



**DELEGATION OF THE EUROPEAN COMMISSION  
IN  
BARBADOS AND THE EASTERN CARIBBEAN  
OFFICE OF THE NATIONAL AUTHORISING OFFICER  
IN BARBADOS**

**COOPERATION BETWEEN  
THE EUROPEAN UNION  
AND  
BARBADOS**

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## **1. UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION**

### **1.1 Update on the political situation**

Following a five-day visit (6 to 10 June) to the People's Republic of China by Prime Minister Arthur, in celebration of 30 years of diplomatic relations, it was announced that Barbados would soon have a diplomatic and commercial presence there. Mr. Arthur reaffirmed Barbados' commitment to the 'One China Policy' and urged the Asian nation to develop closer relations with countries in the region and by extension, CARICOM. One way to strengthen economic ties, he suggested, was for China to play a prominent role in the Regional Development Fund to assist lesser developed Caribbean countries.

Barbados joined 80 United Nations member-states in signing the UN Convention on the Rights of the Disabled. With more than 13,000 people in a population of close to 275,000 considered disabled, whether physically or mentally challenged, Barbados believes the Convention represents a crucial obligation if disabled people are to get their fair share of access to services and to have their rights respected. The Convention, which is the first human rights treaty on disability, was opened for signature in March 2007.

United Nations Secretary General, Ban Ki-Moon, spent a week in Barbados in July on a working visit during which he paid a courtesy call on Prime Minister Arthur. Mr. Ban and Mr. Arthur, who was then the chairman of the 15-nation Caribbean Community, discussed the technical assistance that could be offered by the UN for the regional integration process, the need for a long-term approach by the international community to the challenges faced by Haiti, and the strategies to combat global warming.

Barbados officially opened the bidding process for offshore oil exploration on 22 June but warned investors it was not prepared to accept destruction of the environment to accommodate the initiative. The offshore hydrocarbon exploration programme will take place in 70,000 square kilometres of the country's territorial space and follows the boundary delimitation between Barbados and Trinidad and Tobago established by the International Tribunal of the Law of the Sea in 2006. Actual contracts are expected to be signed in January 2008.

Barbados was one of the countries listed by Transparency International (TI) as amongst one of the least corrupt countries in the world. In a survey of 180 countries, TI listed Barbados at number 23 and said the low perception of corruption among public officials in these islands was only bettered by countries in the developed world where vibrant non governmental institutions kept a close watch on public officials.

Barbados hosted the International Cricket World Cup final.

Prime Minister Owen Arthur on 20 December announced that Barbadians would go to the polls to elect a new government on Tuesday, 15 January 2008.

### **1.2 Update of the economic situation**

#### *Regional Overview*

The six countries of the Eastern Caribbean (OECs) and Barbados are at a critical juncture in their development. After over three decades as independent states, they are struggling to find new sources of growth and reduce vulnerability in a milieu characterised by increasing competition at a global level; ending of trade preferences; and declining donor resources. These challenges are coupled with internal fiscal imbalances and high debt ratios, and the inherent weakness as small island states. As the first decade of the 21<sup>st</sup> Century enters its second half, all OECs countries are in the top fifteen of the world's most indebted (relative to GDP) emerging markets. The impressive gains in terms of social development achieved over the last 30 years risk being eroded by the fiscal and debt circumstances and

by the economic transformation that may be required to adapt to the external changing environment. Signs of this erosion are already emerging in the form of rising poverty in both rural and urban areas; disenfranchised youth and high unemployment; and a related increase of crime. All countries also face the risk posed by the growing HIV/AIDS epidemic affecting the entire Caribbean.

In addition, as small states, Barbados and the OECS countries face significant vulnerability to external shocks, including natural disasters; limited economic diversification opportunities and high dependence on external trade; high cost of public service provision due to diseconomies of scale; and limited capacity in the public and private sectors. However, in a few areas, these shortcomings are being successfully overcome through regional initiatives and projects.

In view of the above context, five policy response areas are emerging as the most evident priorities for Barbados and the OECS countries in the medium term. These are fiscal consolidation/ public sector reform; regulatory environment for private sector development; creation of a wider market and level-playing field; skills development; and security enhancement (especially natural disasters).

Over the forty-one years since independence, Barbados has transformed itself from a low-income economy dependent upon sugar production into an upper-middle-income economy, which is heavily dependent on tourism and financial services. Generally, it has been resilient in the face of external shocks. The Country has one of the largest per capita incomes in the region of US\$10,100 with a population of 275,000, ranks high on social, political and competitiveness indicators and also enjoys an investment grade rating.

### *Barbados' Overview*

Barbados' economy is dominated by services which accounts for three-quarters of GDP and 80% of exports. Dependency on Tourism is particularly high, but the international business and financial services sector has become an increasingly important source of foreign exchange and economic growth. Indeed, this sector includes 4,635 international business companies (IBCs), 413 exempt insurance companies (EICs), three trust companies, 11 finance companies and 53 offshore banks. It is noteworthy that in this regard the transparency and tax information exchange features of Barbados' tax system did not raise any concern from the point of view of the OECD. Barbados has however recognised that this does not exclude the potential vulnerability towards inappropriate use of its tax system including the legislation relating to the international business and financial services sector. Indeed this vulnerability is one faced both by Barbados and other countries including those of the EU. To that end Barbados continues to work with the CFATF, the FATF and the IMF mutual evaluation mechanisms to both identify and address potential weaknesses with a view to actively take steps to ensure the integrity of its fiscal and tax systems. Meanwhile the government's recent decision to liberalise the capital account is guided by its vision of Barbados as premier centre for tourism and financial services.

The sugar industry, once dominant, now makes up less than 1% of GDP and only employs a permanent workforce of around 800 people. The labour force comprised 146,800 persons at the end of 2005, with an unemployment rate of 9.7%, which has been reduced to around 8% since then. The Government and the private sector have been working to prepare the country for the CARICOM Single Market and Economy (CSME), a European Union-style single market launched in January 2006. The year 2008 has been set as the target for the completion of policies and programmes for the initial framework for the Single Economy.

### *Recent Economic Performance and Short-Term outlook<sup>1</sup>*

Growth rates averaged between 3%-5% since the early 1990's until 2001, when the economy contracted 2.8% in the wake of the September 11 terrorist attacks and the global drop-off in tourism. Growth picked up again in 2003, and the economy grew by 4.8% in 2004, 4.1% in 2005, 3.9% in 2006

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<sup>1</sup> Source: IMF Article IV Staff Report September 2007

and growth projections for 2007 are 4.3%. Economic activity has been recently boosted by all sectors producing non-tradable goods. Robust output growth has helped bring the unemployment rate to historic lows, from nearly 10% in 2004/05 and to historical lows of around 8% in 2006/07. The external current account deficit eased to 8.4% in 2006, following the 2005 peak of 12.5%, due to increased tourist receipts and a temporary import surcharge on consumer goods. Despite sustained robust growth since 2004, significant increases in inflation have been experienced during this period with a spike in 2005 and 2006 to 6% and 7.3% respectively - up from 1.4% in 2004, owing mainly to the increase in international oil prices.

Later in the year while reporting on the first nine months of economic activity Governor Williams reported 4.4 percent growth in the Barbados economy for the first nine months of 2007 fuelled largely by tourism, which contributed significantly to the US\$135 million increase in the net international reserves. In reviewing the period Governor Marion Williams said tourism value added grew by 3.1 per cent, construction by 5.1 per cent and non-sugar agriculture by 4.9 per cent, while manufacturing remained virtually unchanged from the corresponding period for 2006 when the economy expanded by 3.7 per cent. She projected that real economic activity for the remaining months of 2007 would grow just below 5 per cent and about 3.5 per cent in the first quarter of 2008.

With mounting concerns in Barbados and the region regarding the rising cost of living, the Central Bank Governor reported that the twelve month moving average rate of inflation was 5.2 per cent at the end of July, down from the 7.4 per cent registered in the corresponding period of 2006.

In July international rating agency, Standard and Poor's, maintained a stable rating for Barbados when it affirmed the country's long and short term credit rating. The New York-based agency maintained a 'BBB+' long- and 'A-2' short-term foreign and an 'A-' long- and 'A-2' short-term local currency sovereign credit ratings on Barbados.

Meanwhile, following Article IV consultations, the International Monetary Fund (IMF) predicted a favourable economic outlook for Barbados for 2007. The prediction included robust output growth of about four per cent and a deceleration of inflation, which was set to drop to 5.5 per cent after being pushed up in 2006 by high energy prices and a temporary import surcharge. However, the IMF was concerned about the current account deficit, which, despite having narrowed in 2006, was still high and projected to remain unchanged at about 8.5 per cent of Gross Domestic Product. The international lending agency urged government to tighten fiscal policies so as to improve the public sector position and reduce the large current account deficit. The options suggested by the IMF to achieve fiscal balance included the raising of the Value Added Tax (VAT), adjusting selected utility tariffs, reigning in public projects and reducing tax exemptions.

In March Prime Minister Owen Arthur presented a near BDS\$3 billion budget to Parliament. The budget introduced no new tax measures but attempted to tackle key issues such as access to land, high inflation, and low income housing.

The Prime Minister reported that at 31 March 2007 the Central Government Debt was expected to be BDS\$4.9 billion. The domestic debt was projected to grow by 10 per cent, while the foreign debt was projected to remain at the same level as it was at 31 March 1996. Therefore, the overall national debt at the end of the fiscal year was estimated to be 71 per cent of GDP, compared to 77 per cent at the end of the previous year. In addition, for the fiscal year ending 31 March the fiscal deficit was anticipated at an overall BDS\$130 million – equivalent to 1.9 per cent of GDP. Government has set a deficit target of 2.5 per cent of GDP.

#### *Medium-Term economic prospects*

Economic activity in Barbados is expected to continue to grow, anchored by the tourism industry and the international business and financial sector, as the Government of Barbados moves to increase

marketing activities and to create a more enabling environment. Increasing levels of international competition will prove challenging to the agriculture and manufacturing sectors where there has been no strong growth in recent years. Non-traded real sector activity is expected to be buoyant given continuing higher investor confidence resulting from greater concentration on adequate housing for the population and an increase in the tourism plant. The rate of unemployment is expected to continue to be relatively low.

The authorities are committed to continuing structural reforms in order to sustain growth and competitiveness over the medium term, while continuing policies which will safeguard the fixed exchange rate and maintain a stable environment conducive to economic growth. Central Government revenue is likely to rise in line with growth in economic activity, despite reductions in the marginal rate of corporation tax and changes to the income tax arrangements. Growth in revenue will have to exceed growth in expenditure if the targeted overall deficit of 2% of GDP is to be maintained. The external trade current account is not likely to improve significantly in the short term as many of the initiatives to build new capacity in the productive sectors will take time to be implemented.

The September 2007 Article IV mission focused on streamlined consultations around the Government's decision to fully liberalise the capital account which marks a milestone in its strategy of regional and global integration. While the removal of remaining controls is unlikely to trigger major market reactions, it does entail medium-term risks. Liberalisation heightens the threat of sudden capital reversals that could undermine the peg in the absence of an adequate reserve cushion. Policies should aim to contain these risks. Discussions with the Fund have therefore focused on three critical policy areas:

(i) *Fiscal consolidation*—to bolster international reserves and reduce public debt so as to ensure the sustainability of the peg and an effective policy response to shocks. Announced policies are unlikely to achieve the government's debt objective. A more ambitious target of eliminating the public sector deficit, excluding the NIS position, by 2012 would bring the debt ratio on a firmly declining trend. The government has a range of options to achieve such savings, including reining in future projects—in particular the sugarcane multi-purpose plant project. Other options include improving tax administration, raising VAT rates, reducing tax exemptions and adjusting selected utility tariffs. Consolidating the activities of all public entities would also facilitate proper planning.

