



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

**OFFICE OF THE NATIONAL AUTHORISING OFFICER
IN ST. KITTS AND NEVIS**

**COOPERATION BETWEEN
THE EUROPEAN UNION
AND
ST. KITTS AND NEVIS**

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TABLE OF CONTENTS

1	UPDATE ON THE POLITICAL, ECONOMIC AND SOCIAL SITUATION	3
1.1	UPDATE OF THE POLITICAL SITUATION	3
1.2	UPDATE OF THE ECONOMIC SITUATION	3
1.3	UPDATE OF THE POVERTY AND SOCIAL SITUATION.....	6
2	OVERVIEW OF PAST AND ONGOING EC COOPERATION	8
2.1	PAST AND ONGOING EC COOPERATION	8
2.2	POLICY COHERENCE FOR DEVELOPMENT (PCD)	10
2.3	EU STRATEGY FOR THE CARIBBEAN	10
2.4	DONOR COORDINATION AND HARMONISATION	11
2.5	DIALOGUE IN COUNTRY WITH THE NSAs, LOCAL AUTHORITIES AND NATIONAL PARLIAMENTS	11
3	CONCLUSIONS.....	12
A.	GENERAL ANNEXES "COUNTRY AT A GLANCE" – TABLE	13
A1.	TABLE OF MACROECONOMIC INDICATORS.....	13
A2.	TABLE OF INDICATORS FOR THE MDGs	14
B.	ANNEXES WITH A RETROSPECTIVE CHARACTER.....	16
B1.	THE 9 TH EDF AND PREVIOUS EDFs AS PER CLOSURE OF FINANCIAL YEAR OF 2007.....	16
B2.	REGIONAL PROJECTS	18
B3.	EIB PROJECTS	19
B4.	USE OF BUDGET SUPPORT	20
C.	ANNEXES WITH A PROSPECTIVE CHARACTER.....	21
C1.	INDICATIVE TIME TABLE FOR DISBURSEMENT OF 9 TH EDF AND ANY PREVIOUS EDFs.....	21
D.	ANNEXES ON AID EFFECTIVENESS.....	22
D1.	COMPLETED EAMR AID EFFECTIVENESS QUESTIONNAIRE.....	22
D2.	DONOR MATRIXES ON CURRENT AND FUTURE DONOR ROLES	28

1 Update on the Political, Economic and Social Situation

1.1 Update of the political situation

In March Prime Minister Denzil Douglas held talks with Venezuelan President Hugo Chavez at which President Chavez pledged to assist the eastern Caribbean country in several areas including housing and a wide-ranging skills training programme for young people. Prime Minister Douglas said the talks touched on wide ranging matters including assistance as St. Kitts and Nevis continues to move the economy away from sugar to tourism, hospitality and financial services.

The head of the 12-member National Advisory Electoral Reform and Boundaries Committee, Raphael Archibald reported that plans to transform the country's electoral system were progressing well. Mr. Archibald subsequently submitted a final report in July which was presented to the parliamentary Constitutional and Electoral Reform and Boundaries Committee, chaired by Deputy Prime Minister Sam Condor. Mr. Condor has pledged to make available to the public all pertinent documents related to the on-going electoral reform process.

In November parliament began debating electoral reform legislation which government officials said was to ensure the continuation of free and fair elections in the twin island Federation. Prime Minister Dr Denzil Douglas, who introduced the National Assembly Elections (Amendment) Bill 2007 to Parliament, said the amendment was aimed at defining who may qualify as a registered voter, in addition to making provision for the use of national identification cards in the electoral process.

The St. Kitts-Nevis government ratified the amendment to the United Nations Framework Convention on Climate Change, also known as the Kyoto Protocol. Countries ratifying the Protocol commit to reducing the emission of carbon dioxide, methane, sulphur hexafluoride and other green house gases.

1.2 Update of the economic situation

St. Kitts and Nevis is a middle income country with a small open economy. It has an area of 261 sq km; a population of 49,900 (2006 EIU estimate); a population density of close to 190 inhabitants per sq km; an estimated GDP per capita of US\$10,041.59 (at current market prices). The income per capita of the citizens of St. Kitts and Nevis is among the highest in the Eastern Caribbean (together with Barbados and Antigua & Barbuda).

