



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

**COOPERATION**  
**between**  
**THE EUROPEAN UNION**  
**and**  
**ST. LUCIA**

**ANNUAL REPORT 2002**

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## **1. EXECUTIVE SUMMARY**

After a 4.6 per cent fall 2001, the economy experienced a marginal recovery in 2002, influenced by an increase in banana output, activity in the tourism sector and expansion in the manufacturing and communications sectors. The fiscal deficit widened, due to relatively static revenue while the Government pursued an expansionary fiscal policy in an effort to sustain growth, with capital expenditure increasing by 13 per cent in 2002. This has led to an increase in external borrowing.

The strategy adopted by the European Union focuses on the development of social infrastructure, agricultural and economic diversification initiatives, the commercialization of the banana industry, programmes to assist displaced banana farmers, and pro-poor economic programmes such as the social investment fund, education and youth skills training, and micro-enterprise development (SFA and Stabex). Considerable EC funds have been allocated to St. Lucia. Stabex resources for the period 1993-2000 amounted to €81 million, while assistance under the Special Facility of Assistance (SFA) for the period 1999-2002 amounts to €35.4.

Total National Indicative Programme funding under the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF amounts to €17 million, but much of this remains undisbursed pending the construction of the new national hospital. The Country Strategy Paper and National Indicative Programme between European Union and St. Lucia was signed on 29 July 2002, with the agreement that health should be the focal sector for the St. Lucia National Indicative Programme under the 9<sup>th</sup> EDF (€4.5 million) for the period 2002 through to 2007. The “B” allocation for St. Lucia, €15 million, is destined to cover unforeseen needs such as emergency assistance where such support cannot be financed from the EU budget, contributions to internationally agreed debt relief initiatives and support to mitigate adverse effects of instability in export earnings. These funds shall be triggered according to specific mechanisms and procedures.

## **2. THE GOVERNMENT’S POLICY AGENDA**

According to the Budget address for 2003-2004, the economic strategy of the Government will consist of recurrent cost containment, directing the resources to stimulate capital investment programmes, maximizing revenue collection, containing inflation and significantly reducing borrowing. The medium term economic strategy, in responding to the changes in the agricultural/rural sector, seeks a more diversified economy requiring improved conditions for private sector development and increased competitiveness in the context of globalisation and liberalisation. Enhancement of economic and social infrastructure and human resource development remains a priority.

The Government’s fiscal policy objectives for the medium-term are as follows:

- Increase the level of public sector savings to a minimum of 8% of GDP,
- Continuation of the tax reform programme in order to widen the tax base and improve the efficiency of tax collection,
- Prudent expenditure management policy (includes a freeze on employment in the public service, and a constraint on growth in salaries and wages),
- Improvement in the efficiency and implementation of the Public Sector Investment Programme (PSIP),

- Maintaining a capital expenditure to total expenditure ratio of at least 30 per cent,
- Contracting public debt in a sustainable manner, aimed at increasing the productive capacity of the economy.

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

#### **3.1 MILLENNIUM DEVELOPMENT GOALS**

<b>Indicator</b>	<b>2000</b>
1. Life expectancy at birth	73.4
2. Maternal mortality ratio – per 100,000 live births	30
3. Births attended by skilled health staff %	100
4. Immunization against measles – one year old (%)	95
5. Infant mortality rate – per 1,000 live births	17
6. Under five mortality rate – per 1,000 live births	19
7. Infants with low birth weight (%) 95-2000	8
8. Access to improved water sources (%)	98
9. Public health expenditure – 1998 (% of GDP)	2.4
10. Adult literacy rate (%)	90.2
11. Public education expenditure – 1997 (% of GDP)	70
	9.8

Source: UNDP, Human Development Report 2002

The indicators above are selected on the basis of their availability, importance and relevance to the EC cooperation under the 9<sup>th</sup> EDF, in which health is the focal sector. No projections are available regarding the development of the Millennium Development Goal Indicators.

#### **3.2 POLITICAL SITUATION**

St. Lucia achieved independence from the UK in 1979. The present Prime Minister the Rt. Hon. Dr. Kenny Anthony, leader of the St Lucia Labour Party (SLP) came to power in 1997 defeating the United Workers Party (UWP) at the polls for the second time since independence. In the general elections held on 3 December 2001, the SLP was returned to power for a second straight term after winning 14 of the 17 parliamentary seats at stake. The Opposition United Workers Party (UWP) took the other three seats (gaining two). The two seats lost to the Opposition Party compared to the 1997 poll were in the banana growing constituencies.

#### **3.3 RECENT ECONOMIC PERFORMANCE**

Following an average of 3 per cent economic growth in the 1998-99 period, the economy suffered a major downturn in 2000 – 2001, recording a deceleration in the rate of growth to 0.2 per cent of GDP in 2000 and a contraction of 4.6 per cent of GDP in 2001. This was attributed to a significant decline in the productive sectors of agriculture and tourism. In 2002 the economy experienced a marginal recovery of 0.1 per cent, reflecting a significant improvement in banana output, despite the damage caused by Tropical Storm Lili, as well as an expansion in the output of the manufacturing and communication sectors.

The public sector fiscal position deteriorated in 2001/02 as a result of the weak external economic environment and the downturn in the domestic economy, and was compounded in 2002/03 by the increased government spending and flat revenue. The Government's capital expenditure was 8.3 per cent of GDP in 2002, or 13 per cent more than a year earlier. The planned capital programme for fiscal year 2003/04 is 21 per cent higher than in 2002, and is targeted at facilitating growth and poverty alleviation.

Agriculture contracted by 24 per cent in 2001, but declined by only 1 per cent in 2002 mainly due to an increase in banana exports, which was positively influenced by the restructuring of the industry. The tourism sector accounted for 12.5 % of total GDP in 2002, and showed signs of recovery from the downturn in 2001 due to a lessening of the negative impact of September 11th attack on the sector, improved general economic conditions and more aggressive tourism marketing. However, concerns over safety resulted in a further fall in cruise arrivals in 2002. Activities in manufacturing sector increased 5 per cent, compared to a decline of the same magnitude in 2001. The construction activities, mainly building for commercial purposes, increased in 2002 after a decline of more than 4.6 per cent in 2000 and 2001 and is expected to increase again in 2003 reflecting the Government's focus on the construction sector in its capital investment programme.

### **3.4 REGIONAL INTEGRATION AND TRADE POLICY**

St Lucia is a member of Caribbean Community (CARICOM), the Organisation of Eastern Caribbean states (OECS) and the Association of Caribbean States (ACS). CARICOM members are in the process of establishing a Common Single Market and Economy (CSME) that will include not only a fully functioning common market, but also the harmonization of macroeconomic policies and eventual monetary integration. The new regional trade arrangements are expected to be finally in place by 2005 alongside those of the FTAA and WTO.

St Lucia's national trade policy, largely guided by that of CARICOM and the OECS, focuses on forward looking, outward oriented trade policy reform programmes geared towards the gradual removal of protectionist measures. The Government has made considerable progress in liberalising its trade regime by reducing both tariff and non-tariff barriers. In keeping with its obligation to CARICOM, the Government implemented the fourth and final phase of the Common External Tariff (CET) in January 2000. A trade policy review was conducted by the WTO in June 2001 with favourable results.

St Lucia's main export partners are the UK 50%, the US 24% and CARICOM countries 16% whilst its main import partners are the US 36%, CARICOM countries 22%, the UK 11%, Japan 5% and Canada 4%.

### **3.5 ACHIEVEMENTS IN THE SOCIAL SECTOR**

According to the UNDP Human Development Report for 2002, St Lucia is ranked 66 among 173 countries on the basis of adult literacy, school enrollment, life expectancy at birth, and per capita Gross Domestic Product (GDP). The country enjoys a relatively high index of human development (0.77), however with considerable existence of social gaps and deficiencies, one of the most important being a high level of poverty.

Intimately linked to poverty is the unemployment rate, being 18% in 2001. Young adult male unemployment, estimated to be over 25%, remains a concern particularly in view of the fact that if left unchecked it may lead to increases in crime, social unrest and increased poverty which would be inimical to further development particularly in the sensitive tourism sector. A more appropriate social policy framework is therefore necessary not only to prevent slippage but also to ensure that significant reverses do not occur.

**Health:** The basic health indicators point to improvements in recent decades in terms of health and health care in St. Lucia. However chronic non-communicable diseases such as heart diseases and diabetes continue to be the major causes of mortality as are some communicable diseases, which are beginning to show a re-emergence. In response to changing patterns of mortality, largely characterised by an ageing population, the Government has embarked on a strategy geared towards strengthening preventative and primary, secondary and tertiary health care as well as the provision of facilities for special vulnerable groups. This includes the finalisation of the White Paper on Health Sector Reform and the adoption of an integrated approach to health care and related social issues.

**Education:** The Government of St Lucia has singled out education as the key ingredient to national prosperity. By and large St. Lucia has shown striking progress in educational outcomes since Independence which will be of positive benefit to the economic diversification requirements of St Lucia in light of the declining importance of the banana industry. The combined primary, secondary and tertiary gross enrolment ratio is 70 per cent. Despite these improvements however, there still exist problems of quality of education at the primary and secondary level and inadequacy of access to secondary education. In an effort to address these problems, the Government has embarked on a programme of systematic reforms designed to focus on expanded learning opportunities through the upgrading of school facilities, increasing access to higher levels of education, providing teacher training, and building institutional capacity. The World Bank and the Caribbean Development Bank are giving significant assistance to support the education sector

### **3.6 FUTURE CHALLENGES AND PROSPECTS**

For the medium-term, further diversification efforts will be required and international competitiveness must be enhanced. This, in turn, necessitates an increase in national savings and investment and the preservation of macroeconomic stability through fiscal discipline and continued structural reforms. Of particular importance in this regard will be the continuation of comprehensive tax reform, including the establishment of a Revenue Authority.

A challenge for St. Lucia is to provide the optimal combination of tax expenditure and debt policies that will stimulate the economy. Of particular importance also will be the implementation of programmes of reform to address key structural weaknesses, some of which the Government has embarked upon with assistance from donor organizations. This includes support to the private sector, where the EU will assist with rural credit for small business development.

#### **4. OVERVIEW OF PAST AND ONGOING EC CO-OPERATION**

Over the past years, performance of instruments such as STABEX and SFA have proved to be more satisfactory than the implementation of the NIP. This is partly explained by the fact that past and present EDF NIP funds have effectively been reserved for the new national hospital, which is currently at the design stage and is estimated to cost in the region of €25 million.