(ii) *Market-based monetary policy instruments*—to manage domestic liquidity in a more volatile environment. The Central Bank is rightly preparing a shift to indirect policy instruments, preparations to activate the discount facility as the main vehicle for managing liquidity are progressing well, but to allow time for the market to develop, the minimum deposit rate should be phased out gradually.

(iii) *Financial sector regulation and supervision*—to guard against excessive exposures in an open capital account environment, plans to improve prudential oversight of the financial sector should be implemented swiftly. The focus should be on finalizing and implementing pending guidelines and legislation, establishing a strong Financial Services Commission to supervise the non-bank sector, and pressing for an effective supervisory framework at the regional level.

### **1.3 Update of the poverty and social situation**

Barbados has made a high investment in its social development. Ever since the 1940s, successive governments have placed high emphasis on social development and have built up a strong legislative and institutional framework to plan and implement social policy. The Human Development Report ranked Barbados, in 2005, in position 30 among all countries on the basis of adult literacy, school enrolment, life expectancy at birth, and per capita Gross Domestic Product (GDP). Nonetheless, there are still a number of social challenges confronting the nation including small but concentrated pockets of poverty within the society and an increase in lifestyle related diseases such as diabetes, hypertension

and heart disease. Respiratory ailments are also on the increase. HIV/AIDS also presents challenges to the overall development of the country.

### *Education*

The State provides free public education from pre-primary to university level. Education is compulsory for children of the ages 5-16 and the net enrolment ratio in primary and secondary education is 100%. A number of programmes such as the provision of school meals at primary level, a text book loan scheme, transport assistance, a uniform grant, bursaries at the secondary level to the few private secondary schools, and a wide range of grants and scholarships at the tertiary level are designed to ensure the active participation of all students. Female participation in the education system has increased significantly and girls perform generally at higher levels than boys in the core subjects of English, Mathematics, Social Studies and Integrated Sciences.

Given universal access to primary and secondary education, attention is shifting towards correcting the weaknesses that still exist in the system and on improving quality. Attempts to increase the number of students leaving secondary school with adequate certification and efforts to make the curriculum more relevant to Barbados' developmental needs and its integration into a more liberalised and global environment are among the current policy priorities. With respect to tertiary education, Barbados' national strategic objective is to have one university graduate per household by 2020. Further, premised on the assumption that early learning experiences contribute to the sound educational development of children, the Government is now targeting universal access to early childhood education. The economy's demands for artisans accompanied by the exodus of nurses and teachers to the developed world have resulted in shortages in these areas. The economy needs to respond to this challenge while addressing its other objectives in education and training.

### *Health*

The health sector has been undergoing reforms in response to the changing social and economic environment as Barbados has started to face an increasing number of new challenges. These include, among other factors, an ageing population, environmental risks, the threat posed by HIV/AIDS and new and re-emerging diseases, and not least of all the increased cost of providing adequate health care. Free health care is provided to citizens at the primary care level and to a lesser extent at the secondary and tertiary care level.

Concerning HIV/AIDS, the epidemic in the Caribbean is the worst in the Western Hemisphere and is second in magnitude only to that of Sub-Saharan Africa. Haiti is by far the most affected by the disease. Better reporting systems in Barbados and Bahamas are contributing to a better understanding of the magnitude of the epidemic (World Bank, 2001).<sup>2</sup> Statistics reveal that the following characteristics for the epidemic in Barbados: 89% of the reported cases fall within the economically productive age group of 25-49 years; 1 in every 4 cases reported is a woman; and the number of HIV-infected cases rose cumulatively from 2 in 1984 to 2,999 as at March 2005 although during the last five years the absolute number of HIV-AIDS deaths has been declining significantly (from 80 in 2000 to 9 in 2005). This reduction is due to the significant investment in HIV/AIDS awareness which emphasises health lifestyles and safe sex practices as well as the introduction of free anti-retroviral drugs to persons infected by HIV/AIDS. The fight against HIV/AIDS is coordinated from the Office of the Prime Minister.

With respect to health care financing, the challenge facing the Ministry of Health is to ensure equity in access to health care, adequate levels of nursing services, improved efficiency in the delivery of treatment and the sustaining of the current levels of health care. In 2003, the Government adopted the

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<sup>2</sup> World Bank, *HIV/AIDS in the Caribbean: Issues and Options*, 2001.

Barbados Strategic Plan for Health 2002-2012 which reflects an integrated approach to secure the national vision of health, safety, and prosperity based on the challenges the system is to face. In 2004, health sector investment, which was estimated at 12.9% of the total public investment, focused largely on HIV control and prevention, and on solid waste management. This trend has been maintained in 2005.

### *Social Protection*

Barbados has developed an extensive social protection network, which includes a social security system, and public and private pension schemes. Moreover, Barbados is the only Caribbean country that has an unemployment insurance scheme, which is intended to assist contributors in times of temporary displacement from work up to a maximum of twenty-six weeks, but may also provide for re-training to enhance prospects for re-entry into the workforce. The Government has proposed to boost efforts to retrain those persons who are presently beneficiaries of the unemployment scheme by the establishment of a retraining fund of \$10 million for these purposes. The National Insurance Board will manage the Fund and will collaborate with its parent ministry and the Ministry of Education in determining the nature and content of the programmes to be funded. The pension scheme has also wide coverage in Barbados. However, its sustainability is challenged by the low rate of births that is affecting the balance between contributors to and recipients from of the pension system. Government therefore undertook a series of reforms geared to ensure sustainability including a gradual increase in the contribution rate and an increase in the retirement age.

### *Employment*

The rate of unemployment has declined significantly since the early 1990s, averaging 9.7% during 2005 compared with a rate of 24.3% registered in 1993. It can be said that since 2000, the unemployment rate in Barbados has stabilised around 10%, being slightly lower for males and than for females. This is primarily due to the sustained growth registered in the construction and tourism sectors during the last decade.

Although Barbados has attained high standards in education, major gaps persist with respect to labour skills and productivity. Despite an overall surplus of labour, with unemployment standing below 10%, there are critical shortages of labour in specific professional areas. This suggests that the vocational training and tertiary education institutions need to be better aligned with the needs of the business sector. Accreditation of skilled labour is also an area that warrants attention to facilitate labour mobility. In fact, the Government of Barbados is actively developing a system of accreditation at the national level for skilled persons with the creation of the National Vocational Qualifications (NVQs) and a regional effort is also taking place to harmonise accreditation across CARICOM. The institutional framework for the labour market is relatively sound, reflecting the evolution of policy and engagement of the major social partners. However, it needs to be reviewed and updated to increase flexibility in light of technological changes that are transforming the way the international marketplace functions. The need for reforms in favour of productivity-based payment schemes has already been recognised under the social contract. The National Productivity Council has as its mandate the facilitation of these programmes.

### *Rural Development*

Barbados continues to face challenges within the agriculture sector due to its small size. With impending changes to the EU Common Agricultural Policy, the fortune of the sugar industry as traditionally organised is expected to decline. Consequently, the challenge to rural development implies the encouragement of diversification, an issue addressed in the National Sugar Adaptation Strategy to be supported by EU funding.



The most significant new measures to support the development of rural areas, according to the 2006 Government budget, are the Youth Agricultural Programme, the enhancement of the Land-for-the-Landless programme, which provides land resources to persons desirous of farming but who are without land, and the designation of the Scotland District as a special development area. In addition, the Government will pilot a project using the Home Agricultural Station of the Ministry of Agriculture as a site for the research, production and training in agricultural practices such as greenhouses and hydroponics. An initial amount of \$2 million will be provided through the Agricultural Development Fund for the capitalisation of this programme. The Scotland District has been earmarked for significant development aimed at maintaining the integrity of the land, as well as stimulating economic activity. The majority of the land in the Scotland District is privately owned. Accordingly, investment in the area will be encouraged, not only in agriculture, but also through the establishment of linkages with other sectors. In addition, the Government has committed itself to attaining a level of food security in a number of areas.

The Human Poverty Index (HPI-1) value for Barbados (4.5%) ranks the country 4th among 103 developing countries for which the index has been calculated.<sup>3</sup> It is estimated that approximately 7,000 households or 35,000 persons are living below the poverty line in Barbados. This amounts to 8.7 % of total households or approximately 13.9% of the total population. Fifty-nine percent (59%) of these households are headed by females; and 57% of the poor families are headed by single parents. Moreover, 54% of the heads of households have only primary education whereas just 40% have a secondary level education. In addition, most of the poor are found in urban Barbados. These variables namely, gender, educational attainment, employment and geographical location (urban) have become the primary considerations in the formulation of policies and programmes to combat poverty.

Although extreme poverty is not pervasive in Barbados, the existence of small but concentrated pockets encouraged the Government to put poverty on top of the national development agenda.<sup>4</sup> The impact of the structural adjustment programme in the early 1990s had resulted in record unemployment and had placed enormous pressure on the social welfare system. As a response to this situation, the Government adopted a multi-dimensional approach to poverty assuming that economic and social dimensions of development are inextricably linked.

It must be stated that there are no up-to-date comprehensive data on poverty. The last comprehensive survey was undertaken in 1996 by the Inter-American Development Bank. Proxies for the extent of poverty are taken via informal surveys and by examining the number of persons seeking assistance from welfare agencies. A small survey was undertaken with the assistance of the Commonwealth Secretariat in 2003 but it was concentrated in only a few communities. The Government of Barbados has therefore made a firm commitment to enhance the availability of adequate data on poverty. This commitment has seen the establishment of a Research and Planning Unit in the Ministry of Social Transformation in 2006; the contracting of an Advisor to the Prime Minister on Poverty earlier this year; and preparations for a comprehensive National Survey on Poverty later in 2006, funded through a grant of US\$250,000 by the Caribbean Development Bank. A national consultation on poverty in support of this initiative was held in early July. This adds further impetus to the initiatives to eradicate poverty which culminated in the establishment of the Ministry of Social Transformation in 1999 which brought together virtually all the agencies treating with poverty across the public sector.

Strategies and programmes pursued by Barbados to combating poverty assign priority to the development and modernisation of public institutions and social management: strengthening of

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<sup>3</sup> The Human Development Report 1997 introduced the human poverty index (HPI), which focuses on the proportion of people below a threshold level in basic dimensions of human development - living a long and healthy life, having access to education, and a decent standard of living, much as the poverty headcount measures the proportion of people below a certain income level. The HPI-1 measures human poverty in developing countries. Ref: [http://hdr.undp.org/statistics/data/country\\_fact\\_sheets/cty\\_fs\\_BRB.html](http://hdr.undp.org/statistics/data/country_fact_sheets/cty_fs_BRB.html)

<sup>4</sup> Barbados - Poverty reduction strategies pursued during the last decade - Ministry of Social Transformation October, 2003

mechanisms for the participation of civil society to overcome poverty and discrimination; promotion and financing of social investment; strategies and programmes to combat marginalisation and discrimination against women, indigenous people and other vulnerable groups, including children and the elderly. It also includes initiatives to empower communities and development of community-based organisations.

