



**DELEGATION OF THE EUROPEAN COMMISSION
IN
BARBADOS AND THE EASTERN CARIBBEAN**

**OFFICE OF THE NATIONAL AUTHORISING OFFICER
IN DOMINICA**

**COOPERATION BETWEEN
THE EUROPEAN UNION
AND
GRENADA**

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1. UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION

1.1 Update on the political situation

Prime Minister Keith Mitchell re-shuffled his Cabinet, effective 15 May, by taking on the responsibility for finance and establishing a new Ministry of Economic Development and Planning. This new ministry, which Mr. Mitchell said would help the island adjust to the changing global environment, will be headed by outgoing Finance Minister Anthony Boatswain.

The Grenada Government took to Parliament legislation for the establishment of an office of Ombudsman thus giving citizens an avenue to complain against the actions of the state and its agencies. The bill was supported by both government and opposition members of parliament. While being able to investigate complaints against most state agencies and their agents, the ombudsman would not be able to investigate the decisions or actions of the Governor General or the Public Service Commission relating to the appointment, removal or disciplinary control of any person. Additionally any matter which affects the security or external relations of Grenada as well as civil or criminal proceedings in any court of law including an international court or tribunal would be exempt from the ombudsman's scrutiny as would the actions taken by the minister responsible for Foreign Affairs relating to the extradition of any person.

Grenada's Prime Minister, Keith Mitchell delivered an EC\$751 million budget, as he unveiled a range of sweeping measures aimed at dealing with the high cost of living. The measures include emergency food distribution, free milk, free transportation for needy students and the elderly, and the expansion to the school feeding and farmer fertiliser programmes, as well as an increase in old age pension.

The emergency food basket distribution programme, targeting in excess of 2,500 families is scheduled to start in the New Year and is estimated to cost EC\$8 million and would be funded under the Trinidad and Tobago sponsored CARICOM Oil facility.

The 2008 budget projected an expenditure of EC\$751.7 million (US\$278.4 million) with revenues estimated at EC\$ 460.1 million (US\$170.4 million) and capital expenditure of EC\$ 241.1 million (US\$89.2 million).

1.2 Update of the economic situation

Regional Overview

The six countries of the Eastern Caribbean (OECS) are at a critical juncture in their development. After 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 21st 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, the six 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 all 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).

Grenada Overview

Grenada's economy has rebounded after the devastating impact of Hurricanes Ivan and Emily, with the recovery centered on reconstruction and 2007 Cricket World Cup (CWC) preparations. Real GDP growth averaged 7 percent a year during 2005-06 and is projected at about 3 percent in 2007 and 4 percent beyond, reflecting a further strengthening of tourism, the recent initiation of several major tourism projects, and a gradual recovery of agriculture. Inflation has remained low, buttressed by the regional currency board arrangement.

The external current account deficit improved slightly in 2006, with rising tourism receipts nearly offsetting the tapering off of large insurance payouts in 2005. The deficit is expected to remain large, at over 20 percent of GDP over the near term, mainly financed by foreign direct investment and capital grants. In particular, there has been a substantial increase in foreign direct investment in the tourism sector. External competitiveness appears to have improved recently, but fiscal adjustment and enhancing the investment climate will be important to sustaining competitiveness over the longer term.

Monetary and financial developments have been favorable. Growth in credit to the private sector, which had declined sharply after Hurricane Ivan, picked up pace in 2006. Grenada's banking system is resilient, having weathered the hurricanes well. While there was a temporary increase in the share of nonperforming loans following Hurricane Ivan, unsatisfactory assets have since been steadily declining, with the share falling below pre-hurricane levels. Grenada also established a single regulatory agency to strengthen supervision of nonbank financial institutions.

Large fiscal slippages in 2006-07 have slowed the pace of restoring fiscal and debt sustainability. Despite revenue-enhancing measures, capital expenditure overruns (owing to higher-than-anticipated costs for reconstruction and CWC preparations) led to much higher fiscal deficits than targeted. As a result, public debt rose, reaching 125 percent of GDP at end-2006, leaving little room for maneuver in the event of future shocks. On current policies, the overall deficit (including grants) this year (2007) would be about 3¼ percent of GDP, compared with almost 7 percent in 2006. Absent more active and front-loaded fiscal adjustment, the authorities' debt-to-GDP target of 60 percent might not be achieved until well after 2020, the Eastern Caribbean Central Bank's regional target date.

Grenada: Selected Economic Indicators

	<u>2003</u>	<u>2004</u>	<u>2005</u>	Prog. ^{1/} <u>2006</u>	Prel.	Proj. <u>2007</u>
<i>(Annual percentage change, unless otherwise specified)</i>						
<u>Output and prices</u>						
<u>Real GDP</u>	6.4	-6.5	12.7	6.5	0.7	3.0
<u>GDP deflator</u>	0.9	4.2	2.9	4.6	3.0	2.4
<u>Consumer prices (end of period)</u>	1.6	2.5	5.8	2.0	1.7	2.0
<u>Money and credit</u> ^{2/}						
<u>Net foreign assets of the banking system</u>	5.8	17.9	-19.3	-2.2	-6.4	0.0

<u>Net domestic assets of the banking system</u>	<u>2.2</u>	<u>-0.2</u>	<u>18.3</u>	<u>10.1</u>	<u>7.3</u>	<u>3.9</u>
<i>Of which</i>						
<u>Net credit to the nonfinancial public sector</u>	<u>2.3</u>	<u>-6.5</u>	<u>-1.1</u>	<u>0.0</u>	<u>0.2</u>	<u>-1.5</u>
<u>Credit to the private sector</u>	<u>3.1</u>	<u>5.0</u>	<u>6.2</u>	<u>8.5</u>	<u>9.2</u>	<u>4.6</u>
<u>Liabilities to the private sector (M2)</u>	<u>8.0</u>	<u>17.7</u>	<u>-1.0</u>	<u>7.8</u>	<u>0.9</u>	<u>3.9</u>
<u>Balance of payments</u>						
<u>Merchandise exports, f.o.b.</u>	<u>10.0</u>	<u>-18.9</u>	<u>-5.5</u>	<u>0.6</u>	<u>-15.6</u>	<u>14.5</u>
<u>Merchandise imports, c.i.f.</u>	<u>25.1</u>	<u>3.9</u>	<u>20.0</u>	<u>-3.4</u>	<u>-8.0</u>	<u>5.0</u>
<u>Real effective exchange rate (end of period, depreciation -)</u>	<u>-5.2</u>	<u>-3.5</u>	<u>5.6</u>	<u>...</u>	<u>-4.6</u>	<u>...</u>
<u>Current account balance (in percent of GDP)</u>	<u>-32.2</u>	<u>-12.4</u>	<u>-24.9</u>	<u>-32.8</u>	<u>-23.9</u>	<u>-24.9</u>
<i>(In percent of GDP, unless otherwise specified)</i>						
<u>Central government finances</u> ^{3/}						
<u>Total revenue and grants</u>	<u>34.4</u>	<u>33.4</u>	<u>37.6</u>	<u>36.1</u>	<u>36.1</u>	<u>31.1</u>
<i>Of which</i>						
<u>Grants</u>	<u>6.9</u>	<u>7.5</u>	<u>11.3</u>	<u>8.0</u>	<u>9.3</u>	<u>2.7</u>
<u>Current expenditure</u>	<u>24.3</u>	<u>28.2</u>	<u>22.1</u>	<u>22.7</u>	<u>22.8</u>	<u>23.7</u>
<u>Capital expenditure</u>	<u>14.9</u>	<u>8.0</u>	<u>15.0</u>	<u>15.4</u>	<u>20.2</u>	<u>10.7</u>
<u>Primary balance (excluding grants)</u>	<u>-6.5</u>	<u>-3.9</u>	<u>-8.7</u>	<u>-7.7</u>	<u>-13.9</u>	<u>-3.4</u>
<u>Overall balance (including grants)</u>	<u>-4.8</u>	<u>-2.8</u>	<u>0.5</u>	<u>-2.0</u>	<u>-6.8</u>	<u>-3.2</u>
<u>Nonfinancial public sector debt (gross)</u>						
<u>Total</u>	<u>109.6</u>	<u>130.7</u>	<u>120.2</u>	<u>118.9</u>	<u>125.4</u>	<u>115.1</u>
<i>Of which</i>						
<u>External</u>	<u>79.9</u>	<u>96.0</u>	<u>86.0</u>	<u>88.4</u>	<u>87.1</u>	<u>82.7</u>
<i>(In millions of U.S. dollars)</i>						
<u>Memorandum items:</u>						
<u>Nominal GDP</u>	<u>445.3</u>	<u>433.0</u>	<u>508.2</u>	<u>519.3</u>	<u>524.9</u>	<u>554.3</u>
<u>Gross international reserves of the ECCB; end-of-period</u>	<u>539.9</u>	<u>632.4</u>	<u>600.8</u>	<u>...</u>	<u>696.0</u>	<u>...</u>

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Sources: Grenada authorities; ECCB; and Fund staff estimates and projections.
1/ IMF Country Report No. 06/277, Request for PRGF (July 2006).
2/ As a percent of broad money at the beginning of the year.
3/ Measured using above-the-line information.

Government's Reform Programme

In the first quarter of 2006, the Government articulated a medium-term economic reform programme focusing on achieving macroeconomic stability and enhancing growth and poverty alleviation for the period 2006 to 2008. The priority goals were to:

- Promote sustained high economic growth by improving the climate for private investment;
- Restore fiscal and debt sustainability through fiscal consolidation and reform;
- Reduce vulnerabilities by safeguarding the soundness of the financial system; and
- Reduce poverty through more effective social development programmes and safety nets.

The Government's programme is being supported by the IMF under a Poverty Reduction and Growth Facility (PRGF). Implementation under the programme has been uneven, however, there have been important advances with structural reforms, including a plan for customs reform, training in prioritization and implementation of the public sector investment program, improved transparency regarding tax concessions, and steps toward improved building standards. The government remain committed to continuing with the reform agenda, with emphasis on further strengthening these areas, improving the investment and business climate, and reforming the regime for tax concessions in 2008. To address the high cost of living the authorities have extended assistance for vulnerable groups and will temporarily suspend the Common External Tariff on a select list of items. The ongoing Country Poverty Assessment (CPA) will provide critical information to allow development of a strategy to tackle poverty.