##### **4.1 EUROPEAN DEVELOPMENT FUND – FOCAL SECTORS**

###### **4.1.1 9<sup>th</sup> EDF €4.5 million – Focal Sector - Social Infrastructure (€4.05)**

The health sector and more specifically, the construction of the new hospital is to be the focal sector for the 9<sup>th</sup> EDF. Part of the allocation may be used for accompanying measures under the reform process initiated by the Government in the health sector. The 9<sup>th</sup> EDF allocation shall complement the funds already available under the 7<sup>th</sup> and 8<sup>th</sup> EDF for this project, while the Government has also indicated its intention to use Stabex resources, as yet unprogrammed, for the project, which is estimated to cost up to EUR 25 million. Progress is being made on the design consultancy of the hospital project. Indicators in the current intervention framework at Annex 1 will be expanded upon in the financial proposal to be prepared in early 2004.

###### **4.1.2 8<sup>th</sup> EDF NIP €6 million – Focal Sector: Social Infrastructure (€5.4 million)**

The funds allocated for social infrastructure under the 8<sup>th</sup> EDF will be utilized for the construction of the new hospital.

###### **4.1.3 7<sup>th</sup> EDF NIP €5 million – Focal sector 1: Social infrastructure – Victoria Hospital Redevelopment Project (€2.9 million)**

Amounts of €243,524 and €150,000 were used from the 7<sup>th</sup> EDF for two studies. The first study was on the health care sector and served to inform the Government's White Paper on Health, and the planning of health sector reforms. The second study was a feasibility study for the upgrade/reform of two hospitals (St Jude and Victoria) and the construction of a new hospital in Castries. As a result of the studies carried out, it became apparent that an upgrading of the existing Victoria hospital was not feasible. The decision was therefore taken to construct a new hospital. The feasibility study for the new hospital was completed in December, 2001. The design phase is expected to commence in August, 2003 for a contract amount of approximately €750,000.

###### **Focal Sector 2: Rural development - Mabouya Valley Phase II (€795,992)**

The object of the project was to provide sustainable improvements in living standards for all households in the project area by (i) increasing income level, (ii) developing environmental, institutional, infrastructure and human resources, (iii) assisting vulnerable groups. This was to be done by increasing banana production, diversifying the non-banana base and through the initiation of 12 micro projects for the development of agro-processing, marketing and small scale on and off-farm industry. An end of project evaluation has been done. Project remains to be closed financially.

## **4.2 PROJECTS AND PROGRAMMES OUTSIDE FOCAL SECTORS**

**9<sup>th</sup> EDF:** 10% of the “A allocation” (€0.45) has been earmarked for studies, audits and technical support in the area of regional integration, disaster mitigation, environmental management, and monitoring.

**8<sup>th</sup> EDF: Drug Demand Reduction Programme (EUR 255,000):** The objective of the programme is to reduce the demand for illegal drugs in St Lucia. The project includes the establishment of a systematic programme of research into the extent of alcohol and drug abuse, the sensitisation of the public to drug abuse issues, the training of drug and alcohol counsellors, and strengthening the operation of the Drug Abuse and Control Secretariat. The financing agreement has been extended until 30 November 2003.

**Multi-Annual Training Programme (EUR 310,235):** The objective of the programme is to increase the effectiveness of health care delivery and promote efficiency in the utilization of resources through the provision of scholarships for health care specialists. The project is expected to be closed shortly.

## **4.3 UTILISATION OF RESOURCES FOR NON-STATE ACTORS**

Owing to the size of the “A envelope” under the 9<sup>th</sup> EDF, and in accordance with requirements that for amounts under EUR 10 million there be only one project, no funds were set aside specifically for non-state actors from the 9<sup>th</sup> EDF allocation. Instead it was agreed that non-state actors should as far as possible be involved in the design and implementation of the project in the focal, the development of which involved broad consultations with all stakeholders. Many initiatives to support the activities of non-state actors have been and continue to be funded through Stabex funds.

## **4.4 OTHER INSTRUMENTS**

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

The EIB has provided St Lucia with a total of €22.9 million in financial assistance since 1980. The main sector of intervention has been power generation and distribution through three ordinary loans on own resources to LUCELEC, the electricity company. Own Resources and Risk capital funds have been channeled through St. Lucia Development Bank (€8.0 million) for support to small and medium sized enterprises.

### **4.4.2 Caribbean Regional Indicative Programmes (CRIP)**

St Lucia, a member of CARICOM/Cariforum, is a beneficiary of the many regional programmes funded through the EDF. The 7<sup>th</sup> EDF RIP has a global envelope of EUR 105 million while the 8<sup>th</sup> EDF RIP has EUR 90 million available. Discussions on the programming of the 9<sup>th</sup> EDF RIP have led to the decision that the focal sector for support will be regional economic integration and integration into the world economy, for which an envelope of EUR 57 million is available.

Under the 7<sup>th</sup> EDF OECS Tertiary Education programme, St Lucia has an allocation of EUR 650,000 to assist the tourism industry through the provision of hotel training facilities.

However, a decision is awaited as to how these funds would be utilized. The 7<sup>th</sup> & 8<sup>th</sup> EDF CRIP from which St Lucia has benefited are presented in Annex VII.

#### 4.4.3 STABEX Transfers

Article 186 of the Lomé IV Convention provides compensation for loss of export earnings on certain agricultural products on which countries' economies are dependent and which are affected by fluctuations in price or quantity or both these factors. The use of such Stabex allocations is governed by a Framework of Mutual Obligations (FMO), which stipulates the objectives, obligations, actions and results which are expected to be achieved through the utilisation of the Stabex transfers. Presently St. Lucia is implementing projects and programmes funded by Stabex allocations for 1993 – 1997. St. Lucia has received allocations for 1998, 1999 and in connection with repayment of available balances upon expiry of the Lomé Convention in 2000 (Article 195). However, an FMO for these allocations is yet to be concluded.

The broad approach which has been followed in the FMOs is to support different sectors of the economy in order to achieve economic growth, secure foreign exchange earnings and support poverty reduction. Four broad areas have been targeted; banana commercialisation, agricultural diversification, economic diversification and social sector and social protection measures. Following large allocations to St. Lucia in 1995 – 1997, it was decided to disburse substantial parts of these allocations as direct budget support, in support of the national Public Sector Investment Programme (PSIP).

A major re-programming exercise of Stabex funds took place during 2002, resulting in the re-allocation to sectors mainly focussing on economic diversification. A new approach to private sector development was adopted and schemes such as the Rural Credit Facility and low-income housing support were launched. Discussions on a broader strategy to support a public sector reform was initiated as was a more refined targeting for the support to the social safety nets. Following the devastation of banana farms caused by Tropical Storm Lili which hit the country in September 2002, the EC funded a programme to rehabilitate and restore affected farms to pre-Tropical Storm Lili levels and enhance their production prospects. Details on major individual projects and budget support elements of Stabex are provided in the Project Sheets in Annex IX.

A brief status of Stabex finances, as of 31 December 2002, is provided in the following table, a detailed breakdown is provided in Annex VIII.

<b>Funding year</b>	<b>Total Funds<sup>1</sup></b>	<b>Payments in 2002</b>	<b>Payments in total</b>	<b>Balance</b>
Stabex 1994	26,216,934	706,335	21,319,850	4,897,084
Stabex 1995	20,425,246	4,047,398	16,628,116	3,797,130
Stabex 1996/97	13,708,703	0	5,610,000	8,098,703
<b>TOTAL</b>	<b>60,350,883</b>	<b>4,755,735</b>	<b>43,557,966</b>	<b>16,792,917</b>

In addition to these funds, St. Lucia has received allocations of €4,096,556 and €3,110,853 from Stabex 1998 and 1999 respectively, from which no disbursements have been made yet.

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<sup>1</sup> Including interest

The repayment allocation (Art. 195) is €9,035,561. Initially most of these funds have been earmarked for support to the Health Sector and for the Public Sector reform initiative (see above).

#### 4.4.4 Special Facility of Assistance (SFA)

Council Regulation (EC) No. 856/1999 established a Special Framework of Assistance (SFA) for traditional ACP suppliers of bananas. Following amendment of banana trade arrangements by Regulation (EC) No. 1637/98 which has substantially altered the market conditions for traditional ACP suppliers and might, in particular, harm the most disadvantaged suppliers, the European Commission has recognised that particular efforts will be needed to adapt to these new market conditions in order to maintain a presence on the Community market. The SFA instrument will be available in the period 1999 – 2008, and it is expected that a total of app. €70 million will be made available to St. Lucia over this period.

In order to benefit from the available funds, each qualifying country is required to prepare a strategy paper for the ten-year duration of the SFA. Additionally, each year a Financing Proposal must be submitted laying out the activities foreseen for implementation of the SFA allocation for that particular year. Similar to Stabex funding, SFA funds are allocated to the areas of banana commercialisation, agricultural and economic diversification and social protection / social development.

In the case of St. Lucia the initial ten-year strategy focused on Banana Competitiveness Support, diversification of the Agricultural Sector, provision of Social Safety Nets and Diversification of the Economy. These approaches have been adapted to the framework outlined under the Windward Island Action Plan and to the increased need to deepen reforms and refine the target groups in the areas concerned.

The components dealing with support to the Social Safety Nets are now well advanced and “felt” on the ground, although processes for implementation and targeting are being further refined. The Rural Credit Facility was launched in 2002, planned to become totally operational in early 2003. The Agricultural Diversification Programme has had a slow start due to organisational constraints within the Ministry of Agriculture. Terms of Reference for all studies foreseen by this programme were, however, finalised in 2002. Irrigation infrastructure financed from SFA 1999 (off farm irrigation and reservoir construction) is well advanced, with final completion of the remaining works expected in early 2003. Details on major components of the SFA are provided in the Project Sheets in Annex IX.

A brief status of SFA finances, as of 31 December 2002, is provided in the following table, a detailed breakdown is provided in Annex VIII.

<b>Funding year</b>	<b>Allocation</b>	<b>Expenditure</b>	<b>Balance</b>
SFA 1999	8,500,000	5,167,032	3,332,968
SFA 2000	8,875,000	273,930	8,601,070
SFA 2001	9,200,000	0	9,200,000
SFA 2002	8,800,000	0	8,800,000
<b>TOTAL</b>	<b>35,375,000</b>	<b>5,440,962</b>	<b>29,934,038</b>

The implementation of the Stabex and SFA projects and programmes depend on the timely and successful implementation of the commitments entered into by the Heads of Government of the Windward Islands and the Banana Donor Group in the “Windward Island Action Plan (WIAP) to achieve a competitive banana marketing structure” on 04 July 1999, and the subsequent agreement between these parties in June 2001 in St. Lucia.