## **2. PAST AND ONGOING EC CO-OPERATION**

### **2.1 Overview of past and on going EC Cooperation**

EC assistance focused on human resource development under the 7th and 8th EDF, while 9th EDF funds targeted the health sector in the form of sectoral budget support.

The Country Strategy Paper and National Indicative Programme (NIP) under the 9<sup>th</sup> EDF for Barbados was signed on 19 March 2003. Barbados originally benefited from a 9th EDF allocation of €6.5 million from the A envelope and €0.3 million from the B envelope. Following transfers of funds left over from previous EDF allocations, the amount in the A envelope totals €12.2 million.

Barbados will benefit from much more significant funding from the 2007-2013 Sugar Facility than its allocation under the National Indicative Programme (NIP). The Government of Barbados and the EC drafted an Adaptation Strategy, which was submitted to Brussels in early 2006.

The cooperation between the Delegation and the Government of Barbados is reasonably good but problems with managing some tender procedures somewhat slowed down implementation of activities. This situation has been partially redressed by ongoing dialogue between the Government of Barbados and the Delegation at all stages of the project management cycle and by training on EU procedures for staff of the NAO.

Experience has shown that the need for reinforcing the structure and assisting with capacity building may also be necessary, especially in light of the significant resources to be provided under the Sugar Compensation Facility. The NAO in Barbados is the Delegated Regional Officer for all Regional Projects implemented in Barbados (about 40% of the total) and this is creating a strain on his management capacities.

Barbados is the first Eastern Caribbean Country to benefit from a budget support type programme. It is not possible as yet to fully evaluate the results of such an approach since the first tranche was only disbursed in early 2006.

### **Focal sectors (and macroeconomic support)**

*9th EDF –NIP € 6.5 million – Focal Sector: Health Sector Development*

The focal sector under the 9th EDF for which 90% (€5.85 million) of the “A Envelope” has been allocated is Health Sector Development provided in the form of sector budgetary support. A further amount of unspent balances from previous National Indicative Programmes (NIPs) has also been allocated to activities in this focal sector to make a total of €10.5 million.

The need for health sector reform in Barbados has arisen from the increasing concern at the nation’s capacity to sustain current levels of health care amidst rising costs and increasing demand for services, together with the phenomena of an ageing population and the increasing prevalence of non-communicable diseases. As a first step in the design of the programme of support to the health sector, the European Commission provided assistance for the finalisation of the Government’s Strategic Plan for Health 2002-2012. Through a process of partnership with the Ministry of Health and donors

operating in the Health Sector, the Strategic Plan for Health 2002-2012, will serve as a basis for the intervention in the sector. The Financing Agreement was signed by the Government in December 2004. The Technical Assistance work was started in November 2005 to help in identifying recommendations for improving health services and reporting on the progress made in the implementation of reforms. The first tranche of €1 million to the Government of Barbados was disbursed in January 2006 and the second tranche of €1.5 million was disbursed in 2007. A revised schedule for the release of the remaining five tranches was developed in 2007.

As a reassessment of the Public Finance Management (PFM) was necessary to proceed with the disbursement of the remaining tranches, a Public Expenditure & Financial Accountability (PEFA) PFM study was launched and successfully conducted in the third quarter of 2006. This was subsequently updated through Progress Reports produced in February and August 2007, which helped in the justification of the request for the payments of tranches 3 & 4 at the end of 2007.

Performance indicators were developed in 2007 for the five priority areas in keeping with the Financing Agreement:

- Re-organising Ministry of Health
- Linking planning, budgeting, financing and performance management processes
- Family health system development
- Combating chronic non-communicable disease
- The changing role of QEH in health service delivery (modernisation)

In each of these areas, it is intended to develop the range and quality of information systems to support and sustain the new organisational and service developments, particularly in the hospitals, primary health care centres and the Barbados Drug Service (the major spending areas) to enable more efficient and effective planning and performance management.

There has been moderate success in achieving the results contained in the Intervention Framework. Many of the activities have begun but progressed slowly and therefore achievement will take a prolonged time period. The Barbados Strategic Plan for Health 2002-2012 is being implemented.

The HIV/AIDS prevention and management programme is being well implemented and has been cited by the World Bank as a “Best Practice” example for small countries.

The improved management and care of cardiovascular diseases have begun with ample involvement of NGO’s playing a collaborative and cooperative role with the Government Health Services. A new concept for Barbados and the Caribbean: a Purchaser-Provider Split for provision of health care services by the Government has been adopted by the Ministry of Health. This has resulted in a Service Level Agreements (SLA) being signed, in 2006, between the Ministry of Health and the Heart & Stroke Foundation of Barbados (an NGO) and a contract between the Ministry of Health and the Queen Elizabeth Hospital both geared towards improved efficiency and effectiveness in management of Cardio-Vascular Diseases.

The Cardio-Vascular Task Force's report of 2007 will shape the Work Programme of the national broad-based multi-sectoral Chronic Non-Communicable Diseases Commission which was established in 2007. The Ministry of Health, in 2007, entered into contract with the University of the West Indies’ Chronic Diseases Research Centre to establish and manage a Chronic Non-Communicable Diseases Registry. This registry is the first of its kind in the English speaking Caribbean. Funds were disbursed in 2007 to start up the Registry which is currently being established.

The improved Health Information System was being piloted in four polyclinics and evaluation took place in 2007. The evaluation recommended modification of the software which was done in 2007. A data dictionary for environmental health and primary health care was developed in 2007 for use in the

system. An analysis of the health data recorded in the system and the usage of the data by health care providers was conducted in 2007. Desegregation of health data will not be possible until the complete system is implemented at a later date.

A Task Force on Health Information Systems, established in 2007, developed a Policy on Health Information which was accepted by the Ministry of Health and a draft Health Information Strategy. A Human Resources Strategy for the Health Sector was also developed in 2007.

The Ministry has undertaken to institute accelerated training for Nursing Staff and also to import nursing expertise from foreign countries to close the gap in demand and supply for nursing staff in the Government Health Services.

Pro-poor policies are being implemented in conjunction with the Ministry of Social Transformation and the National Housing Corporation in an effort to improve services and care delivered to the poor and elderly in the society.

### **Projects and programmes outside focal sectors**

Under the 9th EDF, € 300,000 of the A-allocation has been earmarked for studies, audits and technical assistance under the Technical Cooperation Facility (TCF). The Financing Proposal for the TCF was prepared in December 2003 and the Facility was signed by the Commission in April 2004 and by the Government of Barbados in November 2004. Part of the funds has been used to assist the Government in drawing up its Sugar Adaptation Strategy.

Under the 9th EDF, €1.4 million has been allocated to equip a Forensic Science Laboratory (on a co-financing basis) for the purpose of strengthening the ability of the Government of Barbados to combat drug trafficking and abuse. The Government of Barbados has financed the construction phase itself and the EC funds available are to be used for equipment, training, books and manuals once the construction stage has been finished. The project was completed in December 2006. The Final acceptance certificate is expected to be issued in December 2007.

#### **2.1.1 8th EDF & 7th EDF – Human Resources Development**

*8th EDF-NIP (€ 7 million) and 7<sup>th</sup> EDF-NIP (€ 5.5 million) – Focal Sector 1: Human Resources Development*

Barbados Hospitality Institute (€ 2.22 million): The aim of the project was to improve the quality of service in the hotel and restaurant sectors through expanded training according to updated curricula. The project was responsible for the construction and equipping of a 20-room Hotel Training Institute. The construction was completed in 1997 and final acceptance of all supplies was taken in mid-2001. The project has been a resounding success and has formed a model for other countries in the region wishing to implement similar projects.

Expansion of the Barbados Language Centre (€ 3.95 million): The programme aims at the improvement of the quality of human resources in Barbados through the development of foreign language capacity in support of competitive sectors, including tourism, with the purpose of creating a sustainable environment which will provide individuals with the linguistic competence required to meet the needs of a competitive export-oriented economy. The project encompasses the following activities: design, construction, and equipping a new language centre facility, the development of maintenance plans and management and financing structures, the establishment of a working body of public and private sector organisations to manage a sensitisation campaign, the creation of linkages with foreign language teachers in secondary schools, and follow-up to monitor the career paths of graduates. The International

Technical Assistance Component was completed in 2005 with some measure of success in terms of improvement in management, assessment and materials development. The tender for the Civil Works component has been awarded in the first quarter of 2006. In 2005, a three year extension was granted for this project largely to complete the civil works components. The construction was completed in December 2007.

Multi-Annual Training Programme and Special Facility aimed at improving Economic Management capacity (€ 900,000): The objective of the programme is to strengthen human resources in critical areas and to strengthen project planning and economic management capacity through targeted training courses, such as postgraduate training in economics, statistics, financial and project management in the context of the ongoing public sector reform programme. The project has been closed.

## **Other instruments**

### *Caribbean Regional Indicative Programmes (CRIP- EDF)*

Barbados, as a member of CARICOM/CARIFORUM, is a beneficiary of the many regional programmes funded through the EDF. €105 million and €90 million were made available respectively under the 7<sup>th</sup> and 8th EDF CRIP available. The focal sector for the 9th EDF CRIP support is regional economic integration and integration into the world economy, for which an envelope of €57 million is available.

### *Support from all ACP funds (EDF)*

The EC approved €50 million in August 2003 for the ACP Trade.Com programme. This is aimed at reinforcing the analytical and research capacities for trade policy formulation in providing immediate assistance for ongoing negotiation and promoting activities for institutional support in the area of trade support services to ACP countries. A specific project has been designed for the Caribbean region, which has been initiated in 2004. Under this project, the CARICOM Secretariat benefits from the services of a Trade Adviser.

In 2001, a €70 million project was approved by the EU to support the Caribbean rum sector in facing the challenges determined by the liberalisation of the spirits market. The programme aims at supporting the modernisation of distilleries, helping them in facing the environmental impact, providing technical assistance to strengthen competitiveness and targeting in an effective way the European markets. Barbados being the location of some important distilleries is likely to benefit substantially from this programme.

### *Thematic Budget-lines (EC Budget)*

Barbados is a beneficiary of the EU/ACP Sugar Protocol. The advantage for Barbados derived from the sugar protocol is the significant difference between the guaranteed quota price and average world market prices. The annual value of access to the EU market for Barbados is approximately € 18.9 million.

In response to the reform of the European Union (EU) Sugar regime and in keeping with the “Action plan for accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime” (document SEC(2005)61 of 17 January 2005) and Regulation (EC) No. 266/2006 of 15 February 2006 establishing accompanying measures, the Government of Barbados completed a comprehensive multi-annual adaptation strategy in April 2006. The Country’s 2006 allocation amounts to €2,332,000, and is intended to support project activities, technical studies and coordination services

geared in support of both the sugar industry and wider diversification. Barbados will benefit from the 2007-2013 Sugar Facility with yearly allocations of several times the amount of the 2006 allocation.

A Caribbean regional programme from budget line B7-701 (Human Rights Development), was approved by the EC in 2003 to further restrict the implementation of the death penalty in the Commonwealth Caribbean and with a view to its eventual abolition.

#### *European Commission Humanitarian Aid Office (ECHO)*

The ECHO launched its first Disaster Preparedness (DIPECHO) Programme for the Caribbean in 1998, making available some € 6 million for the activities to prepare for and to mitigate disaster and also, to a lesser degree, for disaster prevention. The 4<sup>th</sup> DIPECHO plan for the Caribbean was approved by the EC in 2003. The amount of the new plan is € 2.5 million and it covers activities in Haiti, Cuba, Dominican Republic, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines.