The government has taken a number of decisive actions in the financial sector. The appointment of a receiver for Capital Bank International Ltd, which was highly illiquid and unable to honor deposit withdrawals, was a courageous and welcome step. Grenada was the first ECCU member to establish a single supervisory authority for nonbank financial institution--Grenada Authority for the Regulation of Financial Institutions (GARFIN). GARFIN is making progress in supervising credit unions, and following recent amendment of the GARFIN Act, setting out a framework for regulating and supervising insurance companies. GARFIN has appropriately warned investors to seek advice only from licensed institutions and to ensure they have full information about investment products, entities, and persons with whom they invest.

Grenada postponed the implementation of Value Added Tax (VAT) which was due to come into effect on 1 October 2007. A statement from the Ministry of Finance said the implementation was rescheduled for 2008, so as to facilitate the training of specialized staff, accommodate the installation of a VAT-specific computerized system and to allow for consultation with stakeholders/ general public about the major changes in the tax collection system.

The government is seen to be making credible efforts to implement the financial and structural reform program supported by the PRGF.

Structure and management of public finances

An assessment of Grenada's Public Finance Management systems using the PEFA/PMF methodology was carried out under the lead of the EC. The analysis highlights the overall positive performance of Grenada's PFM system, in addition to its relative strengths and weaknesses:

- The main areas of strength include credibility, comprehensiveness and transparency, policy-based budgeting and functioning financial management and information systems.
- Weaknesses are primarily associated with an out of date legal and regulatory framework in public financial management which affects the area of procurement, compliance to internal controls and follow-up of recommendations of the Audit Department.

The CIDA supported East Caribbean Economics Management Project (ECEMP) has provided legal assistance in drafting the following new bills which were laid to Parliament in 2007: [1] The Procurement and Contract Administration Act; [2] The Public Finance and Management Act; [3] The Regulations for the Public Finance and Management Act; [4] The Audit Act and [5] The Ombudsman Act. Government remains committed to implementing these Acts with financial commitments for the Establishment of the Ombudsman Office, the Integrity of Public Life Commission and Audit Department in the 2008 Estimates of Revenue and Expenditure. Further progress will be facilitated through the recently established PFM Reform Steering Committee.

Trade policy and external environment, in particular regional cooperation agreements and EPAs

Grenada is a Member of the OECS, the CARICOM and the Association of Caribbean States (ACS). It is engaged in CARIFORUM-EU EPA negotiations which were launched in 2004, FTAA, and WTO negotiations (DDR) in particular.

The OECS Countries have already achieved a high level of integration with a common judiciary, a common currency and central bank (OECS Countries together with Anguilla have formed the Eastern Caribbean Currency Union), joint foreign representation, a common directorate of civil aviation, pharmaceutical procurement, telecommunications regulation, banking regulation, and close collaboration in health, education and security matters. On June 21st 2006, the Heads of Government signed a Declaration of Intent to submit for ratification an Economic Union Treaty after one year of public debate.

As regards the CARICOM Single Market and Economy (CSME), OECS countries have joined in July 2006 (Barbados, Belize, Guyana, Jamaica, Suriname and Trinidad and Tobago signed the CSM Agreement in February 2006). OECS Countries see the establishment of a Regional Development Fund and of preferential and concessionary measures as an essential condition to allow them to participate meaningfully in the CSME. Under the Treaty of Chaguaramas establishing the CARICOM, OECS countries are classified as Less Developed Countries (LDC) and are exempt from certain liberalisation obligations. In particular, Art 56 gives protection to certain designated sub-sectors vis-à-vis goods from other CARICOM countries. Both the LDC category and the related protection have been incorporated under Art 164 in the Revised Treaty of Chaguaramas establishing the CSME.

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.

1.3 Update of the poverty and social situation

According to the UNDP Human Development Report for 2007/8, the Human Development Index for Grenada is 0.777, which gives Grenada a rank of 82th out of 177 countries on the basis of adult literacy, school enrolment, life expectancy at birth, and per capita Gross Domestic Product (GDP). This compares to a ranking of 85 out of 177 in 2006. It was estimated in 2002 that 32 % of the population live in poverty; the decline of the agricultural sector having resulted in increased hardship and poverty in the rural sector. Following hurricane Ivan, addressing social recovery will be an immense challenge. At a human level, with the immediate recovery and emergency relief efforts mostly addressed, the priority has turned to assisting the affected population to return to normal conditions, an endeavour critical to preventing a rise in poverty and for maintaining social stability. This has entailed, inter alia, securing permanent housing solutions and supporting employment initiatives. For those most vulnerable, the protection afforded by social safety nets may need to remain or be expanded. Given the importance of education and health services to social development and poverty elimination, restoring critical infrastructure within these sectors is essential. This will entail rebuilding physical infrastructure in education, health, and social services.

The first phase of the Participatory Poverty Assessment Survey, a collaborative project of the Government of Grenada and the Caribbean Development Bank (CDB), came to an end in April. The next phase will include the deployment of field research facilitators to collect first hand information throughout the country. The objective of the survey is to determine the extent and severity of poverty throughout the tri-island state, in light of the fact that the Grenada Government has been focusing its social programmes on the eradication of poverty. Additionally, as a result of the significant changes in the social, physical and economic landscape of the country following Hurricanes Ivan in 2004 and Emily in 2005, it was necessary that a comprehensive assessment of the current situation be carried out to adequately address the issues. The results of the survey are expected to generate information that will guide the future social and economic policies and programs of the government.

Education

Grenada has attained almost universal school access but there are still sizeable gaps above the primary level. Notwithstanding the recent increase in the transition rates from primary to secondary school the current level of secondary access remains low, only 60 %, while the transition rate to tertiary level training is much lower. The combined primary, secondary and tertiary gross enrolment ratio was 65% for 2001-02. In order to foster closer co-operation and to enhance the benefits from joint development of education, Grenada participates in the regional (CXC) examination system and pursues in addition, a joint OECS Education Reform Strategy, which places an emphasis on the social aspects of education.

Health

The population of Grenada enjoys a relatively stable health status when health indicators over the period, 1998-2002, are compared. However when compared to other countries in the region, health status indicators of Grenadians were found to be in the mid-range. This suggests that while Grenadians enjoy a relatively good health status, there is room for improvement. The health sector has consistently received approximately 12% of the annual Government recurrent budget, and public health recurrent expenditure is estimated to have represented 3.5% to 4.5% of GDP over the period 2000–2006.

The health profile indicates that communicable childhood diseases are virtually under control and the major health problems are related to chronic non-communicable diseases or so-called lifestyle diseases. However, levels of satisfaction with the quality of the Government Health Services are low leading to a drift towards Private Health Care.

Sexually transmitted diseases seem to have progressed slowly in the population as illustrated by surveillance of hospital data and community services data. Health workers believe that this information may be underestimated, as most persons tend to seek a private physician to treat these diseases. The cumulative total of reported HIV – infected persons stood at 309 at December 2006, with the ratio of male to female being 1.8:1. As at end of December 2006, the cumulative number of deaths from AIDS was 163; 118 males, 45 females.

Social Protection

The impact of hurricane Ivan has significantly worsened Grenada's social profile as the quality of life of many more persons would have been affected. The results from a Core Welfare Indicators Questionnaire Survey (CWIQ) completed in 2005 revealed that the unemployment rate amongst the poorest segment of the population rose to 38% in 2005, twice the national unemployment rate. The survey also revealed damages to be more prevalent and more severe amongst the poorest households as a result of the weaker type of housing structure of the poor. The poorest quintile had no home insurance coverage compared to least poor quintile where 35% of the damaged homes had coverage. The incidence of overcrowding following the hurricane was also found to be more prevalent in poor households. Other poverty monitoring indicators generally revealed that the economic situations and quality of life of these households had declined significantly since the hurricane.

Increasing safety net measures for the poor has become urgent. The Government allocates a high priority to improving the shelter conditions of low-income households. A Poverty Eradication Strategy was prepared in 2004 but will need to be refined to be more strategic in focus and better integrated within the Government's medium-term macroeconomic framework. In view of the high level of rural unemployed poor in Grenada, social development strategies which enhance educational attainment and outcomes and which promote rural economic development would need to be central elements of Grenada's poverty alleviation strategy. Priority areas would also include reducing social vulnerability to natural disasters through hazard mitigation measures.

There is also a group of persons whose overall quality of life deteriorated quickly after the passage of hurricane Ivan. These persons, the *new poor* because of their middle-income status before the hurricane, tend to be invisible in the statistics and as such are often overlooked by social recovery programmes. Since the hurricane, for a variety of factors such as the loss of income, reduced earnings and inadequate or lack of property insurance, persons in this group have also found themselves in a state of deprivation. Some of these are retired professionals and returned nationals on fixed incomes and persons retrenched or who have had to accept positions with lower incomes because of the dislocation brought about by the hurricanes. As a result of these changes in their economic circumstances, like the poor and indigent, these persons are unable to access resources to meet some essential needs like housing, and their ability to address

such needs is severely constrained. These needs will remain unfulfilled in the short to medium term unless some assistance is provided by the State.

Employment

Prior to Hurricane Ivan, agriculture and tourism provided many opportunities for employment of men and women. The nutmeg industry alone accounted for direct and indirect employment of almost 31,000 people. About 7,500 farmers were engaged in the cultivation of cocoa which was second to nutmeg as the country's most important export commodity. These, along with banana, minor fruit crops, citrus and vegetables, provided employment, foreign exchange and contributed to the country's food security. Tourism and related services provided direct and indirect employment for over 60% of the labour force with a large proportion of these being women engaged in low-income occupations. With the passage of Hurricane Ivan, these activities have been severely affected. Large proportions of the nutmeg and cocoa plantations were destroyed, setting these industries back several years. About 80% of the hotels were also damaged with many requiring some time before they could resume full operation. As a result, the earnings of a large number of households, dependent on agriculture and tourism for a livelihood, have been disrupted. Women in particular have been severely affected. Whilst the effects of the hurricanes provided increased employment opportunities in the traditionally male dominated construction areas, the level of unemployment among women has increased.