To assist in the programming, implementation and follow-up of the SFA and Stabex activities, and to achieve economies of scale due to significant similarities between SFA and Stabex programmes in the four beneficiary Windward Islands, a Regional Technical Assistance (RTA) team, based in Barbados, has been recruited, and operational since July 2002. The cost of the RTA is shared among the four beneficiary states, through allocations from available SFA funds.

## **5. PROGRAMMING PERSPECTIVES FOR THE FOLLOWING YEARS**

The following factors shall continue to guide the programming process in St Lucia:

- The vulnerability to natural disasters and external economic shocks, which have the potential to force a reordering of government priorities.
- The key role of the banana industry in the St Lucian economy; the need to diversify and adapt it to the existing and forthcoming constraints; its impact on the social situation and in particular the most vulnerable part of the population.
- The relatively high poverty level on the island.
- The implementation of a medium-term strategy by the St Lucia Government in which agriculture, tourism, education and human development as well as financial services constitute the core sectors.

The immediate programming perspective is as follows:

- (i) Within a medium-term framework of fiscal discipline, continuation of support to improve competitiveness in the banana sector and support for the broader agricultural and economic diversification efforts with the overall objective of safeguarding foreign exchange earnings and enhancing rural employment, social welfare and income diversification particularly for displaced banana growers and agricultural workers.
- (ii) Support to the vocational training sector, which is seen as instrumental in repositioning the economy in the context of globalisation shall be a priority for support from EC budget lines. Part of the ongoing STABEX funds has been allocated to this sector.
- (iii) Support to the Health sector development policy through the construction of the new hospital in line with the priority of the Government, and in continuation of the 7<sup>th</sup> and 8<sup>th</sup> EDF strategies.

With regard to the “B envelope” and the possibility of compensation for future losses in export earnings, preference shall be given to direct budgetary support where the necessary macroeconomic conditionalities are met.

## **6. 2003 ANNUAL OPERATIONAL REVIEW – SPECIFIC THEMES**

### **6.1 SPEEDING UP THE USE OF OLD EDF RESOURCES**

Progress has been made in closing down, financially, completed projects. It is intended that the resources released from closure of projects under the 6<sup>th</sup>, 7<sup>th</sup> and 8<sup>th</sup> EDF, as well as uncommitted balances under these EDFs will be used in the context of the EU intervention in the health sector under the 9<sup>th</sup> EDF.

### **6.2 SETTING THE INDICATORS FOR MEASURING RESULTS IN FOCAL SECTOR**

The EU intervention under the 9<sup>th</sup> EDF will be focussed on the health sector, and in particular on the construction of the new hospital. A framework for this intervention is set out at Annex I. The indicators will be elaborated according to the recommendations of the design/inception report for the hospital under preparation, and the on-going negotiations between the Delegation and NAO. In this respect, effective implementation of activities under the focal area are conditional upon the award for the design study for the hospital before the end of 2003. Results of the study should be available by mid 2004. At the general level, the review of the existing legislation in respect of the health sector is expected to be completed by early 2004.

### **6.3 DIALOGUE IN COUNTRY WITH THE NAO AND NON-STATE ACTORS**

Regular dialogue is facilitated through the Country Portfolio Review meetings between the office of the NAO and relevant ministries and the staff of the EC Delegation, to review projects and programmes, and generally speed up project implementation. These reviews also review the financial closure of projects.

## **7. CONCLUSIONS**

The economic situation improved marginally in 2002. However, St. Lucia continues to be affected by the erosion of preferential access to the EU banana market and vulnerable to the global developments having an impact on the tourism sector. A major challenge for St. Lucia is to intensify economic diversification efforts and enhance international competitiveness. This will require the preservation of macro-economic stability through fiscal discipline and continued structural reforms.

The Government of St Lucia has opted to reserve the quasi-totality of the funds available under the 7<sup>th</sup>, 8<sup>th</sup> and 9<sup>th</sup> EDF funds (plus STABEX funds from the '98, '99 and '00 transfer) for the construction of a new hospital in Castries. The design phase will commence shortly, but the major expenditure is unlikely to take place before 2005 with the start of the construction phase. Efforts will be made by the National Authorising Officer/EC Delegation to accelerate this timetable, wherever possible.

St Lucia notably receives five times more funding from STABEX and SFA instruments than from the EDF National Indicative Programme. Performance has been very satisfactory in STABEX and SFA, where the vast majority of STABEX 94, 95,96 and 97 have been

disbursed. St. Lucia was the first of the Windward Islands to mobilize SFA 1999 funds. There was also an emergency assistance programme funded from STABEX, following the damage caused by tropical storm Lily in September 2002.

## Annex I Intervention Framework for the 9<sup>th</sup> EDF – ST. Lucia

	<b>Sector Health</b>	<b>Objectively Verifiable Indicators</b>	<b>Source of Verification</b>	<b>Assumptions</b>
<b>National Target</b>	Contribute to modernisation, effectiveness and cost-effectiveness of health sector in St. Lucia		<ul style="list-style-type: none"> <li>Ministry of Health Data</li> <li>PAHO Reports</li> <li>Ministry of finance data</li> </ul>	
<b>Sector Commitment</b>	Government Commitment to develop health Sector	<p>Government to award the design study for the hospital before MTR</p> <p>Results of the study to be available by mid 2004.</p> <p>The review of the existing legislation in respect of the health sector completed before MTR.</p>	Ministry of Health Reports	
<b>Project Purpose</b>	Optimise capacity and improve quality of secondary and tertiary level health system in St. Lucia through the construction of a new hospital in St. Lucia	<ul style="list-style-type: none"> <li>Reduction in numbers of patients waiting to be treated</li> <li>Increase of persons being treated</li> <li>Improved range of services being provided by hospital</li> <li>Improved access to hospital</li> <li>Reversal of the trend of erosion of public sector tertiary level health care provision</li> </ul>	<ul style="list-style-type: none"> <li>Ministry of Health Data</li> <li>PAHO Reports</li> <li>Patient satisfaction surveys</li> </ul>	<ul style="list-style-type: none"> <li>Adequate levels of public expenditure maintained, especially with regard to recurrent budget</li> <li>Continued implementation of the government's Health Sector Reform particularly with regard to hospital autonomy (clarification of Ministerial responsibility), health finance &amp; Human Resource Development</li> <li>Planning capability of Ministry improved by recruitment of an Adviser in Health Planning</li> <li>Needs of psychiatric patients addressed by Government or other donors</li> </ul>
<b>Results</b>	Newly constructed hospital	Quantity and quality of work executed as measured against the Bill of Quantities	<ul style="list-style-type: none"> <li>Reports of Supervising Engineer</li> <li>Mid term evaluation</li> <li>End of Project Report</li> </ul>	<ul style="list-style-type: none"> <li>Sufficient maintenance of building is guaranteed</li> <li>Sufficient funds are allocated to run the hospital</li> </ul>
<b>Activities</b>	<b>Tender for Design Consultant</b>	<b>Means</b>		<ul style="list-style-type: none"> <li>Successful contractor is</li> </ul>

	<p>(October 2003 – January 2004)  <b>Design</b>  (January 2004 – Dec. 2005)  <b>Tender For Works Contractor</b>  (January – March 2004)  <b>Construction and Supervision of Construction</b>  (March 2005 – March 2008)</p>	<p>Design (EDF)  Supervision (EDF)  Works (mix EDF / STABEX)  Contingencies (EDF)</p>		<p>technically competent and financially sound</p> <ul style="list-style-type: none"> <li>• Adequate supervision of works is provided by consultant</li> <li>• GSLU agrees to finance possible cost over runs</li> <li>• GSLU makes site available for new hospital</li> </ul>
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**Annex II Chronogramme of Activities / Commitments – St. Lucia**

	Amount	2003/1	2003/2	2004/1	2004/2	2005/1	2005/2	2006/1	2006/2	2007/1	2007/2
<b>NIP 6<sup>th</sup> /7<sup>th</sup> / 8<sup>th</sup></b>	<b>9.7</b>		<b>0.8</b>			<b>6.0</b>		<b>2.9</b>			
<b>Stabex</b>	<b>32.3</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>4.3</b>		
<b>9<sup>th</sup> EDF A allocation</b>	<b>4.5</b>										
<b>A) Health Sector</b>	<b>4.05</b>					<b>4.05</b>					
<b>B) Non-focal sector</b>	<b>0.45</b>				<b>0.2</b>						<b>0.25</b>
Studies/audits											
Monitoring											
Contingencies											
<b>SFA</b>	<b>29.9</b>	<b>2.5</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>TOTAL</b>	<b>76.4</b>	<b>6.5</b>	<b>7.8</b>	<b>7</b>	<b>7.2</b>	<b>17.05</b>	<b>7</b>	<b>9.9</b>	<b>7.3</b>	<b>3</b>	<b>3.25</b>

**ANNEX III: FINANCIAL SITUATION FOR 8<sup>TH</sup> EDF**  
STATUS AS AT 31.12.02

EUR \_\_\_\_\_ 6,000,000 NIP

Project Account Number	Project Title	Date of Financing Agreement	Primary Commitments (A)	Secondary Commitments (B)	(B)/(A) %	Payments as at 31.12.02 (C)	(C)/(A) %	Status	Payments During 1/02- 12/02
8 ACP SLU 004	Multi-Annual Training Programme	17.07.98	310,235	298,041	96	265,644	86	On going	7,022
8 ACP SLU 006	Drug Demand Reduction Project	12.04.00	255,000	178,500	70	76,950	30	On going	-
8 ACP SLU 009	Mabouya Valley Evaluation	15.01.02	78,985	78,985	100	72,310	92	On going	72,310
<b>Programmable</b>	<b>Totals</b>		<b>644,220</b>	<b>555,526</b>	<b>86</b>	<b>414,904</b>	<b>64</b>		<b>79,332</b>
	<b>Reserve/Balance</b>		<b>5,355,780</b>						
8 ACP SLU 001	Stabex 95 Bananas	15.07.97	17,706,294	17,706,294	100	17,706,294	100	Closed	-
8 ACP SLU 002	Stabex 96 Bananas	17.07.97	3,212,647	3,212,647	100	3,212,647	100	Closed	-
8 ACP SLU 003	Stabex 97 Bananas	30.06.98	9,345,575	9,345,575	100	9,345,575	100	Closed	-
8 ACP SLU 005	Stabex 98 Bananas	21.07.99	4,096,556	4,096,556	100	4,096,556	100	Closed	-
8 ACP SLU 007	Stabex - Bananas 1999	28.06.00	3,110,853	3,110,853	100	3,110,853	100	On going	-
8 ACP SLU 008	Stabex - Repayment Agreement Art. 195A	08.12.00	9,035,561	9,035,561	100	9,035,561	100	On going	-
	<b>Total</b>		<b>46,507,486</b>	<b>46,507,486</b>	<b>100</b>	<b>46,507,486</b>	<b>100</b>		<b>-</b>
8 ACP SLU 10	EIB - Bank of St. Lucia	22.01.02	836,000	836,000	100	-	-	On going	-
8 ACP SLU 11	EIB - Bank of St. Lucia	30.01.02	3,000,000	3,000,000	100	-	-	On going	-
	<b>Total</b>		<b>3,836,000</b>	<b>3,836,000</b>	<b>100</b>	<b>-</b>	<b>-</b>		<b>-</b>
Non-Prog.	<b>Totals</b>		<b>50,343,486</b>	<b>50,343,486</b>	<b>100</b>	<b>46,507,486</b>	<b>92</b>		<b>-</b>
									<b>-</b>
	<b>GRAND TOTAL</b>		<b>50,987,706</b>	<b>50,899,012</b>	<b>100</b>	<b>46,922,390</b>	<b>92</b>		<b>79,332</b>