St. Kitts and Nevis economy has been historically dependent on the export of sugar. The closure of the sugar industry in 2005 set the stage for a new economic course. The key challenges now facing the economy include (i) *transition out of sugar* as the country grapples with the challenge of putting labour and land released from the sugar sector to more productive uses through the implementation of the National Adaptation Strategy (NAS) which aims to put the economy on a sustainable growth path; (ii) *debt burden*, the result of exogenous shocks and accommodative policies amounted to about 185 percent of GDP by the end of 2006. In the 2006 budget the authorities announced the boosting of the primary surplus to 8 percent of GDP by 2010 and placing public debt on a solid downward trajectory; and (iii) *Vulnerability*, the economy is vulnerable to external shocks, particularly natural disasters and shifts in tourism demand. High public debt leaves little room for manoeuvre in the event of adverse shocks.

Recent Economic Performance

The economy grew by 2.52 percent in 2006, driven by tourism, construction and communications. Growth is projected at 3.3 percent in 2007, with tourism receipts marginally lower, notwithstanding the Cricket World Cup. Average inflation reached 8.5 percent during 2006, the highest in the ECCU. This reflected large adjustments in fuel prices and a new fuel surcharge for electricity, which led to

higher prices for other items, particularly transportation and food. Inflation has since decelerated to under 5 percent.

Reflecting strong construction-related imports, the current account deficit increased to 29 percent of GDP in 2006. This was largely financed by tourism-related FDI (40 percent of GDP, twice the level in 2005). The current account deficit is projected to widen slightly to 31 percent of GDP in 2007, but will continue to be largely financed by FDI. Although prudential indicators point to some strengthening of the banking system, its high public sector exposure has increased further. As of June 2007, banks held 44 percent of total public debt (an increase of 10 percentage points from end-2004), with the majority held by indigenous banks. Indeed, the public sector accounted for 68 percent of locally-incorporated banks' loan portfolios.

The Government achieved a sizable primary surplus in 2006, for the second year in a row. A buoyant economy, the electricity surcharge, and strengthened tax administration allowed the government to broadly preserve the revenue gains realized in 2005. While government wages were contained, expenditure overruns continued for goods and services, capital, and net lending. The primary surplus is projected to decline in 2007. Several factors are contributing: a reduction in the electricity fuel surcharge in early 2007 and a sharp increase in net lending in St. Kitts; and a near tripling of capital expenditure in Nevis, with major road projects underway.

The picture for the broader public sector is less clear. There is little financial information on public enterprises – whose share in public debt reached 38 percent by end- June 2007 – hindering an accurate assessment of the public sector fiscal stance and debt sustainability. Public debt remains a major source of risk. Although debt declined by about 10 percent of GDP during 2006, rising debt service costs – reflecting increasing rates for new borrowing – crowded out social spending. Facing tightened external borrowing conditions, the Government has not accessed new commercial external borrowing since 2005, relying instead mainly on the expensive overdraft facility, which has tripled in two years to about 22 percent of GDP by end-June 2007.

In October 2006, the CDB approved a policy-based guarantee, renewable annually, covering one year of debt service on a proposed 12-year bond of EC\$150 million. Proceeds from the bond, when fully subscribed, would be used to repay more costly debt. In February 2007, the CDB approved a policy-based loan (PBL) of US\$20 million. The PBL is intended to support policy and institutional reforms while helping the Federal Government to improve its debt dynamics by using the proceeds of the loan to replace some of its high-cost debt. The loan will be disbursed in a two-tranche operation, and disbursements will be based on the implementation of an agreed set of policy reforms. The policy reforms are aimed at improving public finance management, particularly budget management and revenue systems and public sector enterprise governance structures, to achieve fiscal and debt sustainability. The first tranche of the PBL was scheduled to be released in June 2007, however this was delayed pending implementation of policy measures and the approval for disbursement of the first tranche was granted by the CDB in April 2008.

Structure and management of public finances

The Government aims to raise the primary surplus to 8 percent of GDP by 2010, putting debt on a solid downward trajectory. The authorities have already taken important steps toward this goal, including strengthening tax administration; introducing an electricity fuel surcharge; adopting an automatic fuel pricing mechanism; and moving toward market valuation- based property tax.