#### *European Investment Bank (EIB)*

The EIB provided over 10 % of the overall financing for the Barbados PSIP over the 1999- 2002 period. Under Lomé I, II and III it made lines of credit available to the Barbados Development Bank and to the Industrial Credit Fund. The scope was to finance small and medium-sized enterprises in Industry and Tourism. Loans to the Barbados Light and Power Company under Lomé IV and Lomé IV bis have amounted to € 50 million, while loans totalling €25 million have been made available for the South Coast Sewerage and the Airport Development projects. The total funding made available to Barbados by the EIB under the Lomé Conventions is almost € 100 million. However, Barbados has not submitted any projects for approval by the Bank since 2001.

#### *Centre for the Development of Enterprise (CDE)*

The CDE supports private sector development by providing non-financial services to ACP companies and businesses and support to joint initiatives set up by economic operators of the Community and of the ACP States. In the OECS region, the CDE supports Private Sector development through sector programmes in Construction and Mining, Agro-processing, Wood, Herbal Medicines and Tourism. Over the period 1999-2005, CDE has assisted in Barbados a total of 19 projects carrying out 23 interventions at a total cost of €184,097 of which €90,509 was contributed by the CDE.

The PROINV€ST programme, funded under EDF all-ACP funds and managed by the CDE aims at increasing investments between the Caribbean and Europe. PROINV€ST has a fund of €110 million over 5 years to support private sector development in the Caribbean, African and Pacific Countries.

#### *Centre for the Development of Agriculture (CTA)*

The CTA supports policy and institutional capacity development and information and communication management capacities of agricultural and rural development organisations in ACP countries. CTA assists organisations in formulating and implementing policies and programmes to reduce poverty, promote sustainable food security and preserve natural resources. In 2005, Barbados benefited from CTA support to the agricultural and rural development in the Caribbean at the regional and national levels. At the national level, the activities were targeted at the public and non-public sector and implemented through direct partnership arrangements between CTA and the relevant institutions. The activities at the regional level were implemented in collaboration with CARDI (CTA's Regional Branch Office for the Caribbean) and the Inter-American Institute for Cooperation on Agriculture (IICA). At the national level, the activities were targeted at the public and non-public sector and implemented through direct partnership arrangements between CTA and the relevant institutions.

## 2.1.2 Utilisation of B-envelope

Following the End-Term-Review, no more funds are available under the B envelope.

## 2.1.3 Other instruments

### 2.1.3.1 Community Budget Line: Accompanying Measures for Sugar Protocol Countries

Barbados benefits from the Accompanying Measures for Sugar Protocol Countries (AMSP). In April 2006, the Government prepared the *Barbados Adaptation Strategy 2006-2014 (BAS)* which establishes the overall strategic framework for tackling broad economic, social and environmental challenges raised by the EU sugar reforms. It proposes two complementary strategic components: (i) *diversification of the economic base* to enhance economic development, economic growth and competitiveness on the world market, and (ii) *restructuring of the sugar sector* into a sustainable multi-product industry with a range of diversified products including speciality sugars, ethanol and electricity.

#### *Accompanying Measures for Sugar Protocol Countries 2006*

The Country's first allocation under the AMSP for 2006 amounts to €2,332,000. A Financing Agreement was concluded in August 2007 and is intended to support project activities, technical studies and coordination services geared in support of both the sugar industry and wider diversification.

#### *AMSP 2007-2010*

Barbados will benefit from an indicative allocation of €34,667,000 from 2007-2013 in yearly allocations of several times the amount of the 2006 allocation. In order to frame the strategic context of EC support in response to the BAS for this period of the AMSP, an *EC Multi-Annual Indicative Programme 2007-2010 (MIP)* was completed in March 2007. The MIP establishes that the aim of the AMSP will be to strengthen the long-term sustainability of the macro-economy through enhanced competitiveness, human resource development, use of Information Communication Technology (ICT) and private sector participation in the economy. Furthermore the MIP establishes that the Government is eligible for Sector Budget Support under the AMSP during this period, provided eligibility conditions remain in place. These measures have been integrated into the general "Development Cooperation Instrument" (DCI) for 2007-13 providing the basis for the programming of annual allocations.

#### *2007 Allocation*

In keeping with the MIP an Annual Action Programme covering the country's second allocation (2007) amounting to €11,133,000, was submitted for approval in July 2007. The programme will support the development of policy, research, skills and organisational development of the ICT Sector under a budget support arrangement.

## 2.2 Policy Coherence for Development (PDC)

The EU political dialogue with the Caribbean takes place notably through the joint ACP-EC institutions. The annual dialogue between CARIFORUM and the European Commission provides a further opportunity for discussing a wide range of issues of mutual interest. The bi-annual EU-LAC Summit is also a major opportunity for advancing EU-Caribbean political dialogue at the highest level and for addressing the evolving relationship between the Caribbean, its geographical neighbours and the EU.

The EC "*renewed strategy*" towards Latin America and the Caribbean underlines the strong determination to strengthen the EU-LAC partnership. The strategy includes stepping up political dialogue between the two regions; stimulating economic and commercial exchanges; encouraging

regional integration; tackling inequality; and tailoring its development and aid policy more closely to real conditions in Latin America and the Caribbean. The 4<sup>th</sup> EU-Latin America/Caribbean Summit (“Strengthening the bi-regional strategic association”, Vienna, 11<sup>th</sup>-12<sup>th</sup> May 2006) made commitments to reinforcing cooperation on human rights, protection of the environment, fight against drug trafficking and poverty.

The recently-adopted Commission’s *Communication on an EU–Caribbean Partnership for Growth, Stability and Development* (March 2006) outlines the future policy for EU–Caribbean relations. Aiming at enhancing the Caribbean’s own reform and development agenda, the EU approach will be based on shaping a political partnership based on shared values; addressing economic and environmental opportunities and vulnerabilities; and promoting social cohesion and combating poverty. An EU–CARIFORUM sub-regional meeting that followed the EU-LAC Summit (13<sup>th</sup> May 2006) committed to deepening cooperation in support of regional integration, social cohesion, and the development of human resources, addressing the impact of migration, terrorist threats, drug-trafficking, organised crime, HIV/AIDS and economic and environmental challenges. Specifically, the EU and the Caribbean states have agreed to fostering cooperation to address security threats, including non-proliferation of weapons of mass destruction (WMD), illicit Small Arms and Light Weapons (SALW) and combating terrorism. The EU also committed to consider supporting the establishment of a Regional Development Fund for the Caribbean as a critical commitment to the restructuring and adjustment resulting from the upcoming establishment of the CARICOM Single Market and Economy (CSME).

The EU policy objective of *strengthening regional cooperation between the ACP States and its Overseas Countries and Territories (OCT) and Outermost Regions* is particularly important in the Caribbean given the presence of several British and Netherlands’ OCTs and three French Departments. In recent years, the DOMs have considerably strengthened their relationship with OECS Countries, in particular within the framework of the EU Interreg III-B Caribbean Programme and the Association of Caribbean States (ACS), yet joint cooperation activities are still at an early stage of development. The Clovis Beauregard Conference (Martinique, November 17-18, 2005) gathering together for the first time the Caribbean DOMs and OCTs, CARIFORUM Member States, EU Member States (France, the Netherlands and UK) and the European Commission, paved the way forward for strengthening regional cooperation between the DOMs, OCTs and the neighbouring Caribbean Countries, and committed to work in the area of Trade and Investment, Interconnections, HIV/AIDS and Natural Disasters.

In an increasingly interdependent and globalised world, a major objective of EU development policy is to assist developing countries to better tie together the globalisation process. EU cooperation will be primarily oriented towards ensuring that the full CSME and the development-oriented EU-CARIFORUM Economic Partnership Agreement (EPA) enter into force by January 2008. Through the establishment of the EPA, the EU is seeking to help the Caribbean ACP partners to seize the opportunities of the new global challenges and address transitional costs, by combining trade relations with very substantial economic and development cooperation support.

In light of their close relationship, the UK and the Caribbean meet every two years to jointly discuss on key issues of concern between the region and the UK. The 5<sup>th</sup> UK-Caribbean Forum (Barbados, 26-28 April 2006) discussed the impact of EU sugar regime reform on the Caribbean, the need for human resource development, capacity building in legal drafting, further debt relief and support to the CSME-RDF, and national and regional security issues ahead of the 2007 ICC Cricket World Cup.

In the framework of Art. 8 of the Cotonou Partnership Agreement, a Political Dialogue between EC and Member States Representatives and Barbados’ Government Representatives was conducted for the first time at the margin of the ACP seminar in early March 2005. Topics discussed included the developments towards an EU Foreign Policy, drugs and drugs related crime, regional security and the role of the Regional Security System (RSS), regional integration, the CSME and the ICC.



A further opportunity for political dialogue took place during the EU-Caribbean Programming Seminar held in Santo Domingo in April 2006 with the presence of Commissioner L. Michel. A new round of political dialogue is envisaged to take place during the end-of-term review of the 9th EDF cooperation, before the end of 2006.

### 2.3 Joint EU Strategy for Caribbean

The document **An EU–Caribbean Partnership for Growth, Stability and Development (March 2006)**, outlines the EC's approach to EU–Caribbean relations. This approach is aimed at enhancing the Caribbean's own reform and development agenda by shaping a political partnership based on shared values; addressing economic and environmental opportunities and reducing vulnerabilities; and promoting social cohesion and combating poverty. An EU–CARIFORUM sub-regional meeting was held following the EU-LAC Summit in May 2006, to foster a deepening of the cooperation in regional integration, social cohesion, and the development of human resources. The meeting also addressed the impact of migration, terrorist threats, drug-trafficking, organised crime, HIV/AIDS and economic and environmental challenges. Both the EU and Caribbean states agreed to foster cooperation to address security threats, particularly the non-proliferation of weapons of mass destruction (WMD), illicit Small Arms and Light Weapons (SALW) and combating terrorism. The EU also committed to consider supporting the establishment of a regional Development Fund for the Caribbean as a critical commitment to the restructuring and adjustment resulting from the upcoming establishment of the CARICOM Single Market and Economy (CSME).

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Another major objective of EU development policy is to assist developing countries to better harness the globalization process particularly through regional integration other free trade arrangements such as the EU-ACP Economic Partnership Agreements (EPAs).

The first comprehensive Economic Partnership Agreement (EPA) was initialled on 16 December 2007 between the European Commission (EC) and CARIFORUM, one of the regions of the African, Caribbean and Pacific (ACP) States. The EPA replaces the Cotonou trade regime and the World Trade Organization (WTO) waiver which extended it until the end of 2007. The EPA will allow Caribbean goods to enter the European Union duty free and quota free come 1 January 2008, while there is a phased period between three to 25 years for European goods to enter CARIFORUM markets duty free as well as an important number of exclusions for sensitive products. This is a signal of the asymmetrical nature of the agreement given the different levels of development between the two sides.

The EPA is essentially a trade and development agreement which covers market access in goods, services and other trade related issues such as innovation and intellectual property; competition policy and public procurement which will all contribute to consolidating regional integration and economic reforms in the region. For market access in goods the EC on 1 April, 2007 made an offer to give all ACP countries including the 15 CARIFORUM countries (Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago) duty free and quota free access to the EU markets for all goods except sugar and rice for which there will be a short transitional arrangement. On the CARIFORUM side they have been able to give an offer which covers the WTO-required liberalisation of 80 per cent of imports from the EU within 15 years, with transitional periods of up to 25 years for some particularly sensitive products.