**ANNEX IV: FINANCIAL SITUATION FOR 7<sup>TH</sup> EDF**

STATUS AS AT 31.02.02

EUR	5,000,000	NIP
	24,309	Allocated amount transferred from Lome II
	101,746	Transferred from Lome II Reserve
	5,126,055	

Project Account Number	Project Title	Date of Financing Agreement	Primary Commitments (A)	Secondary Commitments (B)	(B)/(A) %	Payments As at 31.12.02 (C)	(C)/(A) %	Status	Payments During 1/02- 12/02
7 ACP SLU 001	Overseas Training Awards	26.01.93	592,140	592,140	100	592,140	100	Closed	-
7 ACP SLU 002	Victoria Hospital	11.08.93	243,524	243,524	100	243,524	100	Closed	-
7 ACP SLU 003	Drainage & Land Cons-Ex Lome II	03.12.93	24,309	24,309	100	24,309	100	Closed	-
7 ACP SLU 004	Rural Dev Social Infra-Ex Lome II	06.01.94	93,170	93,170	100	93,170	100	Closed	-
7 ACP SLU 009	Drainage & Land Conservation	10.11.94	1,322	1,322	100	1,322	100	Closed	-
7 ACP SLU 010	Mabouya Valley - Phase II	09.12.94	795,992	636,023	80	636,023	80	On-going	-
7 ACP SLU 011	Tropical Storm Debbie - ECHO	19.12.94	78,481	78,481	100	78,481	100	Closed	-
7 ACP SLU 013	Preparation of a Rehab. Programme	21.02.95	30,493	30,493	100	30,493	100	Closed	-
7 ACP SLU 018	Health Sector Study	26.11.97	150,000	150,000	100	130,305	87	On-going	-
7 ACP SLU 019	General Hospital Feasibility Study	30.03.00	78,491	78,491	100	78,491	100	On-going	25,105
	<b>Totals</b>		<b>2,087,922</b>	<b>1,927,953</b>	<b>92</b>	<b>1,908,258</b>	<b>91</b>		<b>25,105</b>
	<b>Reserve/Balance</b>		<b>3,038,133</b>						
7 ACP SLU 005	Stabex - Bananas 1992	10.02.94	728,393	728,393	100	728,393	100	Closed	-
7 ACP SLU 008	Stabex - Bananas 1993	27.07.94	3,623,368	3,623,368	100	3,623,368	100	Closed	-
7 ACP SLU 014	Stabex - Bananas 1994	31.07.95	22,176,403	22,176,403	100	22,176,403	100	Closed	-
7 ACP SLU 015	Stabex - Bananas 1990-94	25.04.96	302,130	302,130	100	302,130	100	Closed	-
	<b>Total - Stabex</b>		<b>26,830,294</b>	<b>26,830,294</b>	<b>100</b>	<b>26,830,294</b>	<b>100</b>		-
7 ACP SLU 007	EIB - SLDB (Risk Capital)	14.12.94	1,000,000	1,000,000	100	1,000,000	100	Closed	-
7 ACP SLU 006	EIB - SLDB (Risk Capital)	14.12.94	500,000	500,000	100	500,000	100	Closed	-
7 ACP SLU 012	EIB - SLDB (Subsidy)	25.01.95	356,783	356,783	100	356,783	100	Closed	-
7 ACP SLU 016	EIB - LUCELEC-III	25.06.96	1,871,044	1,871,044	100	1,871,044	100	Closed	-
	<b>Total - EIB</b>		<b>3,727,827</b>	<b>3,727,827</b>	<b>100</b>	<b>3,727,827</b>	<b>100</b>		-
<b>Non-Prog.</b>	<b>Totals</b>		<b>30,558,121</b>	<b>30,558,121</b>	<b>100</b>	<b>30,558,121</b>	<b>100</b>		-
	<b>GRAND TOTAL</b>		<b>32,646,043</b>	<b>32,486,073</b>	<b>100</b>	<b>32,466,378</b>	<b>99</b>		<b>25,105</b>

**ANNEX V: FINANCIAL SITUATION FOR 6<sup>TH</sup> EDF**  
STATUS AS AT 31.12.02

EUR 6,000,000 NIP  
47,673 Transferred from Lome I  
6,047,673

Project Account Number	Project Title	Date of Financing Agreement	Primary Commitments (A)	Secondary Commitments (B)	(B)/(A) %	Payments as at 31.12.02 (C)	(C)/(A) %	Status	Payments During 1/02- 12/02
6 ACP SLU 002	Roseau Agri Resettlement-Phase II	23.12.86	557,190	557,190	100	557,190	100	Closed	-
6 ACP SLU 004	Tourism Promotional Material	26.08.87	119,874	119,874	100	119,874	100	Closed	-
6 ACP SLU 005	Rural Dev-Social Infrastructure	21.09.88	3,749,996	3,726,706	99	3,726,706	99	On-going	-
6 ACP SLU 006	Trade Fairs Programme	11.10.88	8,084	8,084	100	8,084	100	Closed	-
6 ACP SLU 008	OECS Tertiary Level Education	08.11.89	689,330	689,330	100	689,330	100	Closed	-
6 ACP SLU 009	Castries Market (from Lome I)	06.01.94	47,674	47,674	100	47,674	100	Closed	-
	<b>Totals</b>		<b>5,172,148</b>	<b>5,148,858</b>	<b>100</b>	<b>5,148,858</b>	<b>100</b>		-
	<b>Reserve/Balance</b>		<b>875,525</b>						-
									-
6 ACP SLU 001	EIB - LUCELEC (Risk Capital)	07.10.86	2,000,000	2,000,000	100	2,000,000	100	Closed	-
6 ACP SLU 003	EIB - LUCELEC (Subsidy)	19.12.86	377,446	377,446	100	377,446	100	Closed	-
6 ACP SLU 007	EIB - LUCELEC (Subsidy)	22.12.88	530,700	530,700	100	530,700	100	Closed	-
<b>Non-Prog.</b>	<b>Totals</b>		<b>2,908,146</b>	<b>2,908,146</b>	<b>100</b>	<b>2,908,146</b>	<b>100</b>		-
									-
	<b>GRAND TOTAL</b>		<b>8,080,294</b>	<b>8,057,004</b>	<b>100</b>	<b>8,057,004</b>	<b>100</b>		-

Annex VI European Investment Bank – St. Lucia

Project Name	Status	Convention	Contract number	Amount signed (m)		Date of signature	Amount outstanding (m)		Beginning Repayment
				OR	RC		OR	RC	
SAINT LUCIA PROJECT	Disbursed	Lome - 2	70455		400,000.00	12/6/84		156,760.00	30/9/92
LUCELEC II	Disbursed	Lome - 3	13768	3,000,000.00		28/12/88	1,325,427.75		10/6/92
SLDB II/VCF	Disbursed	Lome - 4	17714	2,000,000.00		14/12/94	1,514,306.24		5/6/99
	Disbursed	Lome - 4	70984		500,000.00	14/12/94		500,000.00	5/12/10
	Disbursed	Lome - 4	70985		1,000,000.00	14/12/94		1,000,000.00	5/12/09
LUCELEC III	Disbursed	Lome - 4	19228	8,000,000.00		13/12/96	6,643,897.93		25/4/00
BANK OF ST LUCIA	Signed	Lome - 4- Bis	21432		3,000,000.00	21/12/01			
	Signed	Lome - 4- Bis	21435	5,000,000.00		21/12/01			
<b>Total</b>				<b>18,000,000.00</b>	<b>4,900,000.00</b>		<b>9,483,631.8</b>	<b>1,656760.00</b>	

## ANNEX VII: CARIBBEAN REGIONAL INDICATIVE PROGRAMMES (CRIP)

All ACP 8 <sup>th</sup> EDF Programme for the Caribbean rum industry -	€70,000,000
All ACP 8 <sup>th</sup> EDF Programme Fishery products -	€44,860,000
7 <sup>th</sup> EDF Caribbean Trade Sector Programme -	€14,000,000
8 <sup>th</sup> EDF Caribbean Trade Development Programme -	€1,200,000
7 <sup>th</sup> EDF OECS Export Enhancement Programme -	€ 1,180,000
7 <sup>th</sup> EDF Caribbean Telecommunications Union Project -	€ 750,000
7 <sup>th</sup> EDF Caribbean Broadcasting Union /News Agency project-	€ 3,500,000
8 <sup>th</sup> EDF Strategic planning for public services -	€ 1,300,000
7 <sup>th</sup> EDF Establishment of a Caribbean Postal Union (CBU) -	€ 640,000
8 <sup>th</sup> EDF Caribbean Tourism Sector Development Programme -	€ 8,000,000
7 <sup>th</sup> EDF Caribbean Tourism Sector Development Programme -	€12,800,000
7 <sup>th</sup> EDF Integrated Caribbean Regional Agriculture and Fisheries Development Programme (T&T) -	€22,200,000
7 <sup>th</sup> and 6 <sup>th</sup> EDF Cariforum University Level Programme -	€25,200,000
7 <sup>th</sup> EDF OECS Human Resources Development Programme-	€ 5,950,000
8 <sup>th</sup> EDF Strengthening of Medical Laboratories Services -	€ 7,500,000
8 <sup>th</sup> EDF Strengthening the Institutional Response to HIV/AIDS/STI in the Caribbean (managed by T &T) -	€ 6,950,000
8 <sup>th</sup> EDF Caribbean Anti-money-laundering Programme -	€ 4,000,000
8 <sup>th</sup> EDF Epidemiological Surveillance Programme -	€ 1,300,000
7 <sup>th</sup> Caribbean Regional Environment Programme -	€ 9,150,000
8 <sup>th</sup> EDF Radar Warning System (managed by T &T) -	€13,200,000
7 <sup>th</sup> EDF Cariforum Secretariat Programming Unit -	€ 6,950,000



## Annex VIII: Use of STABEX and SFA

### Saint Lucia STABEX Programmes

Situation Summary as at 31 December, 2002

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

2 - Interest represents total interest received on Euro and XCD accounts. XCD interest is translated into Euro at 2.68218

3 - Payments represent total payments from Euro and XCD accounts to Work Programmes, Contracts or Other Support. XCD payments are translated into Euro at the actual rate received in the XCD account.