The authorities introduced performance budgeting in 2008 to allow for greater accountability in the use of budget resources. The Government is planning to corporatize the Electricity Department, which has been a substantial drain on the budget. With assistance from CARTAC, the Debt Unit has compiled a comprehensive government debt database. CIDA is currently providing technical

assistance to the GoSKN to further strengthen the Debt Unit, improve debt management capacity of statutory bodies, and formulate a strategy to retire more costly debt.

In March 2008 an update of the PFM situation was carried out which concluded that some positive actions had been taken by the GoSKN in implementing public financial management reforms during the last twelve months. These reforms include the introduction of performance based budgeting in the 2008 budget; the enactment of the Financial Administration Act, no'13 of 2007 in June 2007 which has important guidelines for the monitoring of government entities and for the use of advances; the creation of a Government Entities Oversight Board and the requirements in the new FAA to provide financial information on a regular basis to the Ministry of Finance; the drafting of a new (business) Income Tax; discussions on the introduction of VAT in 2007; drafting of a procurement bill; appointment of the Financial Secretary as the Chair of the Central Tenders Board; recruitment and training of new personnel for internal audit; appointment of a new Accountant General and staff for the unit which has helped to facilitate a new direction in the Treasury; and an extensive review of the debt which began on 10th March 2008. Although it is clear that significant weaknesses remain in the PFM system the initiatives taken by the GoSKN in 2007 to address the problems identified in the PEFA demonstrates their willingness to implement the necessary PFM reforms.

The GoSKN has drafted a PFM action plan which is expected to be approved by Cabinet in the first half of 2008. A full PEFA will be carried out in the first quarter of 2009.

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

St. Kitts & Nevis is a Member of the OECS, the CARICOM and the Association of Caribbean States (ACS). The country's main trading partners are the OECS and CARICOM countries, the United States, Japan, and the European Union countries, the main traded items being commodities, agricultural produce and beverages. It has concluded CARIFORUM-EU EPA negotiations which were launched in 2004, it is engaged in 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 and Montserrat 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.

The EU and the African, Caribbean and Pacific countries (ACP) had been working to put in place new Economic Partnership Agreements (EPAs) by the start of 2008. The EPAs aim at progressively and asymmetrically removing barriers to trade and enhancing cooperation in all areas related to trade. They also aim at providing an open, transparent and predictable framework for goods and services to circulate freely, as well as to promote incoming investment, thus increasing the competitiveness of the ACP.

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 twenty-five 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 a 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 2005 Human Development Index, St. Kitts and Nevis is ranked highest among member countries of the OECS and listed at number 2 in the entire Caribbean and Latin American region.

The 2001 St. Kitts and Nevis Poverty Assessment Report produced a range of indicators of poverty and vulnerability in St. Kitts and Nevis (a new Poverty Assessment is currently being conducted and should be completed by end 2007). The estimated poverty incidence was similar in St. Kitts and Nevis at around one in three individuals. The calculated average percentage of individuals living below the poverty line in both St. Kitts and Nevis was estimated to be 31.2% (2001 Poverty Assessment). These individuals have expenditure levels below those needed to purchase a basic basket of food and non-food items. The incidence of indigence, on the other hand, measures the proportion of individuals and households who have levels of expenditure below those required to purchase a basic food basket. According to the figures above, just over 4 percent of households in St. Kitts and 8.1 percent of households in Nevis find themselves in this desperate situation.

A key vulnerable group includes women who are heads of households and are employed in elementary occupations. Poverty is substantially higher among women than among men in Nevis, but the differences are minimal in St. Kitts. Poverty is highest among larger households with children. The Poverty Assessment finds strong evidence that the poor are in work, as they show higher employment rates than the non-poor. The working poor owe their condition to low and irregular earnings on the one hand, and a larger number of dependants on the other. Poverty incidence is higher among households whose heads are in elementary occupations. In addition to income deficits, the poor also have deficits in their living conditions as measured by the provision of basic sanitation services and cooking facilities. There was consensus among those interviewed for this review that, since the data for the Poverty Assessment was collected in 1999, some poverty reduction has ensued, but in the view of the majority of respondents those groups identified as vulnerable in 1999 remain the key vulnerable groups today. The 2001 Poverty Assessment pointed to a high incidence of poverty among youth.