One of the main objectives of the EPA is to build on and reinforce regional integration in the Caribbean - a concept referred to as market building. Subsequently, there will be market opening, using asymmetric flexibility for the benefit of the Caribbean in terms of product coverage and periods for tariff elimination in order to promote sustainable development. In addition, the introduction of specific provisions to deal with development within the EPA, increases the possibility of the EPA becoming a genuine development tool.

Development co-operation will therefore be an integral part of the EPA to ensure that the Caribbean states are able to adjust to the new challenges and to maximise the benefits from the opportunities offered by this agreement. The European Union Aid for Trade strategy and co-operation under the Cotonou Agreement offer many opportunities to develop programmes in support of the implementation of this agreement. Special programmes have also been put in place for sugar, bananas, rice and rum with a view to help Caribbean states become more competitive and diversify their economies.

It was the first time that Caribbean countries, including the Dominican Republic, negotiated as single group a forward-looking free trade area with a large group of developed countries. A ministerial signature of the EPA is foreseen for the first half of 2008.

#### **2.4 Donor coordination and harmonisation**

The EC, with Grants, and the Inter-American Development Bank (IDB) and the Caribbean Development Bank (CDB), mainly with loans, are the only institutions with a significant level of assistance to Barbados and the OECS Countries. A number of international and bilateral agencies maintain a presence in Barbados, but their activities are mainly focused on the smaller Eastern Caribbean states.

By virtue of the size of its portfolio and its strategic dialogue with the country, the IDB is the country's most important international development partner. IDB's financing accounted for 17% of total capital expenditures and 64% of total project financing from foreign sources over the period 2001-2004. The overall goal of IDB's support to Barbados for 2005-2008 is to strengthen competitiveness as a basis for sustained and private sector-led growth and improved well-being of the population. The Country Strategy is geared to address the following aspects: public sector institutional weaknesses; prudent macroeconomic policies, focusing on improving the fiscal balance and containing debt; labour market reform and improvement of private sector management practices in line with international practice; SME and entrepreneurship development; strengthening service orientation; expanding market access; enhancing human and physical capital and capacity building that directly impact the private sector environment and performance; neighborhood upgrading and transport improvement. Most of these areas will be addressed with technical assistance and institutional strengthening facilities.

The CDB has initiated the preparation of a Country Strategy Paper for Barbados scheduled for Board consideration in December 2006. Coordination between the two banks in Barbados is focused on the education sector, where the IDB and the CDB are co-financing a major education programme, EDUTECH. The CDB is also providing assistance to improve several tourism sites in Barbados, through its Urban Rehabilitation Programme. The IDB is also coordinating with the CDB on the preparation of the country financing parameters for Barbados, and the two institutions could consider a common Sector-Wide Approach (SWAp) to education in the future, probably during the next Country Strategy period (2009-2012).

The Canada Fund for Local Initiatives - US\$825,000 - provides financial support to small scale projects in Barbados and the OECS region, supporting economic, technical and social development assistance to communities and NGOs.

The United Kingdom (UK) continues to provide significant support to the Commonwealth Caribbean (currently amounts to £10.5 million for 2005-06). The UK Department for International Development's (DFID's) current strategy within the region emphasises working with and through regional institutions. DFID's programmes in the region are focussed on three broad themes - economic management and public service delivery; trade, competitiveness and economic integration; and HIV/AIDS, crime and violence. In addition, the UK has provided significant levels of bilateral debt relief to the Caribbean over recent years through the Commonwealth Debt Initiative. DFID provided financial assistance to Barbados in the development of the Barbados Adaptation Strategy 2006-2014.

Barbados also receives technical assistance through the Caribbean Regional Technical Assistance Centre (CARTAC), a regional resource, based in Barbados, which provides technical assistance and training in core areas of economic and financial management at the request of its participating countries. CARTAC operates like a UNDP project and is funded by all major donors (the largest share provided by Canadian International Development Agency (CIDA)), including the EC.

The donor community present in the Eastern Caribbean region has agreed to work through "Coordination Groups", under the umbrella of United Nations Development Programme (UNDP), in order to address specific areas of importance and those requiring immediate action. Groups have been established in the following areas: Disaster Management, Climate Change and Environmental Management (led by CIDA); Governance and ICT (led by DFID); Poverty and Social Sector Development (led by UNDP); and Trade & Private Sector (formerly led by the EC Delegation in Barbados, but to be merged with the CRNM Donor Coordination Group).

The World Bank (WB) and UNDP have introduced an on-line tool to support Donor Coordination: the RedBook On-line ([www.redbookonline.net](http://www.redbookonline.net)). This on-line database contains projects funded by donors in the Eastern Caribbean, as well as relevant documents (Strategy Papers, Article IV Consultations, Studies, etc.). Once this tool has been finalised it will be widened to the whole Caribbean.

While the EC Delegation has good relationships with all donors and works particularly closely with DFID, the WB and the International Monetary Fund (IMF), especially in the programming of budget support programmes (co-financing is taking place with the WB and DFID in this area), donor coordination so far has been on a limited ad-hoc basis. There is therefore a need for a more systematic policy and operational coordination in the Eastern Caribbean. Coordination of policy-based assistance is a major challenge, given the relatively limited role of the WB and the IMF in Barbados and OECS Countries. It is hoped that operational cooperation will be launched with the CDB through a memorandum of understanding and a contribution agreement (subject to an institutional and financial audit); cooperation with IDB is also actively being pursued. Relations with the CDE and the CTA leave a large margin for potential improvement. The EIB has opened in 2007 a Caribbean Regional Office in Martinique and this should considerably enhance EIB portfolio and cooperation with EC Delegations in the region.

Donor dialogue has recently improved around the OECS Economic Union debate and the various donors' Country Strategy Papers exercise (the Delegation has been consulted on the new programming strategies of the WB, the IDB, the CDB and UNDP, and vice-versa). There is scope for a more structured cooperation, which could be built on:

- the upgrading/scaling up of viable, small pilot projects that some donors implement
- systematic sharing of the significant analytic work
- harmonisation of individual donor CSPs
- complementary interventions between grant donors (EC) and lenders (IDB, CDB, EIB) with the use of co-financing, where feasible
- a working modality of donor cooperation on budget support.

## **2.5 Dialogue in country with NSAs, local authorities and the national Parliament**

No resources were set aside for non-State actors under the 9th EDF. However, with the aim of involving civil society in the EU/Barbados Development Partnership, the December 2004 MTR agreed on setting up an NSA Advisory Panel, representative of civil society in Barbados. The Government of Barbados established an NSA Advisory Panel in early 2006 and support was provided from the Technical Cooperation Facility for NSAs. The NSA Panel was consulted during the 10th EDF programming exercise.

## **3. CONCLUSIONS**

Barbados continues to enjoy transparency and stability in its democratic processes as demonstrated in the smooth democratic changes of government. The country's main demographic and social indicators reflect a high standard of living (particularly in the areas of health and education) in keeping with the country's upper middle income status and rank of 31 among all countries. However, there remain challenges with regard to non-communicable diseases in the health sector and disparities in gender based performance at the secondary level in education.

Barbados' generally sound macro-economic and structural adjustment measures have placed it on a trajectory of low inflation and moderate economic growth. The scenarios in the tourism, construction, finance and service sectors are promising in the medium to long term despite short term challenges. One of the most intractable problems facing the country is the translation of economic growth into job creation/generation to reduce and sustain the levels of unemployment and thereby further increase overall individual and household welfare.

The country's limited institutional and organizational capacity is one obvious obstacle in this regard as evidenced in the size of the un-disbursed funds under the cooperation portfolio with the EU. The Government has undertaken much needed reform of the public sector and must make the necessary sacrifice to ensure that change is accepted and all the required resources are dedicated to completing the various support programmes and projects in order for their benefits to be quickly realized. In addition, a comprehensive human resource development policy and plan remains to be implemented in 10<sup>th</sup> EDF programming to equip the Barbadian labour force with the necessary skills and competencies for them to maximise existing and future employment benefits nationally, regionally (CSME) and globally.

Overall, the implementation of the EU-BAR Cooperation programme, is behind schedule with less than satisfactory disbursements of the total available resources from EDF balances unutilized. However, it is expected that the pace of implementation will increase during the latter part of 2008 into 2009 as changes within the 9<sup>th</sup> EDF focal sector – health, are realized and the Barbados Health Programme gains momentum as a result of renewed interest and effort.

## 4. ANNEXES

### A) GENERAL ANNEXES "COUNTRY AT A GLANCE" – TABLE

#### A1) Table of Macroeconomic Indicators

Annex 3  
BARBADOS: MAIN ECONOMIC INDICATORS

	1995	1996	1997	1998	1999	2000	2001	2002	2003a/	2004a/	2005a/
	<i>Annual rates of growth b/</i>										
Gross domestic product	2.5	3.1	4.6	6.3	0.2	2.6	-3.4	-0.6	3.7	4.6	3.2
Gross domestic product per capita	2.1	2.7	3.0	4.0	2.9	3.4	-3.2	-0.8	0.5		
<b>Gross domestic product by economic activity</b>											
Sugar	-26.0	63.9	9.4	-25.9	11.2	9.6	-14.7	-9.8	-19.2	-5.1	14.2
Non-sugar agriculture and fisheries	18.0	1.4	-7.5	-3.2	8.4	0.0	-5.8	-0.6	2.1	-4.3	-0.6
Manufacture	8.4	-0.9	3.8	3.4	-2.4	-0.5	-8.2	0.3	-0.8	1.4	1.7
Construction	12.1	4.0	14.2	16.9	10.0	2.6	-4.4	3.1	3.0	3.5	3.8
Basic services c/	3.5	3.1	3.2	5.4	4.5	1.4	2.7	-0.7	1.0	4.1	3.9
Other services d/	1.1	2.3	2.9	4.6	2.6	4.5	-2.2	-0.4	1.5	6.8	4.4
<b>Balance of payments</b>				<i>Millions of US dollars</i>							
Current account balance	44	71	-49	-62	-147	-290	-111	-167	-169	-292	-273
Merchandise balance	-446	-466	-599	-651	-714	-744	-661	-714	-616	-980	-1,010
Exports fob	245	287	289	270	275	286	271	241	260	278	277
Imports fob	-691	-743	-888	921	-989	-1,030	-952	-956	-1,068	-1,258	-1,287
Services balance	503	540	550	591	571	603	570	538	632	672	708
Income account	-48	-52	-48	-56	-71	-82	-93	-102	-107	-107	-109
Unilateral transfers	34	40	47	53	67	78	94	86	93	96	105
Financial and capital balance e/	-26	-22	20	56	121	191	288	177	301	114	208
Net foreign direct investment	9	9	14	15	16	18	18	17	362	...	...
Financial capital f/	-9	7	54	88	116	236	300	130	-203	...	...
Global balance	42	88	17	-6	36	178	222	99	188	-170	-46
Variation in reserve assets g/	-25	-61	-9	6	-37	-179	-223	-99	-187	170	46
<b>Other indicators of the external sector</b>											
External debt (millions of US dollars)	479	481	428	453	492	606	539	756	737	792	798
External debt (% of GDP)	25.7	24.1	20.1	19.6	19.9	23.7	21.1	30.5	27.4	28.2	26.5
<b>Employment</b>											
Participation rate h/	66.2	66.1	67.8	67.8	67.8	68.6	69.5	68.5	...		
Unemployment rate i/	19.6	15.8	14.5	12.3	10.4	9.3	9.9	10.3	11.0	9.6	8.9
<b>Prices</b>											
Rate of change in the consumer price index (end of period)	1.9	2.4	7.7	-1.2	1.6	2.4	2.8	0.2	1.6	1.4	3.2
Real interest rate on deposits	5.1	5.1	3.9	4.3	4.7	4.8	3.0	2.6	2.5		
Real lending interest rate	11.6	11.6	11.0	11.8	11.5	11.7	10.8	10.3	10.0		
<b>Non-financial consolidated public sector</b>				<i>Millions of Barbadian dollars</i>							
Revenue	1,096	1,178	1,224	1,471	1,559	1,620	1,731	1,712	1,857	1,896	1,972
Expenditure	-1,117	-1,207	-1,373	-1,523	-1,598	-1,688	-1,828	2,029	2,009	2,019	2,135
Fiscal result	-31	-31	-149	-52	-37	-68	-97	-316	-162	-123	-163
<b>Public debt</b>											
Internal	1,782	1,987	2,037	2,141	2,134	2,204	2,333	2,606	2,615		
External (US dollars million)	359	365	350	343	392	508	450	673	667	643	678
<b>Global balance</b>				<i>Percentages of GDP</i>							
	-0.7	-3.2	-4.5	-1.6	-1.1	-2.1	-2.9	-6.4	-2.8	-2.2	-2.7
<b>Money and credit</b>				<i>Percentages of GDP</i>							
Domestic credit	44.5	44.3	42.4	46.4	48.3	44.0	39.2	44.2	38.8	41.6	58.5
To the public sector	13.7	14.5	15.9	14.1	12.6	12.5	13.4	15.4	17.6	15.7	20.7
To the private sector	30.3	29.8	26.5	32.3	35.7	31.5	25.8	28.8	21.2	25.9	37.8
Money supply and deposits in domestic currency (M2)	54.3	56.8	57.0	58.3	62.0	65.2	69.2	76.7	77.4	79.7	86