Budget Line	INDICATIVE ALLOCATION			FINANCING COMMITMENTS			Available	CONTRACTE	DISBURSED
	Original	Interest	Revised	Approved	Pipeline	Total		Contracts	Payments
<b>* STABEX 1994 PROGRAMME</b>									
Banana Productivity Improvements	4,000,000		8,567,620	8,434,346	--	8,434,346	133,274	8,434,346	7,518,857
Agricultural Diversification	6,000,000		7,366,891	7,366,890	--	7,366,890	--	7,366,890	7,350,243
Rural Development & Social Safety Nets	2,000,000		2,000,000	1,912,350	--	1,912,350	87,650	1,912,350	1,660,986
Diversification of the Economy	7,000,000		6,015,530	5,581,011	--	5,581,011	434,519	5,556,315	4,999,360
Agricultural Sector Institutional Strengthening	600,000		600,000	141,188	--	141,188	458,812	141,188	99,935
EDF/Programme Management Coordination Unit	400,000		1,463,887	1,463,887	--	1,463,887	--	1,463,887	778,604
Monitoring & Evaluation	1,000,000		218,630	104,084	--	104,084	114,546	104,084	26,304
Reserves	1,176,403		--	--			--		
Balance of First Protocol	302,130		--	--			--		
Interest	--	3,738,401	(15,624)	--			(15,624)		
Total for STABEX 1994 PROGRAMME (10 detail records)€	22,478,533	3,738,401	26,216,934	25,003,757	--	25,003,757	1,213,177	24,979,061	22,434,288
<b>Percent</b>			100.0%	95.4%	0.0%	95.4%	4.6%	95.3%	85.6%
<b>* STABEX 1995 PROGRAMME</b>									
Banana Productivity Support	1,500,000		3,701,813	3,701,813	--	3,701,813	--	3,718,196	3,718,196
Agricultural Diversification	1,500,000		1,873,134	1,800,835	--	1,800,835	72,299	1,585,593	479,095
EDF/PMCU and consultancy Services	350,000		350,000	--			350,000		
Monitoring & Evaluation	456,294		456,294	262,717	--	262,717	193,577	262,717	221,894
Budgetary Support	13,900,000		12,900,000	12,900,000	--	12,900,000	--	12,900,000	12,421,312
Interest	--	2,718,952	1,144,005	932,836	--	932,836	211,169	932,836	
Total for STABEX 1995 PROGRAMME (6 detail records)€	17,706,294	2,718,952	20,425,246	19,598,201	--	19,598,201	827,046	19,399,342	16,840,498
<b>Percent</b>			100.0%	96.0%	0.0%	96.0%	4.0%	95.0%	82.4%

## Saint Lucia STABEX Programmes

Situation Summary as at 31 December, 2002

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

2 - Interest represents total interest received on Euro and XCD accounts. XCD interest is translated into Euro at 2.68218

3 - Payments represent total payments from Euro and XCD accounts to Work Programmes, Contracts or Other Support. XCD payments are translated into Euro at the actual rate received in the XCD account.

Budget Line	INDICATIVE ALLOCATION			FINANCING COMMITMENTS			CONTRACTE	DISBURSED		
	Original	Interest	Revised	Approved	Pipeline	Total	Available	Contracts	Payments	
<b>* STABEX 1996/1997 PROGRAMME</b>										
Diversification of the Economy	500,000		1,819,030	1,819,030	--	1,819,030	--	1,250,000	186,567	
Social and Community Development	1,000,000		1,000,000	--			1,000,000			
Agricultural Diversification	500,000		--	--			--			
EDF/ Programme Management & Coordination Unit	100,000		100,000	--			100,000			
Monitoring, Auditing and Evaluation	258,222		258,222	59,842	--	59,842	198,380	59,842		
Budgetary Support	10,200,000		10,200,000	7,140,000	--	7,140,000	3,060,000	7,140,000	5,610,000	
Interest	--	1,150,481	331,451	--			331,451			
Total for STABEX 1996/1997 PROGRAMME (7 detail records)€	12,558,222	1,150,481	13,708,703	9,018,872	--	9,018,872	4,689,831	8,449,842	5,796,567	
<b>Percent</b>			100.0%	65.8%	0.0%	65.8%	34.2%	61.6%	42.3%	
<b>* STABEX 1998 PROGRAMME</b>										
Undecided (FMO unsigned)	4,096,556		4,096,556	--			4,096,556			
Interest	--	425,348	425,348	--			425,348			
Total for STABEX 1998 PROGRAMME (2 detail records)€	4,096,556	425,348	4,521,904	--			4,521,904			
<b>Percent</b>			100.0%	0.0%			100.0%			
<b>Grand</b>	<b>Grand</b>	<b>Grand</b>	<b>€</b>	<b>56,839,605</b>	<b>8,033,182</b>	<b>64,872,787</b>	<b>53,620,829</b>	<b>0</b>	<b>53,620,829</b>	<b>11,251,958</b>
<b>52,828,244</b>	<b>45,071,353</b>									

## Saint Lucia SFA Programmes

Situation Summary as at 31 December, 2002

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

2 - Interest represents total interest received on Euro and XCD accounts. XCD interest is translated into Euro at 2.68218

3 - Payments represent total payments from Euro and XCD accounts to Work Programmes, Contracts or Other Support. XCD payments are translated into Euro at the actual rate received in the XCD account.

Budget Line	INDICATIVE ALLOCATION			FINANCING COMMITMENTS			Available	CONTRACTE Contracts	DISBURSED Payments
	Original	Interest	Revised	Approved	Pipeline	Total			
<b>* SFA 1999 (B7-8710/856/03)</b>									
Banana Commercialisation	4,350,000		4,350,000	4,349,273	--	4,349,273	727	4,350,000	3,020,552
Agricultural Sector Diversification	1,500,000		1,500,000	1,500,000	--	1,500,000	--	825,050	369,535
Social Recovery Programme	1,800,000		1,800,000	1,257,293	--	1,257,293	542,707	1,257,293	1,289,712
Regional Technical Assistance	400,000		528,141	528,141	--	528,141	--	528,141	487,233
Monitoring and Evaluation	220,000		220,000	--			220,000		
Contingencies	230,000		142,767	--			142,767		
Interest	--	183,319	183,319	--			183,319		
Total for SFA 1999 (B7-8710/856/03) (7 detail records)	€ 8,500,000	183,319	8,724,228	7,634,707	--	7,634,707	1,089,521	6,960,484	5,167,032
<b>Percent</b>			100.0%	87.5%	0.0%	87.5%	12.5%	79.8%	59.2%
<b>* SFA 2000 (B7-8710/856/12)</b>									
Banana Commercialisation	4,500,000		4,500,000	--			4,500,000		
Agricultural Sector Diversification	1,800,000		1,800,000	--			1,800,000		
Social Recovery Programme	1,660,000		1,660,000	--			1,660,000		
Monitoring, Audit and Evaluation	140,000		140,000	--			140,000		
Contingencies	375,000		87,650	--			87,650		
Regional Technical Assistance	400,000		687,350	687,350	--	687,350	--	687,350	273,930
Interest	--	--	--	--			--		
Total for SFA 2000 (B7-8710/856/12) (7 detail records)	€ 8,875,000	--	8,875,000	687,350	--	687,350	8,187,650	687,350	273,930
<b>Percent</b>			100.0%	7.7%	0.0%	7.7%	92.3%	7.7%	3.1%

## Saint Lucia SFA Programmes

Situation Summary as at 31 December, 2002

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

2 - Interest represents total interest received on Euro and XCD accounts. XCD interest is translated into Euro at 2.68218

3 - Payments represent total payments from Euro and XCD accounts to Work Programmes, Contracts or Other Support. XCD payments are translated into Euro at the actual rate received in the XCD account.

Budget Line	INDICATIVE ALLOCATION			FINANCING COMMITMENTS			Available	CONTRACTE Contracts	DISBURSED Payments
	Original	Interest	Revised	Approved	Pipeline	Total			
* SFA 2001 (B7-8710/856/23)									
Agricultural Sector Diversification	3,538,320		3,538,320	--			3,538,320		
Economic Diversification	1,805,040		1,805,040	--			1,805,040		
Social Recovery Programme	3,396,640		3,396,640	--			3,396,640		
Monitoring and Evaluation	140,000		140,000	--			140,000		
Audits	80,000		80,000	--			80,000		
Contingency	240,000		240,000	--			240,000		
Interest	--		--	--			--		
Total for SFA 2001 (B7-8710/856/23) (7 detail records)	€ 9,200,000	--	9,200,000	--			9,200,000		
<b>Percent</b>			100.0%	0.0%			100.0%		
<b>Grand</b> 7,647,834	<b>Grand</b> 5,440,962	<b>Grand</b> €	<b>26,575,000</b>	<b>183,319</b>	<b>26,799,228</b>	<b>8,322,057</b>	<b>0</b>	<b>8,322,057</b>	<b>18,477,171</b>

## Annex IX: Project Sheets

Saint Lucia

**Project title:** Drug Demand Reduction Project  
**Accounting number:** 8 ACP SLU 006  
**Implementing agency:** Substance Abuse Advisory Council Secretariat  
**Date of financing agreement:** 7/11/00  
**Date financing agreement expires:** 30/11/03  
**Project duration:** 2 years  
**Value of financing agreement:** €255,000

Accounting Situation as 31.12.02		(All figures in Euro)		
Primary commitment in €	Secondary commitment in €	Disbursed in €	% Disbursed	
255,000	178,500	76.950		

### Project overview:

The overall objective of the project is to develop an effective programme facilitating the reduction in demand for illicit drugs.

The rise of drug-related incidents and offences in St. Lucia, together with alcohol abuse and alcoholism have suggested the need for appropriate measures to rectify this. The objective of the project is to develop an effective programme facilitating the reduction in illicit drugs.