In 2005 St. Kitts and Nevis discontinued the export of sugar and closed the industry for such purposes. The effects of the closure of the industry was expected to be felt more directly by the displaced sugar workers and their dependants (both within and outside their households), through losses in income, well-being, and protection. However, the effects would also extend to their communities, through multiplier effects on the local economy and the social impact thereof.

St. Kitts and Nevis is developing a National Poverty Reduction Strategy and Action Plan to be finalised after the completion of the 2007 Country Poverty Assessment (which includes a Survey of Living Conditions).

2 Overview of Past and Ongoing EC Cooperation

2.1 Past and Ongoing EC Cooperation

The Country Support Strategy Paper and National Indicative Programme (NIP) under the 9th EDF for St. Kitts and Nevis was signed in 2003. The 9th EDF amounted originally to € 3.4 M for the A envelope, increased to € 6.4 M following the MTR after the transfer of previous EDFs. The focal sector, with 85% of the A envelope and all the additional funds, is Education, with particular emphasis in the promotion of the use of ICTs and continued education for adults.

Although the draft conclusions of the end of term review in 2006 for the 9th EDF proposed to maintain the focal sector, the allocation from the A-envelope was inexplicably cut by over half a million euros. The amount remaining for the B-envelope was also transferred to the long-term development reserve.

The focal sector in the 10th EDF will be safety and security with a proposed allocation of € 4.08 M. In addition, St. Kitts and Nevis benefits from the Accompanying Measures for Sugar Protocol Countries (AMSP) support scheme as of 2007.

2.1.1 Focal Sectors

The 9th EDF amounted originally to € 3.4 M for the A envelope, increased to € 6.4 M following the MTR after the transfer of previous EDFs. The indicative allocation after the ETR was € 6.2 M. The focal sector, with 85% of the A envelope and all the additional funds, is Education, with particular emphasis in the promotion of the use of ICTs and continued education for adults.

9th EDF ITTMP Project

The implementation of the 9th EDF IT-based Training and Management Project has improved due in part to the recruitment of an international technical expert working in collaboration with a Local Project Coordinator working out of the Ministry of Education. Through these combined efforts, aided by the Office of the NAO, the GoSKN was able to make all commitments under the final programme estimate. All major ICT-training activities are expected to commence in the first quarter of 2008. These include International Computer Drivers Licence (ICDL) training of 1200 teacher, civil servants and members of the general public; as well as specialised certificate level technical and maintenance training. Similarly, technical experts have been recruited for the capacity building aspects of the programme - curriculum development, TVET training, procurement, information technology management and public relations. Even though there have been delays in implementation of the long term training component (undergraduate and postgraduate studies), four persons have already taken up training opportunities. The Delegation will work assiduously with the GoSKN to ensure full implementation of this aspect of the project in 2008.

9th EDF ICT4EDC Project

The Financing Agreement for the new Information and Communication Technology for Education, Diversification and Competitiveness (ICT4EDC) Project in St. Kitts and Nevis (EURO 2.6 million) was signed in November 2007. It is anticipated that the Project Steering Committee (PSC) will be in place by the end of the first quarter of 2008. Shortly after this, it is expected that the first programme estimate will be approved and the tender for the technical assistance team to manage the project will be launched.

2.1.2 Projects and Programme outside Focal Sectors

9th EDF: About 15% of the A-allocation (€ 0.5 m) is to be used for studies, audits and technical support under the Technical Cooperation Facility (TCF). The Financing Agreement was signed in April 2004. Approximately 95% of these funds have already been committed and 69% have already been used to date.

2.1.3 Utilisation of "B" Envelope

Following the Mid-Term Review exercise, and by taking into account both the physical and economic vulnerability of St. Kitts and Nevis it was agreed to maintain the original 9th EDF Country Strategy Paper/National Indicative Programme €0.6 million allocation of the B-Envelope, reserved for ECHO activities. St. Kitts and Nevis has not received any FLEX allocations or other allocations from the B-Envelope.

2.1.4 Other Instruments

St. Kitts and Nevis benefits from the Accompanying Measures for Sugar Protocol Countries (AMSP). The Government of St. Kitts and Nevis prepared its own National Adaptation Strategy in response to reform of EU sugar regime and this was submitted at the end of April 2006. The Strategy addresses economic/fiscal and structural issues and maps out economic diversification programmes and activities relating to non-sugar agricultural diversification, social protection, poverty reduction, environmental protection, investment in new enterprises and overall production. These measures have been integrated into the general "Development Cooperation Instrument" (DCI) for 2007-13.