Recent estimates by the Grenada Statistics Department indicate that the country's unemployment rate after Hurricane Ivan increased to 18.5% with the rate for women being 25.5%, twice the 12.5% rate estimated for men. For women living in the urban areas where most of the major construction activity is taking place, the rate of unemployment is 18%, also twice that of men (9%). This is also the case for female household heads. At a rate of 50%, the level of unemployment among them is double that of their male counterparts. The levels of underemployment are also high among women with many resorting to activities in the informal sector, such as vending for a livelihood.

Rural Development

The causes of poverty in Grenada are complex and related to historical and economic factors, not least the vulnerability of the economy due to the country's small size and its exposure to natural disaster. Tropical storms and hurricanes regularly cause serious damage to infrastructure and contribute to keeping the poor in a poverty trap. Grenada's mountainous, volcanic topography can lead to severe soil erosion, and its mountains create a physical barrier across the island. An underwater volcano is also active, and eruption would threaten the islands with tidal waves and ash outflow.

At the rural household level, poverty is determined by a lack of access to productive resources including credit; social and/or productive organizations; literacy, technical and/or entrepreneurial skills; access to markets and/or information; and access to technical and financial support services.

Although each rural community faces different constraints, overall conditions for poor rural households in Grenada are generally precarious. Despite the reduced contribution agriculture makes to the national economy, it remains an important source of food or income for many poor and very poor rural households.

Farm size throughout Grenada is small, with half of the farmers estimated to have less than one acre and 90% less than five acres. The majority of farms are under private ownership, either individually or family-owned. A small proportion of these farms are rented, and squatting is less prevalent than in some of the islands. The mean farm size is approximately 2 ha with little

difference between farms run by men and those run by women. Depending on the climatic and ecological conditions, different crops are raised in different parishes, though bananas still predominate in most parishes. Corn, peas, roots and vegetables are important crops for poorer households; tree crops also have a central role, particularly in terms of fruit provision for household-level agro-processing.

2. PAST AND ONGOING EC CO-OPERATION

2.1 Overview of past and on going EC Cooperation

Under the 9th EDF NIP allocation, cooperation with Grenada initially focused on Tourism Development; however, following Hurricane Ivan, it was decided to shift priority and concentrate the EC financial support on school rehabilitation and water supply. In May 2006 the Commission officially adopted an addendum to the NIP, which changed the focal sector from tourism into education and water supply. A part of the EC support to Grenada is being provided through the Stabex and SFA mechanisms and is being used to provide compensation for loss of export earnings and to promote agriculture diversification.

The conclusions of the End of Term Review for the 9th EDF were to maintain the focal sectors and add macroeconomic support as the third focal sector. The allocation for the A-envelope was adjusted to €20.7 million, which included transfers from previous EDFs.

The focal sector for the 10th EDF will be human settlement with a proposed allocation of €4.76 million.

2.1.1 9th European Development Fund – Focal Sectors

The new intervention framework was established on the basis of the institutional and economic water sector study which also provided inputs to the draft Financing Proposal for the planned water supply project (see below 3.1.3). Approximately 80% of the indicative envelope of the 8th EDF (€ 5.2 million) was allocated to the water sector for the development of supply, treatment, distribution and maintenance. In order to ensure sustainability, technical assistance was to be provided to guide an institutional reform process.

Following the completion of the End of Term Review (ETR), in light of an assessment of the country's current needs and performance, the Commission agreed to increase Grenada's A Envelope by an additional €10mn. Considering the increased financial needs following the devastation caused by Hurricanes' Ivan and Emily (in 2004-5) it has been agreed to include an additional focal sector to support the *macroeconomic reform programme*, with the objective of supporting the Government of Grenada's (GoG) macroeconomic reform programme for poverty reduction: *Memorandum of Economic Policies 2006-2008* (MEP) and *Interim Poverty Reduction Strategy Paper (I-PRSP)*.

2.1.2 9th EDF Focal sector - Education

In accordance with the change of the focal sector, as described above, a Financing Proposal covering the rehabilitation of 19 school buildings damaged by the hurricane (including an emergency telecommunications component) for a total amount of € 9.3 million (€7.8 million from B-envelope, €1.5 million from A envelope) was drafted and submitted for approval in February 2005.

The project is being implemented under a co-financing arrangement with the World Bank who are responsible for the technical and financial implementation. A recent Rider, approved in July

2007, added another €1,072,000 to the agreement. According to the latest discussions with the NAO, these additional funds will be mainly used to replace some equipment lost to the hurricane (essentially laboratory equipment).

Reports show that of the nineteen schools, seven have been completed, seven more are currently under construction and the remaining five are in various states of procurement. The programme is moving more slowly than expected with the main delays being:

1. By the Ministry of Education in selecting schools
2. Design (six months later than planned)
3. In Procurement of Contracting Services due mainly to long contract review period by Tender Board.

Overall progress and quality of the rehabilitation work is satisfactory although there have been further delays in procurement as a direct result of queries by the Prime Minister's Office. It is expected that the programme will be complete by the end of 2008.

2.1.3 8th EDF NIP € 6.5 million – Focal Sector: Water Supply

The Financing Agreement for the Southern Grenada Water Supply Project was signed by the Commission in December 2006. However, its signature by NAO was linked to the adoption of a Water Sector Policy by the government as a pre-condition. The fulfilment of this commitment by the government was repeatedly postponed (while national consultations with stakeholders were being held), but a very satisfactory document – produced in cooperation with FAO and international consultants from the University of West Indies – was eventually adopted in November 2007, paving the way to the signature of the FA in early December 2007.

As anticipated, given that all technical studies were available, the implementation of the works component started soon after the signature of the FA with the publication of the procurement forecast for works and supervision in late December 2007. There have been some delays in publishing the procurement notices but it is hoped that they will be published by the end of March with works expected to start by September 2008.

The project will assist in reforming the Water Sector as it relates to the improvement in water supply to the Southern part of the island of Grenada. The works contract will upgrade seven (7) critical water treatment plants in south-eastern Grenada; improve the reliability of the water supply systems along the south-eastern corridor especially during the dry season and reduce the level of waste through leakage in the existing system.

The project will provide:

- 1) An improved water supply system in terms of quality, quantity and reliability by refurbishing and mains replacement and improving existing water supply schemes.
- 2) Plant upgrading for improving the water quality.
- 3) A reduction in non-revenue-water in the existing system to no more than 20%.
- 4) Reliable mapping documentation.
- 5) Training to NAWASA.
- 6) Programme management to obtain a sustainable working method within NAWASA in order to obtain long lasting effectiveness of above mentioned programmes.

More time is still required for the development of the TOR for the technical assistance contract which will provide support for a new institutional framework.

2.1.4 Macroeconomic support

The Financing Agreement “Poverty Reduction through Private Sector Development, Employment and Growth” for the additional ETR allocation of €10mn was signed by the NAO on 27 November 2007.. A Rider for the 2005 FLEX allocation of Euro 1.71 million was submitted in August and approved by QSG in September 2007. The FLEX funds were assigned to the second and third tranches of the ETR-FA. The FA will be implemented in close co-ordination with the new WB Technical Assistance Credit for the Private Sector. In addition a WB Trust Agreement will be established early in 2008 for Technical Assistance to support core reform areas under the FA.

The overall objective is to reduce poverty through the creation of an improved investment climate so as to stimulate private sector development, employment and growth. The variable tranche conditions are still to be agreed but will be linked under a Joint Matrix to the new WB Technical Assistance Credit/Private Sector Development Programme. The FA indicators will cover: (i) Investment Promotion & Business Facilitation; (ii) SME Development; (iii) Trade Facilitation.

Following joint discussions between the Delegation, IMF and Ministry of Finance in December 2007 it was acknowledged that the conditions for the release of the first tranche had not been met, given delays with the implementation of the PRGF. However the Government and IMF expect to conclude the first PRGF review early in the second quarter 2008 following which the disbursement of the first tranche (€4mn) is anticipated.

2.1.5 Projects and Programmes outside focal sectors

2.1.5.1 9th EDF (+ balances of previous EDF):

12 % of the Indicative Programme, or €430 000, has been earmarked for studies, audits and technical assistance under the Technical Cooperation Facility (TCF) to support the 9th EDF focal sector programme in Grenada. Financing proposal for the TCF was prepared and the Facility became operational in May 2004. Approximately 25% of these funds have been used up to date.

2.1.5.3 Utilisation of resources for NSAs

Since the early 1990s until the present, substantial resources mainly from STABEX have been utilised to provide assistance to farmers dependent upon the Windward Islands banana industry. More recently and increasingly, however, these STABEX funds have been used for complementary interventions such as diversification of the rural sector and broader (private sector led) economic diversification to provide potential alternative employment opportunities. These interventions have been underpinned with the establishment of social safety nets, including Social Investment Funds, and NGO activities which complement initiatives taken by governments and their agencies. An EU instrument introduced in 1999, the Special Framework for Assistance (SFA), also related to the banana sector, provides complementary resources for this development agenda. The programmes and projects from their design stage and throughout their implementation have involved the active participation of farmers' organisations, chambers of commerce, representatives of particular sectors, NGOs and the local communities in general.

During the Mid-Term Review (December 2004), it was decided that because of the devastation caused by hurricane Ivan no separate NSA Advisory Panel was to be created. Instead, it was agreed between the EC and GoG to use the Advisory Council for Reconstruction and Development that had just been established. However, in May 2006, GoG acknowledged that the Council was not functional anymore and suggested to use the newly created “Forum for Social Dialogue” for the purposes of more closely involving civil society in our partnership.

2.1.5.4 Utilisation of B-envelope

Following the devastation caused by Hurricane Ivan in September 2004, the Commission decided to double the amount of the B-envelope from €3 900 000 to €7 800 000. In line with a request by the NAO, it was agreed to use this amount for two post-emergency activities merged in a single Financing Proposal, the rehabilitation of 19 school buildings damaged by the hurricane and a telecommunications project.

No FLEX-related amounts for the application year 2003 will be processed, as the totality of the doubled/revised B-Envelope (€7 800 000) have been assigned to post-emergency assistance. Therefore, no more funds are available under the B-envelope for Grenada.

2.1.5.5 Community budget lines - STABEX

Presently Grenada is implementing projects and programmes funded by Stabex allocations for 1993 – 1997. Grenada did not receive allocations for 1998 and 1999, but did receive funds in connection with repayment of available balances upon expiry of the Lomé Convention in 2000 (Article 195). The broad approach, which has been followed in the FMOs, is to support different agricultural sectors of the economy (bananas, cocoa and nutmeg) in order to achieve economic growth and secure foreign exchange earnings.