The project, co-financed with the St. Lucian government- providing EUR 135,294, consists of the following activities:

- Establishment of a systematic programme of research into the extent of alcohol and drug abuse.
- Sensitisation of the public to drug abuse issues.
- Community Mobilization Activities
- Training of cadre of approximately 100 drug and alcohol councilors
- Strengthening the Operations of the Drug Abuse Secretariat

### Progress:

The financing agreement was countersigned by the NAO on August 7th 2000 and the WP-CE (for the full two-year duration) was signed and endorsed just before the start up deadline of the 30th November 2000. After a considerable delay, in April 2001, the first advance was requested and has been paid. Personnel changes in St. Lucia's Substance Abuse Advisory Council entailed further delays and led to a revision of the WP ( to only covering 1 Dec. 2001 to 30 Nov. 2002). The financing agreement has been extended until 30 November 2003 and consequently a new work programme has been prepared and approved to cover the period of the extension

Saint Lucia

<b>Project title:</b>	<b>Mabouya Valley Phase II</b>
<b>Accounting number:</b>	7 ACP SLU 010
<b>Implementing agency:</b>	<b>Ministry of Agriculture, Forestry and Fisheries</b>
<b>Date of financing agreement:</b>	1/4/95
<b>Date financing agreement expires:</b>	12/31/01
<b>Project duration:</b>	5 years
<b>Value of financing agreement:</b>	€780,747

Accounting Situation as	6/24/02	(All figures in Euro)		
<b>Primary commitment in €</b>	<b>Secondary commitment in €</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
780,747	780,747	636,023	81.5%	

**Project overview:**

The object of phase II is to provide sustainable improvements in living standards for all householders (1,656) in the project area primarily by increasing banana production and diversifying the non-banana base.

Building on the achievements of phase I of the project, the object of phase II is to provide sustainable improvements in living standards for all householders (1,656) in the project area by: 1) increasing income levels, 2) developing environmental, institutional, infrastructure and human resources, 3) assisting vulnerable groups. This will arise as a consequence of increasing banana production, diversifying the non-banana base and through the initiation of 12 micro projects developing agro-processing, marketing and off farm industry.

The project consists of the following activities:

- Infrastructural works providing water to six settlements.
- Construction of day-care centres and workshop shells.
- Rehabilitation of one rural service centre.
- Supply of farm and garden equipment.
- Provision of a vocational training programme, supporting 120 youths as well as 150 landless and unemployed people.
- Forestry development, with the planting of 350 acres on private land and the replanting of 300 acres on gov't plantations.

**Progress:**

The project was successfully completed. An evaluation took place in March-April 2002. The project requested an extension of the Financing Agreement in order to execute payment for retention fees on construction works. The requested was forwarded to the AIDCO in November 2001 but no reply was received.

Saint Lucia

<b>Project title:</b>	<b>Multi-annual Training Programme</b>
<b>Accounting number:</b>	8 ACP SLU 004
<b>Implementing agency:</b>	Min. of Health, Training Division of the Min. of the Public Service and HR Dept. Min. Education, Youth and Sports
<b>Date of financing agreement:</b>	7/16/98
<b>Date financing agreement expires:</b>	9/ 1/03
<b>Project duration:</b>	5 years
<b>Value of financing agreement:</b>	€301,454

Accounting Situation as	31.12.02	(All figures in Euro)		
<b>Primary commitment in €</b>	<b>Secondary commitment in €</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
310,235	298,041	265,644		

**Project overview:**

The overall objective of the project is to increase the effectiveness of health care delivery and promote increased efficiency in the utilisation of resources. This to be achieved by providing funding for students to enable further specialisation.

The overall objective of the project is to increase the effectiveness of health care delivery and promote increased efficiency in the utilisation of resources. Apart from nurses there is no domestic capacity to train health cadres. Instead St. Lucia is dependent on institutions overseas to train, maintain and upgrade the core of human resources necessary to improve the nation's health level. The primary aim of the project is to produce highly skilled cadres in specialised areas. Scholarships will be provided to candidates being selected on the basis of aptitude and a commitment to serve the St. Lucian government. Training will take place, at regional universities (University of West Indies) as well as Universities (primarily situated in the UK).

**Progress:**

A number of scholarships have been awarded, with the NAO having been advised to submit any remaining applications as soon as possible. Project should ten be closed.

St Lucia

<b>Project Name:</b>	<b>New Hospital Facility, Castries</b>
<b>Accounting Number:</b>	7 ACP SLU 018/019
<b>Implementing Agency:</b>	Ministry of Health
<b>Date of Financing Agreement:</b>	-
<b>Project Duration:</b>	-
<b>Value of Financing Agreement:</b>	EUR 222,300
<b>Accounting Situation:</b>	All figures in EUR

**Project Overview:**

The overall aim of this project is to strengthen the health care sector of St. Lucia. The combination of low capital expenditure and low allocation to maintenance has resulted in the continued operation of old and inefficient hospital buildings with a shortage of functioning modern medical equipment.

In order to address this “system of stress” two studies have been commissioned. The first is a sectoral study of the health care sector, the second a feasibility study of the upgrade/reform of two hospitals in St. Jude and Victoria and the construction of a new hospital in Castries. The government of St. Lucia has asked the EC to help finance the construction of the hospital with the use of the 8<sup>th</sup> and 9<sup>th</sup> EDF NIP allocation and Stabex resources already earmarked for the Social sector or as yet unprogrammed (1998 and 1999 transfers). The sum of EUR 22,250,000 has been earmarked for this project from the abovementioned funds.

**Progress:**

The involvement of the EC in this project started with the funding of a Feasibility Study. However, the study was quite deficient. In 1997, a first study was conducted by TVA (contract amount EUR 150,000). In 1999 the Government of St. Lucia decided that instead of upgrading the present Victoria Hospital, a new hospital would be constructed. TVA then started a second study (contract amount EUR 80,000), which is now almost complete. The next steps to follow will be the selection of the design consultant (contract amount app. EUR 750,000).

**Project title:** Inland Reception and Distribution Centres (IRDC)  
**Accounting number:** Stabex 1994/04  
**Implementing agency:** Ministry of Agriculture, Lands and Fisheries  
**Date of financing agreement:** 4/1/00  
**Date financing agreement expires:** 4/ 1/01  
**Project duration:** 12 months  
**Value of financing agreement:** €4,557,149

Accounting Situation as	6/24/02	(All figures in Euro)		
<b>Primary commitment in</b>	<b>Secondary commitment in</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
€	€			
4,557,149	4,557,149	4,543,414	99.7%	

**Project overview:**

The project aims to: 1) reduce the operational costs within the industry by 3.7 million XCD, 2) to improve efficiency and 3) encourage greater farmer choice with respect to the procurement of inputs and the supply of services.

This project forms part of the overall strategic plan to restructure St. Lucia's banana industry. It aims to: 1) reduce the operational costs within the industry by 3.7 million XCD, 2) to improve efficiency and 3) encourage greater farmer choice with respect to the procurement of inputs and the supply of services.

The project consists of the following activities:

- Construction of three effective and efficient Multi Purpose IRDC's at Dennery, Cul de Sac and Odsan, with all remaining Inland Buying depots and Stapling Centres being closed.
- Privatisation of both the input supply and the carton assembly operations in collaboration with St. Lucia Marketing Board.
- Improvements in the handling of banana exports, thereby increasing fruit quality, marketability and overall competitiveness.
- The consolidation of banana production areas to reduce the wide dispersion of support services. This is consistent with the overall strategy of restructuring the industry along the lines of international competitiveness.

**Progress:**

The project was completed in May 2002. The Official opening of the IRDCs took place on July 29<sup>th</sup> 2002. The centres are managed by The Windward Island Banana Development and Exporting Company (WIBDECO).

**Project title:** Leaf Spot Control Programme  
**Accounting number:** Stabex 1994/24  
**Implementing agency:** Ministry of Agriculture, Lands and Fisheries  
**Date of financing agreement:** 5/1/01  
**Date financing agreement expires:** 11/ 1/01  
**Project duration:** 6 months  
**Value of financing agreement:** €1,207,545

Accounting Situation as	6/24/02	(All figures in Euro)		
<b>Primary commitment in €</b>	<b>Secondary commitment in €</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
1,207,545	1,207,545	744,885	61.7%	

**Project overview:**

This project has the two-fold aim of: enhancing food security and nutritional stability in St. Lucia and developing an acceptable standard of living for the agrarian population. This is to be achieved through bringing leaf spot disease under control.

This project has the two-fold aim of: enhancing food security and nutritional stability in St. Lucia and developing an acceptable standard of living for the agrarian population. This is to be achieved by: 1) achieving a competitive banana industry, 2) to increase foreign exchange earnings and savings 3) to increase rural sector employment and the income of farm households. The anticipated result is to ensure price stability, industry confidence and to have brought leaf spot disease under control.

The project consists of the following activities:

- Introduction of an island wide aerial spraying programme.
- Installation of comprehensive ground spraying in areas that cannot be covered effectively by aerial spraying.
- Provision of independent disease monitoring.
- Monitoring of the effectiveness of the leaf spot control programme on a weekly basis.

**Progress:**

A mid term report and a financial statement have been compiled by the Project Management Committee but was be submitted to the Delegation after the expiry date of the Financing Agreement. A new Financing Agreement has been drafted by the Project Management Committee. The NAO has to resolve an issue related to a double payment which occurred in the first Work Programme, before the new Financing Agreement could be signed.

**Project title:** **School Feeding Programme**  
**Accounting number:** Stabex 1994/08  
**Implementing agency:** Ministry of Education  
**Date of financing agreement:** 11/1/98  
**Date financing agreement expires:** 11/ 1/01  
**Project duration:** 3 years  
**Value of financing agreement:** €933,824

Accounting Situation as 6/24/02 (All figures in Euro)				
Primary commitment in €	Secondary commitment in €	Disbursed in €	% Disbursed	
933,824	933,824	682,461	73.1%	

**Project overview:**

The overall aim of the project is to develop the human resource base of St. Lucia. It aims to achieve this by: improving school attendance, particularly at rural schools through the provision of free lunchtime meals, and developing school based farms.

The overall aim of the project is to develop the human resource base of St. Lucia by improving the quality of access to education and to develop a sustainable school-feeding programme. In particular, it aims to achieve this by: i) improving school attendance, particularly at rural schools through the provision of free lunchtime meals; ii) developing school- based small-scale farms.

The project consists of the following activities:

Phase 1:

- Provision of meals to 10,700 targeted students for one year (EUR 514,000).
- Development of school gardens (EUR 112,000).
- Development of school poultry units (EUR 50,000).

Phase 2: Provision of drip irrigation systems, water tanks, fishponds, plant nurseries and storage cupboards (EUR 250,000).