Accompanying Measures for Sugar Protocol Countries

St Kitts and Nevis is a beneficiary of the EU/ACP sugar protocol. While the theoretical advantage for SKN derived from the sugar protocol was estimated (difference between the guaranteed quota price and average world market prices) at € 5.8 million, in practice the average cost of production was above the EU intervention price. The subsidy provided by the Government to the sugar sector was estimated to be about 3% of GDP.

In response to the reform of the European Union (EU) Sugar regime and in keeping with the "Action plan for accompanying measures for Sugar Protocol countries affected by the reform of the EU sugar regime" (document SEC (2005)61 of 17 January 2005) and Regulation (EC) No. 266/2006 of 15 February 2006 establishing accompanying measures, the Government of SKN completed a comprehensive multi-annual adaptation strategy in April 2006. The Country's 2006 allocation amounts to €2,845,000, and is intended to support i) The strengthening of Government planning and coordination mechanisms and the establishment of the institutional framework for managing the adaptation process; and ii) Community empowerment and private sector development to meet the social and community needs of ex-sugar workers and the whole community and create conditions for business development.

The first Programme Estimate was approved in December 2007 (following lengthy discussions with the NAO on the currency of the bank account). The tender dossier for the long-term TA is under preparation.

The Financing Agreement for the 2007 Annual Action Programme for €10,457,000 to be provided through general budget support was signed in February 2008. The primary objectives of the programme are (i) to support macroeconomic reform for a more stable macroeconomic environment; (ii) to support PFM reform to enhance the efficiency, effectiveness and accountability of public financial management systems; (iii) to promote private sector development through diversification of the production base and increased productivity; and (iv) to support social transformation through improved poverty reduction planning and policies, human capital development and protection of the poorest and most vulnerable groups. The assessment for the disbursement of the first tranche will take place in the first half of 2008.

2.2 Policy Coherence for Development (PCD)

Agriculture

The sugar industry had played a crucial multifunctional role within the context of the social and economic development in St. Kitts and Nevis despite its poor financial performance in recent years. The closure of the sugar industry will present a multiplicity of challenges relating to fiscal, financial, environmental, economic and social issues in context of the small size of the economy; the relative importance of the sugar industry in the social and economic aspects of rural stability; weak fiscal performance and high level of public sector indebtedness; and the magnitude of the level of resources (both financial and human) needed for economic and social transformation. These challenges, however, can provide an opportunity to reconfigure the economy of St. Kitts and Nevis to be more productive and competitive, and can likely lead to a major societal transformation as the Government prepares to implement an economy-wide Adaptation Strategy and Action Plan.

Information Society

As ICT has been strategically chosen by the Government of St. Kitts and Nevis as one of the pertinent sectors necessary for their vision of diversification and economic integration, it has been highlighted in the social policies and priorities which include the annual Budget Address, the Medium Term Economic Strategy Paper and the Adaptation Strategy. Some progress has been made in the development of this sector which includes the preparation of the National ICT Policy Strategy.

In the prior years several initiatives have been undertaken in order to assist in the formulation of a National ICT Policy Strategy. In 2002, the ECTEL/OECS ICT Project provided the framework for which a drafting process for the ICT strategy document commenced. However, the draft document produced had not been formally adopted by the Cabinet. In June 2006, a National ICT Strategic Plan consultation meeting convened and birthed a National ICT Strategic Plan Committee which was mandated to develop a strategic plan. The Committee has identified five focal areas namely, E-Government, Human Resources specifically in the areas of Education and Social Development, Infrastructure and Policy and Legal Framework. The National ICT Strategy Plan was approved and adopted by Government in November 2006.

Environment

The biological resources in St. Kitts and Nevis, 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. Further degradation of the natural resources greatly influences the prospects of the country for social and economic development.

SKN has certain obligations under a number of multilateral environmental agreements (MEAs). These include the United Nations Convention on Biological Diversity (CBD), the United Nations Framework Convention on Climate Change (UNFCCC), and the United Nations Convention to Combat Desertification (UNCCD).