At the end of 2005, the NAO and Delegation agreed a new FMO will merge the allocation for 1996/97 and for Article 195, and all remaining uncommitted funds will be spent through sector budget support to the agricultural sector.

A PMF-PEFA assessment of Grenada's PFM systems concluded positively on 30 October 2006, following which the FMO for sector budget support covering the remaining unallocated and de-committed STABEX funds was finalised and submitted to HQ in November 2006. It was approved by the QSG in March 2007 following which numerous modifications were incorporated and a final revised FMO for EUR 3,164,473 was submitted in December 2007 which was signed early January 2008. The FMO aims at assisting the Government to strengthen Land Use & Tenure in Grenada towards the goal of stimulating agricultural and private sector investment.

Stabex allocations available to Grenada are presented in a table below.

Status of Stabex finances, as of 31 December 2007

Funding year	Allocation ¹	Committed	RAC	Paid	RAL
STABEX 1993	2 987 996	2 236 401	751 596	2 224 782	763 214
STABEX 1994	2 336 300	2 050 952	285 348	2 013 828	322 472
STABEX 1995	2 144 619	1 235 551	909 068	1 111 203	1 033 416
STABEX 1996/97	1 020 873	0	1 020 873	0	1 020 873
STABEX Art 195 Balances	350 532	0	350 532	0	350 532
TOTAL €	8 840 320	5 522 904	3 317 416	5 349 813	3 490 507

¹ Including interest

Almost all of the committed STABEX funds (1994, 1995 and 1996/97) for Grenada have been disbursed (€ 5.2 million).

2.1.5.6 Community Budget Lines - Special Framework of Assistance (SFA)

In Grenada, SFA funds are allocated to the areas of banana commercialization and agricultural diversification (establishment of a rural credit scheme) capacity building and institutional strengthening of Government services and private sector development.

SFA 1999: three riders have been approved by Brussels. Rider 3 was signed in October 2007. A Supplementary Irrigation Project replacing another project previously foreseen but not viable was approved. The restart documents for SFA 1999 were signed in August and November 2007. Corresponding contracts are under preparation and activities will start during the first quarter of 2008.

The FA for SFA 2000 was signed in March 2001 for an Irrigation component. This project was completed on July 2004 with the installation of off-farm irrigation facilities on 14 farms for 151 acres of farmland at a cost of XCD 795,351. The balance on the SFA 2000 allocation was used to implement additional irrigation activities.

The Financing Agreement for SFA 2001 (rural credit) was signed in June 2002. The Financing Agreement for 2002 (Rural Credit Facility) was signed in February 2003. The Credit Scheme is structured to give greater encouragement to Financial Institution's to provide investment and operating loans to entrepreneurs in the rural sector. The objective is to stimulate economic activity in the rural sector, and to address poverty issues in those areas. SFA 2001 is completed but SFA 2002 has not started yet. The deadline for the later is mid-2008. A programme for SFA 2002 is also expected soon. A new rider for time extension has been requested from Headquarters in January 2008.

A Financing Agreement for the project: "Improving the Enabling Environment for Sustainable Agricultural Development" for SFA 2003 was signed in December 2004. The overall objective of this programme is to improve agricultural Institutional Strengthening output, increase foreign exchange, increase rural employment and incomes, reduce poverty and achieve sustained growth.

A service contract covering the whole SFA 2003 programme (480,000€) was signed with Landell Mills beginning of December 2006. This programme started during the first months of 2007.

A Financing Agreement for SFA 2004 Private Sector Development was signed by the Commission in December 2004. The project aims at enhancing the competitiveness of the private sector and at improving the enabling environment for business. It is anticipated that the business birth rate would be increased through support for business upgrading and business start up. The service contract was awarded in mid-2006 to Landell Mills, UK (€479,640) and signed on 22nd August 2006. The pace of implementation has been disappointingly slow and most of the results will not be achieved when the contract ends in approximately seven months, particularly with regard to the direct delivery of business support services to firms. Last minute efforts are being made to complete the institutional strengthening component to the GIDC's Business Development Centre/Business Gateway in order to ensure sustainability of the intervention.

A Financing Proposal has been agreed by the EDF Committee in November 2005 for SFA 2005. The objective of this SFA 2005 is to support agricultural and Economic diversification and more particularly to improve competitiveness of the agricultural and other productive sectors in Grenada through the introduction and sustainable use of Information and Communication Technologies. This SFA 2005 is being implemented in the frame of a regional programme with

specific national components and will result in the development of a virtual e-business incubator; strengthened the relevant legislation and business regulation; networking and experience-sharing. A consultant to supply these services mobilised in November 2007. No significant amount was spent during 2005. To the request of the HQ, four riders were introduced in June and July 2005. These riders concern budget reallocation, modification to time extension, the implementation method, change in scope, location of activities etc, double signature closure, introduction of new financial regulations. These riders have been split into two parts and the riders only concerning time extension were signed during the last days of December 2005.

A study to prepare a medium-term strategy for the use of SFA funds during the remaining 3-year period, and a draft Financing Proposal for SFA 2006 was launched in early 2006. Following this study, the Delegation and the Government of Grenada agreed to dedicate SFA 2006-2008 to interventions mainly in the agriculture sector. The Financing Agreement for SFA 2006 was signed on 08th February 2007 by the NAO after the launching workshop for SFA 2006. SFA 2006 will be implemented by FAO (Contribution Agreement to be signed early 2008). The Financing Agreement for SFA 2007 will be signed during the first quarter of 2008. This programme will be managed by FAO (Agricultural Census).

Funding year	Allocation²	Committed	RAC	Paid	RAL
SFA 1999	1 020 701	890 000	130 701	505 502	515 199
SFA 2000	507 179	495 350	11 829	447 010	60 169
SFA 2001	509 488	495 000	14 488	384 962	124 526
SFA 2002	500 000	10 000	490 000	6 000	494 000
SFA 2003	500 000	479 950	20 050	225 335	274 665
SFA 2004	500 000	479 640	20 360	222 572	277428
SFA 2005	500 000	488 857	11 143	137 803	362 197
SFA 2006	500 000	0	500 000	0	500 000
SFA 2007	500 000	0	500 000	0	500 000
TOTAL €	5 037 368	3 338 797	1 698 571	1 929 184	3 108 184

2.1.5.7 Regional budget lines

Grenada, a member of CARICOM/Cariforum, is a beneficiary of the many regional programmes funded through the EDF. The 7th EDF RIP has a global envelope of €105 million, while the 8th EDF RIP has €90 million available. The focal sector for the 9th EDF RIP support is regional economic integration and integration into the world economy, for which an envelope of €57 million is available.

The CREP (Regional environment project) has funded some small scale activities (eco-tourism demonstration area) in the island of Carriacou (dependent from Grenada).

² Including interest

2.1.5.8 Support from all ACP funds

The EC approved €50 000 000 all ACP Trade.Com programme in August 2003, which 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 ACP countries. A specific project (“Hubs and Spokes”) has been designed for the Caribbean region, which has been initiated in 2004. Under this project the OECS Secretariat is benefiting from the services of a Trade Policy Adviser, soon to be assisted by a Trade Policy Analyst. Although the Contribution Agreement provides for the deployment of 29 Trade Policy Analysts, Grenada is one of 6 additional countries making request for this service. The Project Coordinating Committee has endorsed this proposal subject to the availability of funds.

The OECS has received Funding (€280 000) for the Establishment of an OECS Representation Facility in Geneva to follow-up WTO matters, under the €10 000 000 WTO Support Facility, as well as for Capacity Building in support of the preparation of the EPA (€350 000) under the €20 000 000 EPA Support Facility. The Caribbean Regional Negotiating Machinery (CRNM) has also received support (€857 652) from the EPA Support Facility. Also the NAO Office benefited from a 9th EDF Financial and Contractual Procedures Training held in Barbados in January 2005, under an All ACP programme started in 2004.

2.1.5.9 European Investment Bank (EIB)

The programmes of the European Investment Bank (EIB) in the Eastern Caribbean region are summarized in Annex B4.

2.1.5.10 ECHO

The European Commission’s Humanitarian Aid department (ECHO) launched its first Disaster Preparedness (DIPECHO) Programme for the Caribbean in 1998, making available some €12 000 000 for the activities to prepare the most vulnerable communities for and mitigate against disaster and also, to a lesser degree, for disaster prevention. The 4th DIPECHO plan for the Caribbean was approved by the EC in 2003 and its projects were completed during the year 2004-2005.

During the year 2005, an external evaluation was carried out to assess the impact and the relevance of the DIPECHO program in the region, and its main conclusions were that this program had an important impact in the region and particularly in the most vulnerable communities and should be further supported. ECHO followed most of their conclusions and launched its 5th DIPECHO Action for an amount of €3 500 000 and it covers activities in the whole Caribbean region, but most particularly in Haiti, Cuba, Dominican Republic, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The projects to be implemented during this 5th DIPECHO Action Plan started to be implemented in 2005 with duration of 15 months.

In June 2005, a decision for €500 000 was launched to support the Red Cross in the Caribbean through the International Federation of the Red Cross to strengthen their preparedness to respond to disasters. This project includes the training of personnel in evaluation and response mechanisms in water and sanitation, telecommunications, damage assessments and other components. This project should have a direct impact in the Eastern Caribbean Countries through their respective National Societies. The end of the project is foreseen for June 2006 and will be followed by an external evaluation.

In 2004, after hurricane Ivan, the European Commission’s Humanitarian Aid department (ECHO) made available to Grenada €3 000 000 for emergency assistance providing the most vulnerable people with emergency shelter, as well as food, drinking water, emergency communication

services, hygiene kits and tarpaulins for house roofing. In 2005, ECHO took a new funding Decision of €1 200 000 to further support the Red Cross, through the French Red Cross, in preparing the communities to face disaster as well as to continue with the rehabilitation process of houses affected by hurricanes Ivan and Emily.

2.2 Policy Coherence for Development (PCD)

Subsequent to the completion of the “Poverty Eradication Strategy and Plan” in 2004, Grenada suffered the devastating effects of two major hurricanes and an unprecedented rise in prices due to oil price adjustments. The extent of the damage translated into serious consequences for the poverty situation in the country. Based on the foregoing, the Government of Grenada is committed to the elaboration of a full-fledged Poverty Reduction Strategy and Action Plan within the next 12 months. The Strategy and Action Plan will be informed by another detailed Poverty Assessment Report to be funded by the CDB and an extensive programme of public consultations throughout the country.