Source: ECLAC, on the basis of official information

a/ Preliminary data.

b/ On the basis of constant 1974 prices.

c/ Includes electricity, gas, water and transport, storage and communications.

d/ Includes retail trade, restaurants and hotels, financial establishments, insurance, real estate and social and personal services.

e/ Includes errors y omissions.

f/ Includes the capital and financial balance minus net foreign direct investment and plus errors and omissions.

g/ The sign (-) denotes an increase in reserves.

h/ Economic active population as a percentage of the working population.

i/ Rate of unemployment as a percentage of the economic active population. Includes hidden unemployment.

## A2) Table of indicators for the MDGs

	1990	1994	1997	2000	2003	2004
<b>Goal 1: Eradicate extreme poverty and hunger</b>						
Income share held by lowest 20%	..	..	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	..
Prevalence of undernourishment (% of population)	..	..	3	..	3	3
<b>Goal 2: Achieve universal primary education</b>						
Literacy rate, youth total (% of people ages 15-24)	100	..	..	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	100	97	97
Primary completion rate, total (% of relevant age group)	..	..	..	100.0	115.9	108.0
School enrollment, primary (% net)	..	..	..	100	100	100
<b>Goal 3: Promote gender equality and empower women</b>						
Proportion of seats held by women in national parliament (%)	4.0	..	11.0	11.0	11.0	13.0
Ratio of girls to boys in primary and secondary education (%)	..	..	..	100.7	100.0	99.9
Ratio of young literate females to males (% ages 15-24)	100.0	..	..	..	..	..
Share of women employed in the nonagricultural sector (% of total nonagricultural employment)	46	47	47	48	48	48
<b>Goal 4: Reduce child mortality</b>						
Immunization, measles (% of children ages 12-23 months)	87.0	97.0	92.0	94.0	90.0	98.0
Mortality rate, infant (per 1,000 live births)	14	..	..	12	..	10
Mortality rate, under-5 (per 1,000)	16	..	..	14	..	12
<b>Goal 5: Improve maternal health</b>						
Births attended by skilled health staff (% of total)	..	..	..	98.0	..	..
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	95.0	..	..
<b>Goal 6: Combat HIV/AIDS, malaria, and other diseases</b>						
Children orphaned by HIV/AIDS	..	..	..	..	..	..
Contraceptive prevalence (% of women ages 15-49)	..	..	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	18.1	..	..	..	..	11.5
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	2	2
Tuberculosis cases detected under DOTS (%)	..	..	..	..	34.4	138.7
<b>Goal 7: Ensure environmental sustainability</b>						
CO2 emissions (metric tons per capita)	4.2	2.9	3.4	4.5	4.6	..
Forest area (% of land area)	5	..	..	5	..	..
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..	..	..
Improved sanitation facilities (% of population with access)	100	..	..	..	99	..
Improved water source (% of population with access)	100	..	..	..	100	..
Nationally protected areas (% of total land area)	..	..	..	..	..	..
<b>Goal 8: Develop a global partnership for development</b>						
Aid per capita (current US\$)	11.2	-3.2	16.4	0.9	74.2	108.2
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	15	7	6	4	6	6
Fixed line and mobile phone subscribers (per 1,000 people)	280.5	338.3	441.6	572.4	1021.6	1249.1
Internet users (per 1,000 people)	0.0	..	7.6	37.6	372.9	557.9
Personal computers (per 1,000 people)	..	..	68.2	82.7	115.6	126.4
Total debt service (% of exports of goods, services and income)	15	8	6	4	5	5
Unemployment, youth female (% of female labor force ages 15-24)	40.5	52.2	35.3	21.8	26.0	..
Unemployment, youth male (% of male labor force ages 15-24)	21.8	35.4	26.2	17.6	21.3	..
Unemployment, youth total (% of total labor force ages 15-24)	30.7	41.8	30.3	19.4	23.4	..
<b>Other</b>						
Fertility rate, total (births per woman)	1.7	..	1.8	1.8	1.8	1.7
GNI per capita, Atlas method (current US\$)	6630.0	6600.0	7880.0	8670.0	..	..
GNI, Atlas method (current US\$) (billions)	1.7	1.7	2.1	2.3	..	..
Gross capital formation (% of GDP)	18.8	13.4	16.7	17.2	17.0	..
Life expectancy at birth, total (years)	74.9	..	76.1	75.4	74.9	75.4
Literacy rate, adult total (% of people ages 15 and above)	99.4	..	..	..	..	..
Population, total (millions)	0.3	0.3	0.3	0.3	0.3	0.3
Trade (% of GDP)	100.8	107.5	115.5	106.2	102.8	102.8

Source: World Development Indicators database, April 2006

## B) ANNEXES WITH A RETROSPECTIVE CHARACTER

B1) the 9<sup>th</sup> EDF and previous EDFs as per closure of financial year of 2007



EDF FORECASTS 2008 - 2009: PAYMENTS on ONGOING PROJECTS.

### BARBADOS

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SITUATION END 2007

YEAR of GLOB. Commit.	ACCOUNTING NUMBER of GLOBAL commit.	0	TITLE GLOBAL COMMITMENT	END date of implementat°	GLOBAL COMMIT.	INDIV. COMMIT	RAC	
		N° INDIV COMMIT.	TITLE INDIVIDUAL COMMITMENT		AMOUNT ONGOING INDIV. COMMIT.	PAYMENTS ON ONGOING INDIV. COMMIT.	RAP	
<b>TOTAL ON ONGOING GLOBAL COMMITMENTS</b>						<b>16,180,000</b>	<b>15,439,892</b>	<b>740,108</b>
<b>TOTAL ON ONGOING INDIVIDUAL COMMITMENTS</b>					<b>15,439,892</b>	<b>7,070,582</b>	<b>8,369,310</b>	
2001	8ACP BAR5	0	EXPANSION OF THE BARBADOS LANGUAGE CENTRE	20080131	3,950,000	3,628,600	321,400	
2001	8ACP BAR5	1	IBF ASSISTANCE TECHNIQUE	20050214	198,600	197,071	1,529	
2001	8ACP BAR5	2	PROGRAMME ESTIMATE/MINISTRY OF EDUCATION - EXPANSION OF	20051219	203,000	39,924	163,076	
2001	8ACP BAR5	3	MORJANI CARIBBEAN LTD FOR BBD\$7,824,305.43 RE:CONSTRUCTION	20071231	3,227,000	2,437,903	789,097	
2003	9ACP BAR2	0	TA FOR PREPARATION OF HEALTH SECTOR	20051115	30,000	29,735	265	

			SUPPORT UNDER 9TH EDF				
2003	9ACP BAR2	1	N.E.I.	20040102	29,735	28,603	1,132
2004	9ACP BAR3	0	TECHNICAL COOPERATION FACILITY (TCF)	20101031	300,000	295,854	4,146
2004	9ACP BAR3	1	FRAMEWORK CONTRACT NO.2005/102899-B&S EUROPE FOR EUR 30,000	20051231	30,000	28,504	1,496
2004	9ACP BAR3	2	T/A - DIRECT AGREEMENT - ULRIC CAPTAIN FOR BBD 12,200	20050831	5,072	5,057	15
2004	9ACP BAR3	3	FWC NO.2005/110407- HTSPE CONSORTIUM FOR EUR 60,280	20061029	89,420	86,173	3,248
2004	9ACP BAR3	4	FWC-BENEF- SUPPORT TO NAO OFFICE-BAR WITH 10TH EDF	20060731	15,000	14,636	364
2004	9ACP BAR3	5	TA/DIRECT AGREEMENT FOR CEDRIS STEPHEN- EDWARDS RE:CLOSURE OF	20061231	4,962	3,738	1,224
2004	9ACP BAR3	6	PROGRAMME ESTIMATE 1 FOR SUPPORT TO NON- STATE ACTORS	20070731	19,400	5,453	13,947
2004	9ACP BAR3	7	PE 1-T/A TO MINISTRY OF HEALTH FOR BBD\$350,000	20081018	132,000	20,819	111,181
2004	9ACP BAR4	0	BARBADOS HEALTH PROGRAMME	20111231	10,500,000	10,184,703	315,297



2004	9ACP BAR4	1	COMMITMENT OF FUNDS TO FINANCE CONSEIL SANTE CONTRACT	20081014	1,184,703	568,926	615,777
2004	9ACP BAR4	2	SECTOR BUDGET SUPPORT/ BARBADOS HEALTH PROGRAMME	20091031	9,000,000	2,500,000	6,500,000
2004	9ACP BAR9	0	FORENSIC SCIENCE LABORATORY	20081201	1,400,000	1,301,000	99,000
2004	9ACP BAR9	1	SUPPLY OF EQUIPMENT FOR FORENSIC SCIENCE CENTRE BY UNIT	20060911	110,000	105,104	4,896
2004	9ACP BAR9	2	SUPPLY OF EQUIPMENT FOR FORENSIC SCIENCE CENTRE BY WESTERN	20061104	963,000	833,744	129,256
2004	9ACP BAR9	3	SUPPLY CONTRACT -WESTERN SCIENTIFIC FOR BBD\$574,998.92	20061201	228,000	194,928	33,072

