROGRAMS IN CONJUNCTION WITH THE MULTIDONOR-FUNDED TIGHTER CONSULTATIVE GROUP PROCESS.

8. BENEFICIARIES THE EFFECTS OF IMPROVED BALANCE OF PAYMENTS AND PUBLIC FINANCES AND OF SUSTAINED ECONOMIC GROWTH WILL PRODUCE ECONOMIC BENEFITS THAT WILL AFFECT A BROAD RANGE OF INDIVIDUALS AND SOCIAL GROUPS.

3. ACTIVITY DATA SHEET.

PROGRAM - - - CARIBBEAN-REGIONAL
TITLE: - - - STRUCTURAL ADJUSTMENT
- - - SUPPORT PROGRAM
FUNDING SOURCE - - - ESF
PROPOSED OBLIGATION - - FY 87 DOLS 6,500,000
LOP - - - DOLS 25 MILLION
NUMBER: - - - 532-0141 GRANT
GRANT: - - - CONTINUING
PRIOR REFERENCE - - LAC VOL., ANNEX III,
- - - PAGES 301, 310
INITIAL OBLIGATION - - FY 87
ESTIMATED FINAL OBLIGATION FY 89
ESTIMATED COMPLETION DATE- FY 91

9. HOST COUNTRY AND OTHER DONORS: THE IMF, IBRD, CIDA, EDD, CDB, AND OTHER DONORS THAT PARTICIPATE IN THE CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT WILL ALL BE PROVIDING PROGRAM AND/OR PROJECT ASSISTANCE TO ANY OECS STATE THAT UNDERTAKES A FORMAL STRUCTURAL ADJUSTMENT PROGRAM. THE HOST COUNTRY WILL BE PROVIDING THE CIVIL SERVICE STAFF TO IMPLEMENT THE POLICY CHANGES WHICH GOVERNMENT DECIDES TO CARRY OUT.

4. PURPOSE:

THE PURPOSE OF THIS GRANT IS TO SUPPORT STRUCTURAL

UNCLASSIFIED

3

UNCLASSIFIED
Department of State

INCOMING
TELEGRAM

PAGE 02 OF 02 BRIDGE 04083 00 OF 02 152111Z 5497 064675 A103677

10. MAJOR OUTPUTS:

IMPROVED PUBLIC SAVINGS
IMPROVED POLICY FRAMEWORKS

11. AID FINANCED INPUTS:

LIFE OF PROJECT USDOLS 25,000,000 IN BUDGET SUPPORT.

12. US FINANCING (IN THOUSANDS OF DOLLARS):

	OBLIG	EXPEN	UNLIQ
THRU SEPTEMBER 30TH 1986	NIL	NIL	NIL
ESTIMATED FY 87	6,500	6,500	NIL
ESTIMATED THRU 1987	6,500	6,500	NIL
PROPOSED FY 88	6,500		
FUTURE YEAR OBLIGATIONS	12,000		
ESTIMATED TOTAL COST	25,000		

13. NOTE THAT FY87 CP AND FY83-89 ACTION PLAN LISTED
PLANNED LOP AS 25 MILLION, BUT FY88 CP AS DOLS 15
MILLION REQUEST YOU NOTIFY PLANNED LOP AS 25
MILLION

14. PLEASE PROCESS THIS CH, NOTIFY RDO/C OF
EXPIRATION DATE AND TRANSMIT FINAL CH COPY TO RDO/C
PROGRAM OFFICE. RUSSO

UNCLASSIFIED

11