For the time being, the Poverty Assessment Report concluded in October 1999 constitutes the single most comprehensive document on the socio economic status of the Grenadian economy. The survey revealed that 32 percent of the population corresponding to 28.8 percent of households are classified as poor based on a poverty line of EC\$3 262 per annum per adult. In 2005 following the impact of Hurricane Ivan and Emily, the Government commissioned a Core Welfare Indicator’s Questionnaire (CWIQ) Survey. Earnings have fallen, especially from wage employment, through loss of jobs and the reduction of salaries. Income from business fell by 15 percent. The disaster also had an impact on nutrition, and affected the capacity of individuals to bounce back. Food security has also been compromised through increased food imports and the loss of the nutmeg and cocoa industries, which have also affected the national economy.

The CWIQ reaffirmed several of the recommendations of the Poverty Assessment Survey. Specifically the survey revealed that just under half of the households in Grenada are female-headed, with more than one fifth in the rural areas falling into the lowest welfare quintile. Well over half the female heads are unemployed, as compared with one quarter of male heads. As an answer to these challenges, the Government will focus its revised Poverty Eradication Strategy on the following priority elements:

- Economic recovery for sustained robust economic growth;
- Agriculture rehabilitation and development
- Housing development;
- Reduced unemployment;
- Improved access to social infrastructure;
- Human resources development;
- Modernization of estate service machinery;
- Improved environmental management;
- Social safety net programmes.

More specifically, the Poverty Reduction Strategy Paper will seek to achieve the following:

- Adopt a forward-looking and strategic approach, clearly defining the goals for poverty reduction and spelling out steps needed to achieve Grenada’s poverty reduction objectives, including the Millennium Development Goals (MDGs).
- Evaluate the effectiveness of existing poverty alleviation programmes, with a view to making better use of empirical evidence to assess programme effectiveness. In addition, it will define which institution or agency is responsible for which objectives; the size, financing and duration of programmes; and the modes and timeframe of implementation.

- Prioritise programmes and policies according to their desirability and social effectiveness. Detailed costing - separating investment outlays from expected recurrent costs for future maintenance and operation - will be made part of the benefits analysis, to facilitate the evaluation of consistency with the fiscal objectives of the macro-economic framework, the PSIP, and available domestic and external resources.

The current Government strategy is an outgrowth of work initiated before Hurricane Ivan struck. In 2003, the primary balance (including grants) registered a small surplus - for the first time in a decade - as the authorities sought to keep in-check public debt which had risen to inordinate high levels. And in mid-2004, the authorities were considering how best to make the improvement in the fiscal stance permanent when Ivan struck. Policies and priorities changed considerably thereafter. The debt burden increased further even as debt servicing capacity weakened and pressing spending needs emerged. The government remained committed to reform and the donor community was approached for support.

The strategic objectives that the Government has set up for 2006–08 are fourfold—sustained high economic growth; restoring fiscal and debt sustainability; reducing vulnerabilities; and alleviating poverty. The Government acknowledges that these objectives need to be advanced in tandem given the inter-linkages among them. High economic growth is necessary to allow rapid poverty reduction and ease the burden of fiscal consolidation. Fiscal reform, in turn, is required to ensure that public debt sustainability is achieved in an orderly manner and maintained, fiscal imbalances do not become a drag on growth, and to help pay for initiatives to alleviate poverty. Reducing vulnerabilities, including by safeguarding the soundness of the financial sector, is essential to ensure the durability of growth. Finally, alleviating poverty is the imperative that motivates the social development agenda.

Sustained high economic growth

As the Poverty Eradication Strategy highlights, improving the standard of living of Grenada's citizens is the overriding objective of government's economic policies. This in turn requires sustained high economic growth (at least 4 percent), with the private sector playing a more vibrant role than in the past. To this end, the near-term focus of the structural reforms will be to put in place a policy environment that is much more conducive to private investment. This will include steps to ensure that Grenada Industrial Development Corporation (GIDC), the investment promotion agency, starts to play a more prominent and proactive role in promoting the country as an attractive investment destination, improving the manner in which land can be acquired by investors, as well as comprehensive reforms to improve the tax system's transparency and predictability. The planned Public Sector Modernization Project to be implemented with assistance from the WB, will also serve to make the rest of the public sector more efficient, customer oriented and productive. Reforms in the second and third years of the programme will focus on measures to enhance labour and product market flexibility, respectively.

Restoring fiscal and debt sustainability

The government has made significant progress in recent years on fiscal measures, including the introduction of the National Reconstruction Levy, adopting a flexible fuel pricing mechanism, enhancing efforts to collect tax arrears, and most recently, reaching agreement with public sector workers, except for teachers, on wages for 2006-08.

Nevertheless, the budgetary situation remains challenging as Grenada's public debt level remains high. The latter reduces the country's flexibility to respond to future shocks, such as natural disasters, and therefore the government intends to place debt firmly on a downward trajectory through a determined effort, particularly at fiscal consolidation. This effort will begin in 2008 by targeting a budget deficit that can be financed in a sustainable manner, while accommodating expenditures to address pressing development needs. To this end, the authorities have decided to

slow the pace of capital expenditure unless additional resources become available, and to reduce expenditure arrears. The government's ambitious divestment program, including the plan to sell two-thirds of its shares in Cable and Wireless, would provide finance for the budget and for paying down some expensive debt.

Reducing vulnerabilities

The durability of the current recovery also depends on attenuating vulnerabilities to natural disasters and safeguarding the soundness of the financial sector. Grenada has traditionally been considered to be outside the hurricane belt. But recent events clearly suggest that this may no longer be the case, and accordingly the preparedness for extreme weather events needs to be strengthened considerably. To this end, the programme aims to improving adherence to the building code and encouraging citizens to acquire insurance. The reform programme also aims to address other sources of vulnerability for the economy, including by safeguarding the soundness of the financial sector.

Reducing poverty

Social conditions have deteriorated in the aftermath of Hurricane Ivan. The unemployment rate stood at 19 percent in July 2005, and was especially high among women (more than 25 percent) and youth (more than 30 percent). While data collection on social indicators needs strengthening, preliminary indications are that the poverty rate is likely to have risen. To reverse these trends and guide the social development agenda in the coming years, the Government is preparing a comprehensive poverty reduction strategy paper (PRSP), which will update and expand the Poverty Eradication Strategy prepared in 2004.

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).

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 OCTs of the UK, and three French Departments (DOMs) of the Netherlands. In recent years, the DOMs have considerably strengthened their relationship with OECS, particularly within the framework of the EU Interreg III-B Caribbean Programme and the Association of Caribbean States (ACS). Joint cooperation activities are still at an early stage of development.

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 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.

2.4 Donor coordination and harmonisation

The EC, with Grants, and the CDB, mainly with loans, are the only two institutions with a comprehensive coverage and significant level of assistance to the OECS Countries. All other bilateral and multilateral donors and institutions have small programmes, generally at regional or sub-regional (OECS) level.

Member states active in Grenada include France and the UK (DFID) whilst Germany via GTZ has provided technical assistance to the OECS secretariat in St Lucia for the strengthening of technical/vocational training. French operations focus mainly on infrastructure (water sector and architectural preservation) while some support has also been given to marine park protection and trail development for selected tourism sites. DFID support has been largely targeted at community development, scholarships and technical assistance to different Ministries.

The UK continues to provide significant support to the Commonwealth Caribbean (currently amount to £10 500 000 for 2005-06). 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. Grenada receives bilateral assistance from DFID and benefits from a Public Service Management Improvement Project (£778 000), as well as a State Forest Management Project (£837 000).

The Caribbean Development Bank (CDB) is a significant donor to Grenada. Funding in the 2000-2003 period was allocated to the following sectors: secondary roads, St. George polyclinic, education, rural sports facilities, IT education and computerisation of the police network. A trip to Libya in August 2001 has resulted in the GoG securing grant funds from the Libyan government to the tune of US\$1 000 000 and a loan of US\$3 000 000 whilst a previous loan of US\$6 000 000 has been written off.

Activities of CIDA, DFID, UN agencies, USAID and the World Bank in the eastern Caribbean are increasingly being conducted on the basis of sub-regional strategies. The principal areas receiving support from these agencies are regional strategic objectives such as institutional support to regional organisations, implementation of the Common Single Market and Economy (CSME), HIV/AIDS programmers, environment programmers, social recovery through economic diversification and job creation, emergency reconstruction and disaster mitigation, increased efficiency and fairness of legal systems, telecom reform, and the development of primary and secondary education.

The IMF has approved in April 2006 a Three-Year Arrangement under the Poverty Reduction and Growth Facility (PRGF) in support of the economic and financial policies of the Government of Grenada. Provided that the reforms are implemented, the program should help improve the economy's resilience to shocks and restore debt and fiscal sustainability.

Grenada 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 CIDA), including the EC.

The World Bank (WB) in March 2007 was in the process of appraising a Growth and Social Protection Technical Assistance Credit – GSPTAC for Grenada. The technical assistance would be focussed around five broad areas:- (i) Modernised Tax Administration Project (ii) Customs modernisation (iii) improvement in the investment climate (iv) implementation of an export strategy and (v) Social protection in different areas. At the same time, a Public Sector Modernization Technical Assistance Credit has been launched, aiming at improving the efficiency and effectiveness of public service delivery. The project will also provide the government with the tools necessary to “right-size” public sector functions. While it is not primarily directed at private sector development, the project does seek to strengthen the enabling environment for small business development through support for enhanced State-private sector collaboration.

Following Hurricane Ivan, the Agency for Reconstruction and Development has led the Donor Coordination in the area of natural disasters. The EC is co-funding a school rehabilitation programme with the World Bank.

The donor community present in the Eastern Caribbean region has agreed to work through "Coordination Groups", under the umbrella of 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 WB and UNDP have introduced an on-line tool to support Donor Coordination: the RedBook On-line (www.redbookline.net). This database contains projects funded by Donors in the Eastern Caribbean, as well as relevant documents (Strategy Papers, Art IV Consultations, Studies, etc.). Once this tool has been finalised it will be widened to the whole Caribbean.