## B2) Regional Projects

### ON-GOING CARIBBEAN REGIONAL PROJECTS (SITUATION ON DECEMBER 31ST, 2007)

9<sup>TH</sup> EDF

<b>Regional Caribbean Projects</b>		
<b>Project Number</b>	<b>Project Title</b>	<b>Total (€ mn)</b>
9 ACP RCA 1	Regional Weather Radar Warning System	12.7
9 ACP RCA 3	Air Access Improvement Programme for Dominica	11.95
9 ACP RCA 4	Développement économique du corridor nord de l'île d'Hispaniola	19.5
9 ACP RCA 7	Technical Co-operation Facility (TCF)	1.86
9 ACP RCA 8	Caribbean Trade and Private Sector Phase Phase I	2.6
9 ACP RCA 9	Institutional support and capacity building for disaster management (CDERA)	3.4
9 ACP RCA 10	Support to Caribbean Knowledge and Learning Network (CKLN)	1.99
9 ACP RCA 11	Projet environnement transfrontalier Haïti-République Dominicaine	2.5
9 ACP RCA 12	Caribbean Integration Support Programme	37
9 ACP RCA 13	Activities linked to the CISP (including 0.5 for CARTAC II)	3,5
9 ACP RCA 14	Institutional support to the Caribbean Court of Justice	1,315
9 ACP RCA 15	TCF II	1
9 ACP RCA 16 & 17	Caribbean Trade and Private Sector Phase II	7.9
9 ACP RCA 18 & 19	Bahamas Law School	1.689
9 ACP RCA 20	Contribution to the Caribbean Catastrophe Risk Insurance	8
9 ACP RCA 21	Study for the improvement of ferry docking facilities in Antigua	0.12
9 ACP RCA 22	Hurricane Dean Rehabilitation Assistance – Jamaica – Regionalised B enveloppe	5.05
9 ACP RCA 23	Cyclone Noel – rehabilitation assistance budget support programme – Dominican Republic – Regionalised B envelope	7.5
9 ACP RCA 24	Standby Facility for debt relief emergency and humanitarian assistance	14.75
<b>All ACP Projects</b>		
<b>Project Number</b>	<b>Project Title</b>	<b>Total (€ mn)</b>
9 ACP RPR 6	Support to the competitiveness of the rice sector in the Caribbean	23.57
9 ACP RPR 21	Support to the collaborative doctoral programme in economics	1
9 ACP RPR 61	Programme for science and technology innovations and capacity building (PSTICB)	30.35
9 ACP RPR 64	All ACP Agricultural Commodities Programme	45
9 ACP RPR 164	Support to CKLN II	10
9 ACP RPR 167	Capacity Support for sustainable management of energy resources	1.5
<b>OCT Projects</b>		
<b>Project Number</b>	<b>Project Title</b>	<b>Total (€ mn)</b>
9 PTO REG 1	Strategic Planning in Public Services (CARICAD)	0.65
9 PTO REG 11	Strengthening the integration of the British and Dutch OCTs	6
9 PTO REG 12	TCF OCT II	2.77
9 PTO REG 14	Global C Envelop	23.17

8TH EDF

<b>Project Number</b>	<b>Project Title</b>	<b>Total (€ mn)</b>
8 ACP RCA 35	Caribbean Tourism Sector Development Programme	8
8 ACP TPS 125	Programme for the Caribbean Rum Industry	70
8 ACP RCA 24	Development of vocational tertiary education and training in the Caribbean Region – University of Technology, Jamaica	2.6

**B3) EIB projects**

Country	Project Name	Status	Convention	Contract number	Amount signed (m)		Date of Signature	Amount outstanding (m)		Beginning repayment
					OR	RC		OR	RC	
<b>Barbados</b>	BDB III	Disbursed	Lome - 3	70779		1,000,000	06/29/1989		370,000	02/10/2010
	SOUTH COAST SEWERAGE	Disbursed	Lome - 4	16531	10,000,000		04/01/1993	3,529,443.3		09/25/1998
	BLPC II (POWER)	Disbursed	Lome - 4	19301	20,000,000		12/20/1996	5,293,734.49		06/05/2000
	BLPC III	Disbursed	Lome - 4 - Bis	17878	30,000,000		12/22/1998	14,625,897.65		06/15/2003
	BARBADOS AIRPORT DEVELOPMENT	Signed	Lome - 4 - Bis	21010	15,000,000		04/25/2001	9,018,023.77		04/15/2005
	BLPC IV WIND POWER	Signed	Cotonou	23835	9,750,000		12/21/2006	0		
	<b>Total</b>				<b>84,750,000</b>	<b>1,000,000</b>		<b>32,467,099.31</b>	<b>370,000</b>	

**B4) Use of budget support**

Prog	Type	Amt Signed (M€)	Date of Signature	Amount outstanding	Forecast Tranche Disbursement (M€)						
					Tranche 1 Fixed	Tranche 2 Fixed	Tranche 3 Fixed	Tranche 4 Fixed	Tranche 5 Fixed	Tranche 6 Fixed	Tranche 7 Fixed
					Dec 05	Apr 06	Dec 07	Apr 08	Dec 08	Apr 09	Dec 09
Bdos Health Prog	Sector Budget Support	10.5	Dec 20 2004	6.5	1.0 paid	1.5 paid	1.5 pending	1.5 pending	1.5	1.0	1.0

C) ANNEXES WITH A PROSPECTIVE CHARACTER

C1) Indicative time Table for Disbursement of 9th EDF and any previous EDFs



**BARBADOS**

**SUMMARY of EDF FORECASTS 2008 - 2009**

	FORECASTS 2008										
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	975,000	0	975,000	0	487,500	487,500
New Individual Commitments	0	0	0	0	0	0	0	0	0	0	0
Payments	4,221,197	1,158,197	3,063,000	0	2,689,697	1,800,000	250,000	50,000	1,500,000	275,000	2,964,697
Decommitments	164,605					492,541					657,146
Decommitments to recommit	0					0					0
Reduction of Old RAL	953,702	953,702	0	0	953,702	321,400	321,400	0	0	321,400	1,275,102

  

	FORECASTS 2009										
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50%M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	8,775,500	0	8,775,500	0	4,387,750	4,387,750
New Individual Commitments	195,000	0	195,000	0	97,500	0	0	0	0	0	97,500
Payments	1,039,000	0	1,039,000	0	519,500	1,039,500	0	1,039,500	0	519,750	1,039,250

RAL	SITUATION on 01/01/2008		SITUATION on 31/12/2008	
	ALL PROJECTS	PROJETS decided before YEAR 2003	ALL PROJECTS	PROJETS decided before YEAR 2003
Σ Ongoing GLOBAL COMMITMENTS	16,180,000	3,950,000	16,242,689	3,628,600
R A C	740,108	321,400	802,797	0
R A P	8,369,310	953,703	5,172,278	1
R A L	9,109,418	1,275,103	5,975,075	1
% RAL / Σ GLOBAL COMMIT.	56%	32%	37%	0%
Nbr of years to absorb RAL	3		2	

	Amount	Nbr
Ceiling increase riders	0	0
Extension Date		0
Réaménagement budgétaire		0
Modification DTA		0
Total number of projects		0

## **D) ANNEXES ON AID EFFECTIVENESS**

### **D1) Completed EAMR aid effectiveness questionnaire**

#### **Annex C of EAMR: Questions on the EU Aid Effectiveness targets.**

The Commission has to report its performance annually against the four EU targets on aid effectiveness. The data for this have been collected through the EAMR reporting system.

Please note that within the strategy that EuropeAid in relation to EU Target 4 – reduce the number of uncoordinated missions by 50 % - a number of new points have been prepared:

- Delegations are invited to:

- list dates for HQ missions already planned for the immediate 6 months period and mention if they are not coordinated;
- indicate to HQ what priority missions the Delegations estimate better serves coordination arrangements at local level for the following 6 months period.

The periods for missions, to be used in the January and July EAMR are as follows:

- In the 2008 January EAMR; Delegations list missions agreed for the period March to August 2008 and indicate their priorities for HQ in the period September 2008 to February 2009;
- In the 2008 July EAMR: Delegations list missions agreed for September 2008 to February 2009 and then indicate their priorities for HQ missions in the period March to August 2009.

<b>1. EU Target No 1</b>		
Channel 50% of government-to-government assistance through country systems, including by increasing the percentage of our assistance provided through budget support or SWAP arrangements		
<b>2. Introduction</b>		
The aim is to collect information that allows us to measure this target. The information that is needed is both the total amount of ODA provided, as well as the extent to which country systems are used in providing this ODA. For these purposes the country systems are defined as covering four main areas: (i) national budget execution procedures; (ii) national financial reporting procedures; (iii) national auditing procedures; and (iv) national procurement systems. By treating each of these four areas as having a 25% weight and dividing by the total amount of ODA provided the information required can be calculated (hence the division by four – see part 4 below). In all cases the necessary information can be collected using the same definitions as those in the OECD/DAC "Definitions and Guidance" (see attached page which includes an extract of definitions relevant to this indicator)		
<b>3. Questions and definitions</b>		
Question	Definition – OECD Ref	Response EUR
How much ODA did you disburse at country level for the government sector in FY 2007 (EUR)?	Qd2	34000000
How much ODA disbursed for the government sector in FY 2007 used national budget execution procedures (EUR)?	Qd5	9000000
How much ODA disbursed for the government sector in FY 2007 used national financial reporting procedures (EUR)?	Qd6	9000000
How much ODA disbursed for the government sector in FY 2007 used national auditing procedures (EUR)?	Qd7	9000000
How much ODA disbursed for the government sector in FY 2007 used national procurement procedures (EUR)?	Qd9	9000000
<b>4. Definition of Indicator</b>		
$\frac{[(Qd5 + Qd6 + Qd7 + Qd9) \div 4] \div [Qd2]}{\text{response \%}}$		26%
<b>5. Additional information</b>		
Are there any significant initiatives in your country to promote the use of country systems? If so provide a list and a short description. If not, highlight the		



constraints to use of country systems (use additional space as needed)

No

### Definitions from "Definitions and Guidance" OECD/DAC

[www.oecd.org/dataoecd/13/29/36306366.doc](http://www.oecd.org/dataoecd/13/29/36306366.doc)

ODA	<p>Official Development Assistance (ODA) includes all transactions as defined in OECD-DAC Statistical Directives para. 32 (see appendix), including official transactions that:</p> <ul style="list-style-type: none"><li>▪ Are administered with the promotion of the economic development and welfare of developing countries as its main objective; and</li><li>▪ are concessional in character and convey a grant element of at least 25%.</li></ul>
Disbursements	<p>A disbursement is the placement of resources at the disposal of a recipient country or agency (see OECD-DAC Statistical Directives para. 15-18). Resources provided in kind should only be included when the value of the resources have been monetised in an agreement or in a document communicated to government. In order to avoid double counting in cases where one donor disburses ODA funds on behalf of another, it is the donor who makes the final disbursement to the government who should report on these funds.</p>
Government sector	<p>Administrations (ministries, departments, agencies or municipalities) authorised to receive revenue or undertake expenditures on behalf of central government.</p>
Disbursements for the government sector	<p>This category includes the disbursement of ODA in the context of an agreement with the government sector (see definition above), including works, goods or services delegated or subcontracted by government to other entities (e.g. NGOs, private companies).</p>

Use of national budget execution procedures (Q <sup>d5</sup> )	Donors use national budget execution procedures when the funds they provide are managed according to the national budgeting procedures as they were established in the general legislation and implemented by government. This means that programmes supported by donors are subject to normal country budgetary execution procedures namely procedures for authorisation, approval and payment.
Use of national financial reporting procedures (Q <sup>d6</sup> )	Legislative frameworks normally provide for specific types of financial reports to be produced as well as for the periodicity of such reporting. The use of national financial reporting means that donors do not make additional requirements on governments for financial reporting. In particular they do <u>NOT</u> require: <ul style="list-style-type: none"> <li>▪ The production of additional financial reports.</li> <li>▪ Periodicities for reporting that are different from government's normal reporting cycle.</li> <li>▪ Formats for reporting that do not use government's existing chart of accounts.</li> </ul>
Use of national auditing procedures (Q <sup>d7</sup> )	Donors rely on the audit opinions, issued by the country's supreme audit institution, on the government's normal financial reports/statements as defined above. The use of national auditing procedures means that donors do not make additional requirements on governments for auditing.
Use of national procurement procedures	Donors use national procurement procedures when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services. (Where weaknesses in national procurement systems have been identified, donors may work with partner countries in order to improve the efficiency, economy, and transparency of their implementation).