**Progress:**

Phase 1 has largely been finished. Waiting for an update report from St. Lucia

**Project title: SFA 1999 - Agricultural Diversification**

**Accounting number:** SLU/SFA/1999/2

**Implementing agency:**

**Date of financing agreement:** 9/13/00

**Date financing agreement expires:** 3/13/06

**Project duration:** 2 years

**Value of financing agreement:** €1,800,000

**Primary commitment in** €1,800,000

Accounting situation as 6/12/2002

Secondary Commitment €1,463,901

Disbursed: Rural Credit Facility = €111,775

Ministry of Agriculture = €197,573

% disbursed = 21%

#### Progress overview

This component consists of two major sub projects:

- Public sector activities such data capture, bureau of standards support, quarantine and health and consultancies.
- Implementation of a Rural Credit Facility (RCF)

The activities will be developed in two (2) years

#### Progress

Work Programme managed by the Ministry of Agriculture

The first disbursement on the Imprest Account was in 18 July 2002

The Ministry of Agriculture has finalised the Terms of References for various studies to be carried out. These TORs have been submitted to the EU Delegation in Barbados for review and endorsement.

Rural Credit Facility managed by the Financial Institutions

The Memorandum of Agreement (MOA) with the Financial Institutions: NRDF and the Credit Unions League were signed on 12 December 2002 for a total amount of €1,775

Another one has been prepared with Bank of Saint Lucia

<b>Project title:</b>	<b>SFA 1999 - Banana Commercialisation</b>
<b>Accounting number:</b>	SLU/SFA/1999/1
<b>Implementing agency:</b>	Banana Industry Trust, St. Lucia
<b>Date of financing agreement:</b>	9/13/00
<b>Date financing agreement expires:</b>	3/13/06
<b>Project duration:</b>	2 years
<b>Value of financing agreement:</b>	€4,500,000
<b>Primary commitment in Accounting situation as 6/12/2002</b>	€4,500,000
<b>Secondary Commitment</b>	€4,350,000
<b>Disbursed : €2,342,603 % disbursed = 54%</b>	

### Progress overview

This component consists of four major sub projects, as follows:

- Installation of off-farm irrigation facilities in Canelles, Roseau and Cul-de-Sac.
- Construction of a reservoir at Cul-de-Sac.
- Improved drainage of 200 acres of land in the Mabouya Valley.
- Strengthening of the administrative arm of the Banana Industry Trust.

### Progress

#### Off Farm Irrigation

- The contracts for the irrigation works to be undertaken in Cul de Sac, Roseau, and Canelles were signed in January 2002 and awarded to Farmex Technologies SARL (F).
- The 130 acres project at Roseau Valley is fully completed.
- The 77 acres at Canelles are in operation.
- The 440 acres project at Cul de Sac has started, the pipes have been laid but the project is temporarily suspended pending the completion of the water reservoir on which pumps and filters have to be installed.
- The Cul de Sac reservoir project. Six completed tenders were received by the BIT for the construction of the reservoir. They were evaluated and the evaluation report was submitted to the Delegation for review and endorsement. The necessary arrangements for the acquisition of the land where the reservoir has to be built were finalised by the Ministry of Planning.

Due to an abnormally extended rainy season and effects of Tropical Storm Lili at beginning of October the works were delayed.

Reservoir construction, pipe laying and intake infrastructure are approximately 65%, 85% and 90% are completed.

It is expected that by July 2003 all the Off farm Irrigation will be completed and operational.

### Drainage

The contract to undertake the drainage works in Mabouya Valley was awarded to a local company Northern Suppliers. The company completed its work plan and the work started in March 2002 and was completed by end of August 2002.

### Irrigation Management Unit

A full three-man team has been recruited and a vehicle has been purchased as well as office and field equipment.

The unit holds frequent meetings in the project areas with the farmers, informing them of the irrigation and drainage works. They have also been monitoring the works of the contractors.

Efforts are continuing to establish Water User Groups, however, this is not expected to get “off the ground” until the installation of the on-farm irrigation equipment.

Five quarterly reports have been provided by the BIT.

**Project title:** SFA 1999 - Social Recovery

**Project Title:** SFA 1999-Social Recovery

**Accounting number:** SLU/SFA/1999/3

**Implementing agency:**

**Date of financing agreement:** 9/13/00

**Date financing agreement expires:** 3/13/06

**Project duration:** 2 years

**Value of financing agreement:** €1,660,000

Project overview:

Support to St. Lucia Poverty Reduction Fund, NSTC

Progress:

**Accounting situation** as 6/12/2002

Secondary Commitment €1,784,183

Disbursed: Labor Intensive Programme = €98,215

Skill Training Centre = €113,494

Rural Credit Facility =

% disbursed = 12%

#### Progress overview

This component consists of three major sub projects, as follows:

- Labour Intensive activities implemented by the Poverty Reduction Fund (PRF)
- Human resource development implemented by the National Skill Development Centre (NSDC)
- Rural Credit Facility implemented by Financial Institutions

#### Progress

A/ LABOUR INTENSIVE PROGRAMME : PRF

Five quarterly reports have been provided by the PRF:

The PRF activities started with some delay due to the establishment of procedures for implementation for small labor intensive projects on a demand-driven approach.

#### Social Infrastructure

Vivancelle multi-purpose Court and La Caye Pit latrines projects:

PRF has engaged consultants to prepare the design and has made the necessary requests to obtain the land for the construction of these infrastructure.

#### Community empowerment

Morne Cayenne, Sarrot, Dugard day care centres were initially foreseen to be built. These highly skilled construction projects were not compatible with the overall aim of the programme of providing temporary employment to displaced unskilled farmers or labourers. This component was redirected towards the implementation of small economic infrastructure within the Micoud region.

### Economic infrastructure at community level

Talvern reforestation Project included riverbanks stabilisation, drainage and completion of a footpath.

Vanard footpath/drains Project: 700 feet have been completed by August 2002

Ravine Poisson footpath/drains Project: 200 feet of footpath, 350 feet of drains and 150 feet of riverbanks

Aux Leon Footpath/drains project: 290 feet of footpath, 700 feet of drains and 300 steps. This project has been completed.

Garrand Footpath/drains project: 400 feet of footpath, 760 feet of drains and 180 steps. This project has been completed.

Richfond Footpath/drains project: 590 feet of footpath, 690 feet of drains and 120 steps. This project has been completed.

### Organisational Capacity Building

Community organisational capacity: All the communities (12) willing to benefit or benefiting from the project have received some training fostering the participation of project beneficiaries, community self management, mechanism to monitor and evaluate projects

Community training programmes: 6 communities have benefit from this training component addressing: AIDS, Community conflicts, violent behaviours, teenage pregnancy, substance abuse

Skills training programme: 131 persons benefited from various training programme such as carpentry, information technology, construction

Lifestyle Management Programme: 80 teenagers participate to this training programme addressing the major social issues including those related to health and education.

### Project management

In addition to the day to day support to the PRF management structure, PRF has started a baseline Social Capital Assessment.

### B/ HUMAN RESOURCES DEVELOPMENT : NSDC

Five quarterly reports have been provided by NSDC:

The NSDC activities started with some delay due to the preparatory activities which had to be undertaken to facilitate the implementation of the programme.

### Training Needs Survey

TNS has been conducted and a summary report was presented to the NSDC Board of Directors. The

### Training & Consultancy

Completion in training in 30 technical vocational courses for 533 individuals.

### Project management and monitoring

Equipment and materials for management, monitoring and evaluation have been purchased.

NSDC Staff has been trained in project management

### Apprenticeship scheme

A total of 171 trainees have been placed on job attachment and 20% were placed on full time placement

### Refurbishment of Centre

Patience NSDC centre (Micoud area on East coast) has been cleared of all obsolete machinery and plans for renovation has been completed. Tender for the renovation works has been launched.

Preliminary plans for the refurbishment of the Black Bay Centre (South West) have been prepared.

Public sensitisation & mobilisation

The NSDC has developed sensitisation programme which have been aired on radio, TV. Several articles on the the Centre, its programmes, and achievements have been placed in the newspapers. The Centre has placed special signs & distributed brochures islandwide. NSDC has contracted an Officer to facilitate coordination of community outreach meetings.

**Project title:** **Small Enterprise Development Project**  
**Accounting number:** Stabex 1994/13  
**Implementing agency:** Ministry of Financing and Planning  
**Date of financing agreement:** 8/1/97  
**Date financing agreement expires:** 8/ 1/00  
**Project duration:** 3 years  
**Value of financing agreement:** €1,580,200

Accounting Situation as	8/3/01	(All figures in Euro)		
<b>Primary commitment in</b>	<b>Secondary commitment in</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
€	€			
1,580,200	1,580,200	970,284	61.4%	

**Project overview:**

The mono-cultural nature of St. Lucia will pose serious threats to its economy in the face of external change, such as trade liberalisation. To reduce this vulnerability, the project aims to diversify the economy by developing small business enterprises.

The mono-cultural nature of St. Lucia will pose serious threats to its economy in the face of external change, such as trade liberalisation and emerging trading alliances. To reduce this vulnerability, the project aims to diversify the economy by developing small business enterprises.

The project consists of the following activities:

- Creation of a loan fund to provide affordable credit to be used for the establishment of small business ventures.
- Establishment of an accounting centre (opened 18/03/99), which will provide a low-cost service to the local business community.
- Provision of youth skills, which will develop skills training models and recruit instructors.
- Development of entrepreneurial skills by offering a training programme (at least 60 seminars) as well as appropriate models for further instruction.

**Progress:**

FA expired December 2000. A number of activities remain uncompleted. Balance of unspent resources approx: 600,000. HOD suggested early submission of a request for an extension of the project accompanied by an appropriate justification and a programme for the period of the extension.

**Project title:** **Stabex 1995 - Budget Support (PSIP) –**

**Accounting number:** SLU/95/04/3

**Implementing agency:**

**Date of financing agreement:** 1/1/97

**Date financing agreement expires:** 1/ 1/06

**Project duration:** 3 years

**Value of financing agreement:** €xxxxxx

Accounting Situation as	6/13/02	(All figures in Euro)		
<b>Primary commitment in €</b>	<b>Secondary commitment in €</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
xxxxxx	xxxxxx	700,000	70.0%	

**Project overview:**

According to the Frameworks of Mutual Obligations (FMO), that govern both Stabex programmes, these funds are targeted to specific capital investments within the overall national Public Sector Investment Programme (PSIP).