While the EC Delegation has excellent relationships with all donors and works particularly closely with DFID, WB and 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 based on ad-hoc interventions and 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 IMF in 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). Relations with EIB, CDE and CTA leave a large margin for potential improvement. The EIB opened in 2006 a Caribbean Country Office in Martinique that 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

With the aim of strengthening civil society involvement in EU/Grenada development partnership, it was proposed that the National Council for Reconstruction and Development, bringing together representatives from the Government and from various segments of civil society in the country, would function as a NSA advisory panel and provide a forum for tripartite dialogue, information and consultation on development cooperation between the EU and Grenada.

Following in-depth in-country consultations involving both government and NSAs, the EC was advised in June 2006 that the National Council for Reconstruction and Development was no longer functional and could be replaced by the Forum for Social Dialogue. During the Programming Consultations, however, several NSAs indicated that the Forum for Social Dialogue had a different objective and would not be the best vehicle for deepening NSA involvement in the EU/Grenada development partnership. The Government of Grenada has then suggested using the Multipartite Committee, which the Delegation finds acceptable provided a NSA version can be articulated, suitably expanded to include NSA(s) involved in environmental/natural disaster matters.

No resources were set aside for NSAs under the 9th EDF, but this type of intervention is foreseen under the 10th EDF.

3. CONCLUSIONS

Grenada continued to recover in 2007 after the devastation of the country in 2004 by Hurricane Ivan. There has been a number of positive achievements since the approval of the IMF supported Poverty Reduction and Growth Strategy facility (PRGF), although the IMF, throughout most of 2007, has pointed to significant slippages in structural and fiscal reform targets - reflected in the 2006 budget outturn and 2007 budget as well as other difficulties which have hindered the completion of the first review of the PRGF in 2007. Following positive dialogue with the Government in December 2007 the mission has agreed with the Government, a revised timetable for structural reforms as well as scaling back capital expenditure under FY2008 in line with prior targets. In conclusion, the IMF agreed with the authorities on the fulfilment of a number of conditions for the continuation of the programme and the completion of the first review.

Over the past few years, a determined local effort aided by international assistance has led to progress in rehabilitating the country's infrastructure. Private-sector activity is recovering with export agriculture being the one exception where tree crop re-planting, in particular, has been slow.

The biological resources in Grenada, as in the other small OECS islands, are under pressure caused by economic interests (tourism, agriculture and fisheries) and factors such as concentration of population and high frequency of disasters. The last Country Poverty Assessment (1999) classified 32 percent of the population, corresponding to 28.8 percent of households as poor. Following the destruction caused by Hurricane Ivan it is believed that the proportion of the population living in

extreme poverty may have increased significantly, including the number of vulnerable community groups, in particular women, children and the elderly. The results of the Participatory Poverty Assessment Survey, following completion of the second phase, will determine the future social and economic policies of the government.

Under the 9th EDF NIP allocation, cooperation with Grenada initially focused on Tourism Development; however, following Hurricane Ivan, it was decided to shift priority and concentrate the EC financial support on school rehabilitation and water supply. The draft conclusions of the End of Term Review for the 9th EDF propose to maintain the new focal sectors and to add macroeconomic support as the third focal sector. The allocation for the A-envelope will be adjusted to €20.67 million. The amount remaining for the B-envelope will be transferred to the long-term development reserve. The focal sector for the 10th EDF will be human settlement with a proposed allocation of €4.76 million.

School reconstruction is progressing well, with 70 % of the schools included in the programme having been either already “rebuilt/restored” or undergoing restoration at the end of 2007. A trust fund was established with the World Bank for the project’s implementation.

In addition to the new allocation under the 9th EDF, approximately 80% of the indicative envelope of the 8th EDF (€ 6.7 million) is allocated to the water sector to improve water supply (quantity, quality and reliability) through infrastructural and institutional development. It is expected that a works tender can be launched in the second quarter of 2008.

4. ANNEXES

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

A1) Table of Macroeconomic Indicators

Source: World Bank OECS Country Assistance Strategy 2007-2011

Indicator	Actual			Estimate			Projected			
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Gross International Reserves, end of period	384	446	505	543	632	679				
M2 millions of EC\$	986	1090	1167	1260	1483	1518				
Exports (GNFS) ^b		-11	-17	5	-12	-3	48	13	11	11
National accounts (as % of GDP)										
Gross domestic product ^a	100	100	100	100	100	100	100	100	100	100
Agriculture	8,1	8,2	9,7	9,0	8,6	7,7	7,6	7,5	7,3	7,3
Industry	24,1	22,9	22,6	23,7	22,5	22,9	22,2	21,7	21,6	21,0
Services	67,8	68,8	67,7	67,3	69,0	69,4	70,2	70,9	71,1	71,7
Total Consumption	75,8	89,0	90,0	90,2	105,9	102,7	96,7	95,3	95,1	92,8
Gross domestic investment	42,1	32,4	34,7	39,8	27,7	43,3	33,3	30,8	29,1	28,5
Government investment	12,2	15,3	22,4	15,0	7,9	19,2	14,0	12,0	10,5	10,0
Private investment	29,9	17,1	12,3	24,8	19,8	24,1	19,3	18,8	18,6	18,5
Exports (GNFS) ^b	57,5	49,9	42,2	40,7	40,3	37,1	35,9	37,3	37,7	39,2
Imports (GNFS)	75,4	71,3	66,9	70,7	73,9	83,1	65,9	63,4	61,9	60,5
Gross domestic savings	24,2	11,0	10,0	9,8	-5,9	-2,7	3,3	4,7	4,9	7,2
Gross national savings ^c	21,0	6,5	3,3	6,4	-4,7	..	..	..	..	..
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	410,4	394,6	407,5	443,7	437,3	454,3	497,8	537,3	572,7	610,3
GNI per capita (US\$, Atlas method)	3650	3390	3290	3690	3760,0	..	..	..	..	..
Real annual growth rates (% , calculated from 1990 prices)										
Gross domestic product at market prices	7,0	-4,4	0,8	5,8	-3,0	0,9	7,0	5,4	4,5	4,5
Real annual per capita growth rates (% , calculated from 1990 prices)										
Gross domestic product at market prices	6,2	-5,2	0,0	5,0	-3,8	0,1	6,2	4,6	3,7	3,7
Balance of Payments (US\$ millions)										
Trade Balance	-137	-133	-140	-181	-200,7	-246,4	-207,1	-218,6	-225,6	-233,2
Exports FOB	83,0	63,6	41,4	45,5	35,0	30,4	30,6	28,4	31,1	33,8
Imports FOB	220,4	196,4	181,0	226,4	235,7	276,8	237,7	247,0	256,7	267,0
Services (net)	63,7	48,4	38,8	47,9	53,7	37,7	57,9	78,4	86,8	103,2
Resource balance	-68,5	-67,1	-101,0	-133,0	-177,6	-191,4	-87,7	-94,9	-80,4	-63,6
Current account balance	-88,1	-105,0	-130,3	-144,9	-76,0	-154,0	-179,3	-170,0	-167,7	-157,8
Net private foreign direct investment	37,4	58,7	57,6	82,1	39,6	56,7	78,6	84,8	86,8	89,9
<i>Memorandum items</i>										
Resource balance (% of GDP)	-16,7	-17,0	-24,8	-30,0	-40,6	-42,1	-17,6	-17,7	-14,0	-10,4
Public finance (as % of GDP at market prices)^e										
Current revenues	26,8	26,7	26,6	27,5	25,5	27,8	27,3	29,0	29,9	30,6
Current expenditures	20,8	24,2	25,9	24,3	27,9	31,0	27,6	26,2	25,2	24,5
Current account surplus (+) or deficit (-)	6,0	2,5	0,6	3,2	-2,4	-3,2	-0,3	2,8	4,7	6,1
Capital expenditure	12,2	15,3	22,4	15,0	7,9	19,2	14,0	12,0	10,5	10,0
Primary balance	-1,0	-5,8	-14,5	0,4	3,7	-2,5	-0,7	-1,1	1,4	2,5
Monetary indicators										
M2/GDP	89,0	102,3	106,1	105,2	125,6	123,7	..	..	..	..
Growth of M2 (%)	15,4	10,6	7,1	8,0	17,7	2,3	..	..	..	..
Consumer price index (% change, avg.)	2,2	1,7	1,1	2,2	2,3	3,0	2,0	2,0	2,0	2,0

a. GDP at factor cost

b. "GNFS" denotes "goods and nonfactor services."

c. Includes net unrequited transfers excluding official capital grants.

d. Includes use of IMF resources.

e. Consolidated central government.

f. "LCU" denotes "local currency units." An increase in US\$/LCU denotes appreciation.

A2) Table of indicators for the MDGs

	1994	1997	2000	2003	2004	2005
-						
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 under nourishment (% of population)	..	7	..	7	7	-
Goal 2: Achieve universal primary education						
Literacy rate, youth total (% of people ages 15-24)	-
Persistence to grade 5, total (% of cohort)	49	79	..	-
Primary completion rate, total (% of relevant age group)	73.7	90.2	90.2	92.5
School enrolment, primary (% net)	-
Goal 3: Promote gender equality and empower women						
Proportion of seats held by women in national parliament (%)	..	20.0	20.0	27.0	27.0	-
Ratio of girls to boys in primary and secondary education (%)	-
Ratio of young literate females to males (% ages 15-24)	-
Share of women employed in the non-agricultural sector (% of total non-agricultural employment)	39	41	42	43	43	-
Goal 4: Reduce child mortality						
Immunization, measles (% of children ages 12-23 months)	87.0	92.0	92.0	99.0	74.0	99.0
Mortality rate, infant (per 1,000 live births)	21	..	18	17
Mortality rate, under-5 (per 1,000)	26	..	21	21
Goal 5: Improve maternal health						
Births attended by skilled health staff (% of total)	100.0	..	100	-
Maternal mortality ratio (modelled estimate, per 100,000 live births)	-
Goal 6: Combat HIV/AIDS, malaria, and other diseases						
Children orphaned by HIV/AIDS	-
Contraceptive prevalence (% of women ages 15-49)	-
Incidence of tuberculosis (per 100,000 people)	4.8	-
Prevalence of HIV, female (% ages 15-24)	-
Prevalence of HIV, total (% of population ages 15-49)	-