### 1. EU target 2

Provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements<sup>5</sup>

### 2. Introduction

EU target 2 aims to measure progress in aligning and coordinating support for capacity development. It's closely linked with indicator 4 of the Paris Declaration. Therefore, the term "capacity building" used in the EU target is interpreted as "technical cooperation". This use of the DAC definitions allows consistency with the DAC monitoring of the Paris Declaration.

The term "coordinated" also refers to the DAC definition which covers the following principles: ownership of TC by partner countries, alignment of TC with countries/local strategies and objectives and, where more than one donor is involved, harmonisation of TC among donors.

To avoid confusion, we strongly advise that you use the definitions given in the OECD guidance, by clicking on the link <http://www.oecd.org/dataoecd/13/29/36306366.doc>. DAC criteria on this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.

Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.

### 3. Questions and definitions

1	How much technical cooperation did you disburse in 2007 (Total TC in EUR)? <i>OECD question reference in the Paris survey : Q<sup>d3</sup></i>	Euro 5000000
2	How much technical cooperation did you disburse through co-ordinated programmes in support of capacity development in 2007 (EUR)? <i>OECD question reference in the Paris survey : Q<sup>d4</sup></i>	Euro 0

### 4. Definition of Indicator

<sup>5</sup> Despite the different wording the target is interpreted to correspond to Paris Declaration indicator 4. Please pay particular attention to the definition for the question Q<sup>d4</sup>.

3	$Q^d 4 / Q^d 3$ (please calculate this and enter in the next column as %)	0%
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## 5 Additional Information

4

### Qualitative information<sup>6</sup> :

Are there any significant initiatives to promote coordinated technical cooperation in your country?

If so, please provide a short description. And indicate whether they are linked to the Code of Conduct / Division of Labour process or any other "EU initiatives"

If not, highlight key constraints delaying joint work on TC and capacity development.

Resistance from recipient countries to foreign TA

Please note any other comments you have on these issues

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<sup>6</sup> These questions are taken from the survey on " Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. **They need to be answered by delegations who are not participating in this survey.**

1. EU target 3		
Avoid establishment of new project implementation units (PIUs).		
2. Introduction		
<p>EU target 3 aims to assess progress towards strengthening local capacity by tracking the number of PIUs put in place to manage projects and programmes. It is linked to indicator 6 of the Paris Declaration. This target is interpreted as "avoiding the establishment of new parallel PIUs"</p> <p>To avoid confusion, we strongly advise that you use the definition of parallel PIUs given in OECD guidance, by clicking on the link <a href="http://www.oecd.org/dataoecd/13/29/36306366.doc">http://www.oecd.org/dataoecd/13/29/36306366.doc</a>. DAC criteria for this indicator are being updated to make them easier to use and in January the final version to be used for monitoring the indicators in 2008 will be available on this site.</p> <p>Finally please note that a separate AIDCO initiative on EU target 2, related to preparing a strategy for achieving the target, is ongoing in 46 Delegations. Through this EAMR however, we hope to capture information from all delegations. Questions 1 and 2 below seek quantitative information on technical cooperation. Section 4 seeks qualitative information from delegations not participating in the survey launched by AIDCO (46 Delegations contacted) and provides the opportunity to share your experience and views.</p>		
3. Questions and Definitions		
1	How many parallel project implementation units funded by EC were in operation in December 2007? <i>OECD question reference in the Paris survey : Q<sup>d</sup>10</i>	0
2	Out of these, how many <u>new</u> parallel project implementation units were established during 2007?	0
4. Additional Information		

3	<p><b>Qualitative information<sup>7</sup>:</b></p> <p>Are there any significant initiatives to avoid the establishment of parallel PIUs in your country?</p> <p>What in your opinion should be done to increase domestic ownership and quality of project implementation arrangements?</p> <p>Increase capacity within the ministries in charge of ODA implementation.</p> <p>Please note any other comments you have on these issues</p>
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<b>1. EU Target No 4</b>
Reduce the number of uncoordinated missions by 50%.
<b>2. Introduction</b>
<p>The aim is to collect data on the number of uncoordinated EC Missions to your country. The information needed is (a) the total number of EC Missions to your country and (b) how many of these were coordinated.</p> <p>The Paris Declaration <b>objectives</b> underlying the related indicator of progress for coordinated missions are: "In planning their missions to the field<sup>8</sup> it is important that donors: <b>Conduct fewer missions, coordinate timing of missions</b> with partner authorities and, where necessary, with other donors, <i>conduct more joint missions, avoid conducting missions during "mission free periods"</i><sup>9</sup>.</p> <p>Coordinated mission <b>is a mission undertaken by 2 or more donors jointly, or by one donor on behalf of another.</b> In practice, the following 3 questions help to clarify what is meant by a mission:</p> <ol style="list-style-type: none"> <li>1. Does the mission involve international travel to a beneficiary country? i.e. <b>this concerns only missions from HQ, not missions undertaken within the country by the Delegation.</b></li> <li>2. Does the mission involve a request to meet with government officials, including local government?</li> </ol>

<sup>7</sup> These questions are taken from the survey on " Developing an EuropeAid Strategy on TC and PIU" sent to delegations which are members of the Aid Effectiveness Network. **They need to be answered by delegations who are not participating in this survey.**

3. Is this mission undertaken by 2 or more donors jointly? Or is it done by an HQ service also on behalf of another donor?  
 The Definitions and Guidance of the OECD ([www.oecd.org/dataoecd/13/29/36306366.doc](http://www.oecd.org/dataoecd/13/29/36306366.doc)) requires that missions undertaken by consultants contracted by AIDCO (or other DG's), if they meet the 3 above questions, must also be included.

### 3. Questions and definitions

OECD ref: Q <sup>d</sup> 15	How many <b>HQ missions</b> to the field were undertaken in FY 2007? <sup>10</sup>	12
Q <sup>d</sup> 16	How many of these were coordinated?	5
Please provide a breakdown of missions the Commission and its services have undertaken to your country in FY 2007 in the table below:		
Missions by:	Coordinated	Uncoordinated
Members of Commission		
AIDCO	4	
DEV	1	3
RELEX	2	
TRADE		1
ECHO		
FISH		
OTHER DGs Taxud		1
Consultants contracted by the Commission		
<b>Total</b>		

### 4. Definition of Indicator

Q <sup>d</sup> 16 / Q <sup>d</sup> 15	2006	2007
Please calculate and enter in the column for 2007 and also include the figure for this indicator for 2006 ;		

### 5. Additional Information

<sup>8</sup> 'Field' refers to the country in general including missions to the capital only.

<sup>9</sup> The target set for 2010 for indicator 10 a) is to have 40% if donor missions to the field as joint.

<sup>10</sup> This question applies to the missions from the HQ



Delegations are invited to list the dates for main HQ missions already planned for the March 2008 to August 2008, indicating whether they are, or not, to be coordinated with other donors;

HQ DG	Date planned	Purpose/Sector	Coordinated (Yes/No)
DEV, TRADE	_____ July	signature of EPA	YES

Delegations are suggested to indicate higher priority requests for HQ missions needed from September 2008 to February 2009, but not yet agreed with HQs, that the Delegation estimates serve better the coordination arrangements at local level and can yield more added value for the policy dialogue.

HQ DG	Date planned	Purpose/Sector	Donor(s) involved
NOT APPLICABLE NO REAL DONOR PRESENCE IN OUR REGION APART FROM EU			

Delegations are asked to briefly inform if there are significant initiatives to decrease the number of uncoordinated missions in your country? If so, please provide a short description. If not, highlight key constraints.

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Finally, Delegations are asked to assess the likelihood of meeting, by 2010, the twin targets for missions, ie. the OECD target of 40% and the EU target of halving the number of un-coordinated missions.

- OECD target of 40% likely to be met: Yes/
- EU target of halving the number of un-coordinated missions: Yes/

Delegations are asked to briefly indicate what additional steps HQ should be prepared to consider to help in achieving those targets at the level of the beneficiary country concerned:

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### Other aid effectiveness related information

On 4 July 2007 our Counsellors Louis Michel and Benita Ferrero-Waldner wrote to all Heads of Delegations requesting implementation of the Code of Conduct for Division of Labour. Several Delegations have responded and have attached their progress reports on aid effectiveness. We need information on the specific points below:

1. Paragraph 5 of the Council conclusion on Division of Labour notes:

"Simultaneously with the implementation of the Code of Conduct, the Member States and the Commission **will promote wide discussions with partner countries and other donors on complementarity and division of labour**, based on the EU code of Conduct which will be complemented by first experiences in the field. **The outcome of these discussions would constitute an input to the OECD/DAC partnership and the High Level Forum on Aid Effectiveness III that will take place in Accra, Ghana in 2008.** The Council invites the **incoming Presidencies to actively support such a process**, in close cooperation with the Member States and the Commission." (Highlights by AIDCO 01)

1.1 Have the discussions with partner countries and other donors been held?

Coordination with beneficiaries for the JARs and Country Portfolio Reviews in the process of planning between April and July

1.2 What input on division of labour is planned by the partner country towards HLF III? If none, then leave blank.

2 In paragraph 14 the Council invites the Commission to outline Community implementation of the Code of Conduct in its annual report on development cooperation, including: '**a self-assessment in its potential areas of comparative advantage** as referred to in the joint Development Policy Statement'. (highlights by AIDCO 01)

**2.1** What action has been taken towards this self assessment of comparative advantage?

(a) nothing done yet.

(b) If no, do you have any plans for initiating such a process? What are the plans?

**3** In country that have already initiated some form of division of labour:

**3.1** Please describe the process. (e.g., when did it start; partner country leadership; donors involved; results on the ground, etc).

**3.2** As a result of this process, did the Delegation:

- Pending on the signature of Country Strategy Papers held by the Taxud issue (financial responsibility and reporting)

**D2) Donor Matrix current and future financial support**

	Agriculture	Manufacturing	Tourism	Water and sanitation	Transport / Infrastructure / Telecommunications	Health	Social Sector (Education, Poverty, Housing, Gender, etc.)	Trade, Regional Integration	Public Reforms, Economic Mgt and Governance	Competitiveness and Private Sector	Other / Multisector
European Union (EU)						X	X	X	X		X
Inter-American Development Bank (IDB)				X		X	X		X	X	
Caribbean Development Bank (CDB)	X	X	X	X	X		X				X