The FMOs of both programmes aim at promotion of economic growth and reduction of poverty. More specific the objectives are formulated in terms of government savings, external and internal macroeconomic balances, diversification of the economy in general and of Agriculture in particular. Poverty is combated through targeted programmes in the social sectors, such as Health and Education and through delivery of services to vulnerable groups. Institutional strengthening is aimed at, among others through technical assistance, support to public and private sector institutions. In contrast to the FMO Stabex-95 the FMO for Stabex-96/97 explicitly allocates a substantial share of the total amounts available to Technical Assistance programme.

The FMOs define a number of programmes and actions. They are aimed at macroeconomic stability largely to be achieved through increasing government savings. Both FMOs are very specific in terms of savings targets for the Central Government and for the public sector as a whole. They further aim at commercialisation of the economy and privatisation of government activities. Diversification of the economy in general and of Agriculture in particular plays an important role. This is mainly to be realised through private sector development, and through improving physical and economic infrastructures. The latter also through skills improvement of the labour force to be achieved through Technical and Vocational Training programmes. In addition the FMOs specify programmes and actions to alleviate the impact of the declining activities in the Banana sector. Education, Health and Community development are the main sectors distinguished.

**Government Commitments:** The Government has committed itself through these FMOs to indeed formulate and implement the programmes defined. This should be evidenced by presenting to the European Commission (the Delegation in Barbados) the programmes and reports on the progress made under these programmes.

**Implementation procedures:** The PSIP support is earmarked for programmes identified in the FMOs and these should be part and parcel of the Public Sector Investment Programmes of the recipient Government. As such they should be included in the annual

budget to be approved in Parliament. In addition, the FMO Stabex-96/97 requires programme plans that are consistent with the overall sector strategies. These programme plans should be formulated in consultation with the EDF/PCU and the Delegation in Barbados and approved by the government and endorsed by the European Commission.

Tranche releases: Funds are transferred from the Euro account in Brussels to a double signature EC\$ account in the recipient country and from this account to the Treasury. The releases are triggered as soon as certain conditions have been met. These conditions are related to government savings performance and to performance of project implementation. The government savings performance is translated into clear savings targets for a period of three years in each FMO. In addition to the conditions regarding tranche releases the FMOs formulate a series of Government commitments. Among them several reports to be presented to the European Commission.

**Progress:**

Under the Stabex-95 programme approximately EC\$ 25 million has been transferred in two tranches to the account of the Government of St. Lucia. Almost EC\$ 23 million, or 85.5%, has been actually spent on projects and programmes. In the case of two ministries, notably the Ministry of Education and Health, an additional EC\$ 6 million has already been transferred from the Treasury account to the project accounts administered by the ministries (see Table 2.2 below). These funds were included in the Estimates of the fiscal year 2000/2001 and carried over to the current fiscal year.

**Project title:** STABEX 1996/97 - Budget Support (PSIP) -

**Accounting number:** SLU/97/06/4

**Implementing agency:**

**Date of financing agreement:** 1/1/97

**Date financing agreement expires:** 1/ 1/06

**Project duration:** 3 years

**Value of financing agreement:** €xxxxxx

Accounting Situation as	6/13/02	(All figures in Euro)		
<b>Primary commitment in €</b>	<b>Secondary commitment in €</b>	<b>Disbursed in €</b>	<b>% Disbursed</b>	
xxxxxx	xxxxxx	780,000	60.0%	

**Project overview:**

According to the Frameworks of Mutual Obligations (FMO), that govern both Stabex programmes, these funds are targeted to specific capital investments within the overall national Public Sector Investment Programme (PSIP).

The FMOs of both programmes aim at promotion of economic growth and reduction of poverty. More specific the objectives are formulated in terms of government savings, external and internal macroeconomic balances, diversification of the economy in general and of Agriculture in particular. Poverty is combated through targeted programmes in the social sectors, such as Health and Education and through delivery of services to vulnerable groups. Institutional strengthening is aimed at, among others through technical assistance, support to public and private sector institutions. In contrast to the FMO Stabex-95 the FMO for Stabex-96/97 explicitly allocates a substantial share of the total amounts available to a Technical Assistance programme.

The FMOs define a number of programmes and actions. They are aimed at macroeconomic stability largely to be achieved through increasing government savings. Both FMOs are very specific in terms of savings targets for the Central Government and for the public sector as a whole. They further aim at commercialisation of the economy and privatisation of government activities. Diversification of the economy in general and of Agriculture in particular plays an important role. This is mainly to be realised through private sector development, and through improving physical and economic infrastructures. The latter also through skills improvement of the labour force to be achieved through Technical and Vocational Training programmes. In addition the FMOs specify programmes and actions to alleviate the impact of the declining activities in the Banana sector. Education, Health and Community development are the main sectors distinguished.

**Government Commitments:** The Government has committed itself through these FMOs to indeed formulate and implement the programmes defined. This should be evidenced by presenting to the European Commission (the Delegation in Barbados) the programmes and

reports on the progress made under these programmes.

Implementation procedures: The PSIP support is earmarked for programmes identified in the FMOs and these should be part and parcel of the Public Sector Investment Programmes of the recipient Government. As such they should be included in the annual budget to be approved in Parliament. In addition, the FMO Stabex-96/97 requires programme plans that are consistent with the overall sector strategies. These programme plans should be formulated in consultation with the EDF/PMCU and the Delegation in Barbados and approved by the government and endorsed by the European Commission.

Tranche releases: Funds are transferred from the Euro account in Brussels to a double signature EC\$ account in the recipient country and from this account to the Treasury. The releases are triggered as soon as certain conditions have been met. These conditions are related to government savings performance and to performance of project implementation. The government savings performance is translated into clear savings targets for a period of three years in each FMO.

In addition to the conditions regarding tranche releases the FMOs formulate a series of Government commitments. Among them several reports to be presented to the European Commission

**Progress:**

The first tranche (approximately EC\$ 12 million) has been transferred to the Treasury about one year ago. A request for the second tranche has been submitted on the basis of the fact that over 70% of the first tranche has already been spent (the requirement in the FMO was that more than 70% should be effectively committed). Through the 2001/2002 budget an additional EC\$ 2.7 million has been committed. In other words over EC\$ 11 million or 95% of the first tranche have been spent or committed. Since more than 100% of the Stabex-95 funds have been spent or committed it is expected that the over-commitment of Stabex-95 will be covered by Stabex-96/97. This implies that an additional EC\$ 11 million, or about 40% of the total available under Stabex-96/97 should be financed from this programme rather than from Stabex-95. This would imply that virtually all funds available under the Stabex have been spent or committed.

**Project title: Support Services to the National Authorising Officer**

**Accounting number:** Stabex 1994/22  
**Implementing agency:** Prime Minister's Office  
g  
**Date of financing agreement:** 10/31/00  
**Date financing agreement expires:** 12/31/04  
**Project duration:** 3 years  
**Value of financing agreement:** €1,235,114

Accounting Situation as 6/24/02 (All figures in Euro)				
Primary commitment in €	Secondary commitment in €	Disbursed in €	% Disbursed	
1,235,114	0	0	N/A	

**Project overview:**

The provision of support services to the NAO is meant to strengthen the existing in-house capacity within the Ministry of Planning to administer the European Union funding. The Unity has been transferred to the Prime Minister's Office

The provision of support services to the NAO is meant to strengthen the existing in-house capacity within the Ministry of Planning to administer the European Union funding. This will ensure the optimal utilization of EU assistance in support of national developmental objectives.

The project consists of the following activities:

- Appointment of a Programme Coordinator who will assume responsibility for the overall management and supervision of the unit.
- Recruitment of Programme/Project analysts to carry out the monitoring and implementation of increased EU financing to St. Lucia.
- Recruitment of a Social Planner/Sociologist and an Economist who will be specifically charged with the responsibility of administering the Social Recovery programme (to be confirmed by the work programme).
- Recruitment of one accountant.
- Establishing an efficient Administrative Unit within the EDF/PMCU. This will involve the recruitment of one administrative officer, the purchase of office equipment and the provision of suitable accommodation to house the unit.

**Progress:**

The Work Programme was signed on 24.08.01 and covers the entire duration of the Financing Agreement (3 years).

A selection process for the personnel of the unit took place in June- July 2001 .

The Programme Co-ordinator, the three Programme Analysts, the Accountant, Administrative Officer and other Administrative Staff have all been recruited and commenced work from February 1<sup>st</sup> 2002. New Office space has been provided by the Government of St. Lucia for the staff of the Unit.

Additionally, the Technical Advisor to the NAO has also been recruited commenced his duties from February 2003.

Between September 2002 and March 2003, two programme analysts and the Administrative Assistant were involved in Project Management training.

**Project title: Water Resource Management Project**

**Accounting number:** Stabex 1995/06  
**Implementing agency:** Ministry of Agriculture, Forestry and Fisheries  
**Date of financing agreement:** 12/1/99  
**Date financing agreement expires:** 12/ 1/02  
**Project duration:** 3 years  
**Value of financing agreement:** €868,000

Accounting Situation as 6/24/02 (All figures in Euro)

Primary commitment in €	Secondary commitment in €	Disbursed in €	% Disbursed
868,000	343,906	175,867	51.1%

**Project overview:**

The overall objective of the project is to ensure the viability of all forms of agricultural production on St. Lucia, by creating the capacity of the government to effectively manage the use of water. This would address several problems, such as:

The overall objective of the project is to ensure the viability of all forms of agricultural production on St. Lucia by creating the capacity of the government to effectively manage the use of water. This would address several problems, such as:

- The high variability in income farmers receive due to the drastic reduction in yields, consequence of the dry season.
- The lack of a clearly articulated national water resource policy.
- The lack of clarity in institutional response mechanisms towards water management

The project, co-financed with the St. Lucian government - providing XCD1,582,665 consists of the following activities:

- Establishment of a Water Resources Management Unit.
- Training for WRMU staff in the fields of applied water management.
- Provision of a regulatory framework for water resource management in support of agricultural production.
- Installation of a comprehensive network of hydrometeorology stations around the island to provide data on parameters related to crop irrigation and drainage requirements.
- Increasing efforts to strengthen public education.
- Categorization of all major drainage basins on St. Lucia in terms of their potential for provision of viable irrigation water and supply of domestic drinking water. One watershed management specialist will be hired for the duration of one month for this.

**Progress:**

The project has succeeded in defining the role of the WRMP vis-à-vis the various institutions, namely the NSWC, the MoA, the Irrigation Management Unit and the Banana Trust. In connection with the first Annual Work Programme, the following has been achieved:

- a) Staffing of the Unit has been completed
- b) Equipment / hardware for project use has been purchased

The second work programme was signed by the Head of the EU Delegation on Issues to be tackled in the second annual Work Programme are: staff training, installation of hydrometric monitoring systems, public / farmer sensitisation programme, watershed of issues.