<u>Tuberculosis cases detected under DOTS (%)</u>	..	..	..	..	..	-
Goal 7: Ensure environmental sustainability						
<u>CO2 emissions (metric tons per capita)</u>	1.7	2.1	2.2	2.2	2.2	-
<u>Forest area (% of land area)</u>	..	..	12	..	12	-
<u>GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)</u>	..	..	..	..	..	-
<u>Improved sanitation facilities (% of population with access)</u>	..	..	..	97	96	-
<u>Improved water source (% of population with access)</u>	..	..	..	95	95	-
<u>Nationally protected areas (% of total land area)</u>	..	..	..	..	..	-
Goal 8: Develop a global partnership for development						
<u>Aid per capita (current US\$)</u>	187.2	89.2	162.8	99.3	145.4	-
<u>Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)</u>	6	5	6	15	..	-
<u>Fixed line and mobile phone subscribers (per 1,000 people)</u>	220.0	276.1	351.6	716.3	718.9	-
<u>Internet users (per 1,000 people)</u>	0.0	10.1	40.6	181.6	75.7	-
<u>Personal computers (per 1,000 people)</u>	..	..	118.3	143.4	151.3	-
<u>Total debt service (% of exports of goods, services and income)</u>	7	5	6	16	..	-
<u>Unemployment, youth female (% of female labour force ages 15-24)</u>	58.8	44.9	..	..	..	-
<u>Unemployment, youth male (% of male labour force ages 15-24)</u>	32.1	19.3	..	..	..	-
<u>Unemployment, youth total (% of total labour force ages 15-24)</u>	44.5	30.1	..	..	..	-
Other						
<u>Fertility rate, total (births per woman)</u>	..	3.6	3.2	3.0	3.0	-
<u>GNI per capita, Atlas method (current US\$)</u>	2650.0	2930.0	3650.0	3690.0	3750.0	3920.0
<u>GNI, Atlas method (current US\$) (billions)</u>	0.3	0.3	0.4	0.4	0.4	0.4
<u>Gross capital formation (% of GDP)</u>	35.9	37.8	42.4	40.0	40.0	-
<u>Life expectancy at birth, total (years)</u>	..	71.8	72.5	73.0	..	-
<u>Literacy rate, adult total (% of people ages 15 and above)</u>	..	..	..	..	..	-
<u>Population, total (millions)</u>	0.1	0.1	0.1	0.1	0.1	0.1
<u>Trade (% of GDP)</u>	110.2	119.7	131.4	113.6	113.6	-
Source: World Development Indicators database, April 2007-05-10						

B) ANNEXES WITH A RETROSPECTIVE CHARACTER

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

YEAR of GLOB. Commit.	ACCOUNTING NUMBER of GLOBAL commit.	0	TITLE GLOBAL COMMITMENT	END date of implementat ^e	GLOBAL COMMIT.	INDIV. COMMIT	RAC
		N° INDIV COMMIT.	TITLE INDIVIDUAL COMMITMENT		AMOUNT ONGOING INDIV. COMMIT.	PAYMENTS ON ONGOING INDIV. COMMIT.	RAP
TOTAL ON ONGOING GLOBAL COMMITMENTS					28,144,839	9,450,119	18,694,720
TOTAL ON ONGOING INDIVIDUAL COMMITMENTS					9,270,351	8,780,459	489,893
2001	8ACP GRD7	0	Franchise art 195 a - bananes	20011231	342,339	320,120	22,220
2001	8ACP GRD7	1	STABEX/25/REP LIV 2ND PR/GR - REPAYMENT AGREEMENT ART 195(A)	20011231	320,120	0	320,120
2002	8ACP GRD8	0	GRENADA WATER SUPPLY / FEASIBILITY STUDY (+ 8 GRD 5)	20020601	20,500	20,000	500
2002	8ACP GRD8	1	WITTEVEEN & BOS	20021030	20,000	20,000	0
2003	8ACP GRD11	0	MULTI-COUNTRY DRUG DEMAND REDUCTION PROJECT	20061231	280,000	278,150	1,850
2003	8ACP GRD11	2	WORK PROGRAMME 2 FOR YEAR 2005/2006 - XCD 307,130	20060212	86,200	68,279	17,921
2003	8ACP GRD11	3	WP 3-YR 2006 -DRUG DEMAND REDUCTION PROGRAMME FOR	20061231	125,000	64,659	60,341

2004	9ACP GRD2	0	TECHNICAL COOPERATION FACILITY (TCF)	20101031	430,000	401,849	28,151
2004	9ACP GRD2	2	FRAMEWORK CONTRACT AMS 451 NO. 2005/108632 - PLANCENTER LTD	20060430	99,968	98,401	1,567
2004	9ACP GRD2	3	TO COMMIT RIDER 1-EUR 21,100/ENB (8 ACP GRD 9(1)) TO_9GRD 2	20050207	21,237	21,237	0
2004	9ACP GRD2	4	PREPARATION OF MULTI- ANNUAL STRATEGIES & FINANCING PROPOSAL	20070228	29,827	29,827	0
2004	9ACP GRD2	5	FWC-BENEF-SUPPORT TO NAO OFFICE-GRD WITH 10TH EDF	20060731	15,000	14,636	364
2004	9ACP GRD2	7	PROGRAMME ESTIMATE 1 FOR EC\$544,795(18/05/2007 TO17/10/2008)	20081017	123,000	33,420	89,580
2005	9ACP GRD3	0	POST EMERGENCY SCHOOL REHABILITATION PROJECT	20111231	2,572,000	1,500,000	1,072,000
2005	9ACP GRD3	1	ADMIN.AGREEMENT/EU AND WB-POST IVAN SCHOOL REHABILITATION	20091231	1,500,000	1,500,000	0
2005	9ACP GRD4	0	POST EMERGENCY SCHOOL REHABILITATION PROJECT	20111231	7,800,000	6,930,000	870,000
2005	9ACP GRD4	1	ADMIN.AGREEMENT/EU & WB-POST IVAN SCHOOL REHABILITATION	20091231	6,930,000	6,930,000	0
2006	9ACP GRD5	0	SOUTHERN GRENADA WATER SUPPLY IMPROVEMENT PROJECT	20131231	6,700,000	0	6,700,000
2007	9ACP GRD6	0	POVERTY REDUCTION THROUGH PRIVATE SECTOR DEVELOPMENT EMPLOYM	20131231	10,000,000	0	10,000,000

B2) Sector concentration of the engagements under the 9th EDF**B3) Regional Projects****ON-GOING CARIBBEAN REGIONAL PROJECTS (SITUATION ON DECEMBER 31ST, 2007)**9TH EDF

Regional Caribbean Projects		
Project Number	Project Title	Total (€ mn)
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 envelope	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
All ACP Projects		
Project Number	Project Title	Total (€ mn)
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
OCT Projects		
Project Number	Project Title	Total (€ mn)
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

Project Number	Project Title	Total (€ mn)
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

ANNEX IV EIB Projects

4.1 EIB project in Grenada

Country	Project Name	Status	Convention	Contract number	Amount signed (m)		Date of Signature	Amount outstanding (m)		Beginning repayment
					OR	RC		OR	RC	
Grenada	GDB	Disbursed	Lome - 3	70667		400,000.00	07/09/1987		131,920.00	07/05/1996
	RESORT HOTEL PROJECT	Disbursed	Lome - 4	70852		500,000	11/12/1991		391,477.54	10/15/2007
	OECS WASTE DISPOSAL	Disbursed	Lome - 4	71011		1,800,000	10/08/1995		374,792.06	10/05/2003
	GRENLEC II	Disbursed	Lome - 4	19129	4,000,000		11/26/1996	1,031,887.38		05/20/2000
	GRENLEC III	Signed	Accord De Cotonou	23150		5,000,000	07/28/2005		3,200,000	06/30/2009
	Total				4,000,000	7,700,000		1,031,887.38	4,098,189.6	

B5) Use of budget support

Programme	Type	Amount Signed (M€)	Date of Signature	Amount outstanding	Forecast Tranche Disbursement (M€)				
					Tranche: 1 st Fixed	Tranche: 2 nd Fixed	Tranche: 1 st Variable	Tranche: 3 rd Fixed	Tranche: 2 nd Variable
					July 08	Dec 08	Dec 08	Dec 09	Dec 09
Poverty Reduction through Private Sector Development, Employment and Growth	General Budget Support	10	23.10. 2007	10	4	1.325	1.325	1.325	1.325
					Single Tranche: (Fixed) Oct 2008				
Framework of Mutual Obligations (Stabex 1993-1995)	Sector Budget Support (rural)	3.165	26.02.2008	3.165	3.165				

B6) Budget lines

Grenada SFA Programmes

Situation Summary as at 31 December 2007

Note 1 - All values in this table are in EUR (€)

2 - Interest represents total interest received on EUR and XCD accounts. XCD interest is translated into EUR at 3.97926

3 - Payments represent total payments from EUR and XCD accounts to Individual Commitments. XCD payments are translated into EUR at the actual rate received.

Budget Line	----- GLOBAL COMMITMENTS -----			Programmed/ Approved Projects	Funds Available before Pipeline Proposals	Individual Commitments /Contracts	Payments	Pipeline Proposals
	Original	Interest	Revised					
* SFA 1999 (GRE/BL7/1999/01)								
Off-farm Irrigation Structures, Main Lines & IRDC	655,000		658,000	548,000	110,000	548,000	350,004	
Rehabilitate Farm Roads in Banana Areas	232,000		232,000	232,000	--	220,000	106,719	
Monitoring, Audit and Evaluation	3,000		--	--	--			
Strategic Plans for Agri-food Sector Development	60,000		60,000	60,000	--	60,000		
Regional Technical Assistance	50,000		50,000	50,000	--	50,000	48,779	
Interest	--	20,701	20,701	--	20,701			
Total for SFA 1999 (GRE/BL7/1999/01) (6 detail records)	€ 1,000,000	20,701	1,020,701	890,000	130,701	878,000	505,502	
Percent				87.2%	12.8%	86.0%	49.5%	
* SFA 2000 (GRE/BL7/2000/01)								
Off-farm Irrigation Structures and Main Lines	440,000		440,000	440,000	--	440,000	394,887	
Regional Technical Assistance	50,000		50,000	50,000	--	46,773	46,773	
Monitoring and Evaluation	10,000		10,000	5,350	4,650	5,350	5,350	
Interest	--	7,179	7,179	--	7,179			
Total for SFA 2000 (GRE/BL7/2000/01) (4 detail records)	€ 500,000	7,179	507,179	495,350	11,829	492,123	447,010	
Percent				97.7%	2.3%	97.0%	88.1%	
* SFA 2001								
Rural Credit Scheme (Grant Fund)	475,000		475,000	475,000	--	448,135	365,495	
Monitoring & Evaluation	25,000		25,000	20,000	5,000	20,000	19,467	
Interest	--	9,488	9,488	--	9,488			
Total for SFA 2001 (3 detail records)	€ 500,000	9,488	509,488	495,000	14,488	468,135	384,962	
Percent				97.2%	2.8%	91.9%	75.6%	

Grenada SFA Programmes

Situation Summary as at 31 December 2007

Note 1 - All values in this table are in EUR (€)

2 - Interest represents total interest received on EUR and XCD accounts. XCD interest is translated into EUR at 3.97926

3 - Payments represent total payments from EUR and XCD accounts to Individual Commitments. XCD payments are translated into EUR at the actual rate received.

Budget Line	----- GLOBAL COMMITMENTS -----			Programmed/ Approved Projects	Funds Available before Pipeline Proposals	Individual Commitments /Contracts	Payments	Pipeline Proposals
	Original	Interest	Revised					
* SFA 2002								
Rural Credit Facility	480,000		480,000	10,000	470,000	10,000	6,000	
Monitoring, Evaluation and Audit	20,000		20,000	--	20,000			
Interest	--	--	--	--	--			
Total for SFA 2002 (3 detail records)	€ 500,000	--	500,000	10,000	490,000	10,000	6,000	
Percent				2.0%	98.0%	2.0%	1.2%	
* SFA 2003								
Training	100,000		100,000	100,000	--	100,000	46,950	
Studies	200,000		200,000	200,000	--	200,000	93,899	
Technical Assistance	180,000		180,000	179,950	50	179,950	84,486	
Audit/Evaluation	20,000		20,000	--	20,000			
Interest	--	--	--	--	--			
Total for SFA 2003 (5 detail records)	€ 500,000	--	500,000	479,950	20,050	479,950	225,335	
Percent				96.0%	4.0%	96.0%	45.1%	
* SFA 2004								
Business Gateway	480,000		480,000	470,000	10,000	470,000	218,098	
Audit/Evaluation	20,000		20,000	9,640	10,360	9,640	4,473	
Interest	--	--	--	--	--			
Total for SFA 2004 (3 detail records)	€ 500,000	--	500,000	479,640	20,360	479,640	222,572	
Percent				95.9%	4.1%	95.9%	44.5%	

Grenada SFA Programmes

Situation Summary as at 31 December 2007

Note 1 - All values in this table are in EUR (€)

2 - Interest represents total interest received on EUR and XCD accounts. XCD interest is translated into EUR at 3.97926

3 - Payments represent total payments from EUR and XCD accounts to Individual Commitments. XCD payments are translated into EUR at the actual rate received.

Budget Line	----- GLOBAL COMMITMENTS -----			Programmed/ Approved Projects	Funds Available before Pipeline Proposals	Individual Commitments /Contracts	Payments	Pipeline Proposals
	Original	Interest	Revised					
* SFA 2005								
Regional Management	42,000		42,000	42,000	--	42,000	8,400	
Comp. 1 - Business Skills Dev./Business Incubators	321,000		321,000	321,000	--	321,000	96,301	
Comp. 2 - Legislative & Regulatory Framework	80,000		80,000	79,310	690	79,310	23,793	
Comp. 3 - Regional Coordination	39,000		39,000	37,547	1,453	37,547	7,509	
Short-term TA for Project Identification & Support	9,000		9,000	9,000	--	9,000	1,800	
Audit & Evaluation	6,000		6,000	--	6,000			
Contingency	3,000		3,000	--	3,000			
Interest	--	--	--	--	--			
Total for SFA 2005 (8 detail records)	€ 500,000	--	500,000	488,857	11,143	488,857	137,803	
Percent				97.8%	2.2%	97.8%	27.6%	
* SFA 2006								
Implementation of Agricultural Business	400,000		400,000	--	400,000			
Contribution to Annual Regional Agr. Review	30,000		30,000	--	30,000			
Contribution to OECS Shipping & Transport Study	20,000		20,000	--	20,000			
Evaluation	30,000		30,000	--	30,000			
Audit	10,000		10,000	--	10,000			
Contingency	10,000		10,000	--	10,000			
Total for SFA 2006 (6 detail records)	€ 500,000	--	500,000	--	500,000			
Percent				0.0%	100.0%			
* SFA 2007								
Implementation of Agricultural Census	420,000		420,000	--	420,000			
Rural Annual Agricultural Review	30,000		30,000	--	30,000			
Evaluation/Audit/Impact Monitoring	40,000		40,000	--	40,000			
Contingency	10,000		10,000	--	10,000			
Total for SFA 2007 (4 detail records)	€ 500,000	--	500,000	--	500,000			
Percent				0.0%	100.0%			

Grenada SFA Programmes

Situation Summary as at 31 December 2007

Note 1 - All values in this table are in EUR (€)

2 - Interest represents total interest received on EUR and XCD accounts. XCD interest is translated into EUR at 3.97926

3 - Payments represent total payments from EUR and XCD accounts to Individual Commitments. XCD payments are translated into EUR at the actual rate received.

Budget Line	----- GLOBAL COMMITMENTS -----			Programmed/ Approved Projects	Funds Available before Pipeline Proposals	Individual Commitments /Contracts	Payments	Pipeline Proposals
	Original	Interest	Revised					
Grand Total	€	5,000,000	37,368	5,037,368	3,338,797	1,698,571	3,296,705	1,929,184

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 will be collected through the EAMR reporting system. You are therefore requested to complete the questions below with specific information as noted so that the current baseline we have from the July 2007 EAMR can be tracked annually. The information will also be important for you to exchange with your government colleagues, NGOs and with other donors, including MS.

Delegations had difficulty completing the questionnaire for the July 2007 EAMR. Following discussions with them the guidance to measure each target has been made more specific, following the revised OECD guidance for the 2008 survey. We hope you find the new elements more helpful. If you would still like further clarifications please contact your desk officer in AIDCO.

Some Delegations will also be completing the OECD survey during Jan-March 08. Your responses below should make it much easier to answer the OECD survey.

Regional offices will have to complete Annex C separately for each country in their region.

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.

1. EU Target No 1		
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		
2. Introduction		
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)		
3. Questions and definitions		
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
4. Definition of Indicator		
[(Qd5 + Qd6 + Qd7 + Qd9) ÷ 4] ÷ [Qd2] (please calculate and enter as response %)		26%
5. Additional information		
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

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"> ▪ Are administered with the promotion of the economic development and welfare of developing countries as its main objective; and ▪ are concessional in character and convey a grant element of at least 25%.
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 ^{d5})	<p>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.</p>
Use of national financial reporting procedures (Q ^{d6})	<p>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 NOT require:</p> <ul style="list-style-type: none"> ▪ The production of additional financial reports. ▪ Periodicities for reporting that are different from government's normal reporting cycle. ▪ Formats for reporting that do not use government's existing chart of accounts.
Use of national auditing procedures (Q ^{d7})	<p>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.</p>
Use of national procurement procedures	<p>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).</p>

1. EU target 2		
Provide all capacity building assistance through coordinated programmes with an increasing use of multi-donor arrangements ³		
2. Introduction		
<p>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.</p> <p>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.</p> <p>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.</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 much technical cooperation did you disburse in 2007 (Total TC in EUR)? <i>OECD question reference in the Paris survey : Q^{d3}</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^{d4}</i>	Euro 0
4. Definition of Indicator		
3	$Q^d 4 / Q^d 3$ (please calculate this and enter in the next column as %)	0%

³ 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^{d4}.

5 Additional Information

- 4 **Qualitative information**⁴ :
- 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

⁴ 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 http://www.oecd.org/dataoecd/13/29/36306366.doc. 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^d10</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>Qualitative information⁵:</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>	

1. EU Target No 4
Reduce the number of uncoordinated missions by 50%.
2. Introduction

⁵ 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.**

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.

The Paris Declaration **objectives** underlying the related indicator of progress for coordinated missions are: "In planning their missions to the field⁶ it is important that donors: Conduct **fewer missions, coordinate timing of missions** with partner authorities and, where necessary, with other donors, *conduct more joint missions, avoid conducting missions during "mission free periods"*⁷.

Coordinated mission is a mission undertaken by 2 or more donors jointly, or by one donor on behalf of another. In practice, the following 3 questions help to clarify what is meant by a mission:

1. Does the mission involve international travel to a beneficiary country? i.e. **this concerns only missions from HQ, not missions undertaken within the country by the Delegation.**
2. Does the mission involve a request to meet with government officials, including local government?
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) 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	How many HQ missions to the field were undertaken in FY 2007? ⁸	12
ref: Q ^d 15		
Q ^d 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		
Total		

4. Definition of Indicator

Q ^d 16 / Q ^d 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

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;

⁶ 'Field' refers to the country in general including missions to the capital only.

⁷ The target set for 2010 for indicator 10 a) is to have 40% of donor missions to the field as joint.

⁸ This question applies to the missions from the HQ

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.

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:

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 Source: World Bank OECS Country Assistance Strategy 2007-2011

Development Partner	Thematic Areas																
	Private Sector	Financial Sector	Energy	Infrastructure/Transport	Trade	Agriculture & Rural Dev.	Health	Education	Environment	Tourism	Water & Sanitation	Social Protection	Public Sector	Judicial & Legal Reform	Capacity/Inst. Building	Disaster Management	Security & Stability
CDB		X				X	X	X				X	X	X	X	X	
CIDA	X				X				X				X		X	X	
DFID		X			X	X	X	X				X	X				
European Union	X			X	X	X	X	X		X	X	X			X	X	X
France							X					X			X		
Japan	X								X							X	
Kuwait				X													
OAS			X		X			X	X	X		X				X	
Taiwan, China													X				X
UNDP	X	X				X		X	X			X	X		X	X	
USAID	X	X					X							X		X	X
World Bank		X	X	X	X		X	X	X		X	X	X		X	X	X