2.3 EU Strategy for the Caribbean

The Commission's *Communication on an EU–Caribbean Partnership for Growth, Stability and Development* (March 2006) outlines the future policy for EU–Caribbean relations. Aiming at enhancing the Caribbean's own reform and development agenda, the EU approach is based on shaping a political partnership based on shared values; addressing economic and environmental opportunities and vulnerabilities; and promoting social cohesion and combating poverty.

The objective of the EU Communication on the Caribbean is to highlight how the challenges facing the Caribbean can be transformed into opportunities by focusing on the right "policy-mix". The EU's Caribbean strategy is articulated around a vision of the future based on a history of shared values, in parallel with full optimisation of the opportunities of the Cotonou Agreement. The EU's overarching development objective is to assist all the countries in the Caribbean region to achieve their long term development goals in a self sustaining manner.

An EU–CARIFORUM sub-regional meeting that followed the EU-LAC Summit (13th May 2006) committed to deepening cooperation in support of regional integration, social cohesion, and the development of human resources, addressing the impact of migration, terrorist threats, drug-trafficking, organised crime, HIV/AIDS and economic and environmental challenges. Specifically, the EU and the Caribbean states have agreed to fostering cooperation to address security threats, including non-proliferation of weapons of mass destruction (WMD), illicit Small Arms and Light Weapons (SALW) and combating terrorism. The EU also committed to consider supporting the 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).

2.4 Donor Coordination and Harmonisation

With the exception of the UK, the involvement of EU member states in development cooperation is negligible. France has a small development fund for the OECS countries and has recently approached the Delegation to assist in the coordination of activities in this regard. In contrast, Canada and the US have a sizable development component. The Delegation actively participates in the UNDP chaired donor coordination groups and other coordination mechanisms. The Delegation continues to work closely with the IMF, the World Bank, DFID, CARTAC, CIDA and the CDB in particular on budget support. There is also a very close working relationship with the World Bank and UNDP on sub-regional social protection reform. DFID has been actively engaged in sugar reform and adaptation strategy policy planning and dialogue. The Delegation has been consulted on the new programming strategy of the World Bank, the IADB, the CDB and UNDP. Donor coordination on trade issues is effective as the CRNM donor group meets regularly, and there are periodic meetings on drugs and crime issues, for example, the mini-Dublin group meetings. Relations with EIB, CDE and CTA leave a large margin for potential improvement.

Although bilateral assistance is not provided by the majority of bilateral donors, St. Kitts and Nevis does benefit from technical assistance and some other support through various regional initiatives e.g. the multi – donor funded Caribbean Regional Technical Assistance Centre (CARTAC). UN agencies provide technical assistance on a national and regional basis. The Caribbean Development Bank (CDB) and the International Bank for Reconstruction and Development (IBRD) provide loan financing. The Organisation of American States (OAS) provides grant funding to national and regional projects.

2.5 Dialogue in Country with the NSAs, Local Authorities and National Parliaments

During 2006, a NSA Panel was established in St. Kitts and Nevis. The Panel subsequently met with GSKN and the EC Delegation regarding 10th EDF programming matters. The NAO has earmarked resources under the 9th EDF Technical Cooperation Facility to support the NSA Panel in its initial phase and appropriate support for institutional strengthening of NSAs will be made available under the 10th EDF and any other subsequent NIP.

3 Conclusions

St. Kitts and Nevis is a middle income country with a small open economy. It has an area of 261 sq km; a population of 49,900 (2006 EIU estimate); a population density of close to 190 inhabitants per sq km; an estimated GDP per capita of US\$11,262 (at current market prices). The income per capita of the citizens of St. Kitts and Nevis is among the highest in the Eastern Caribbean (together with Barbados and Antigua & Barbuda). St Kitts and Nevis therefore faces major challenges in order to achieve a major and sustainable social and economic transformation. Economic restructuring is necessary in order to meet the domestic challenges, including the demise of the sugar industry, and to facilitate greater integration into the world economy.

Significant shifts in the domestic economy have occurred with agriculture going through a period of restructuring that will eventually result in a more diversified industry with greater emphasis on agribusiness and with a modern skills base requirement. Tourism and financial services are the new lead sectors in terms of their abilities to stimulate economic activity through creating backward and forward linkages within the local economy. Economic restructuring, specifically diversification of the output base of the productive sectors, has been a long-term development strategy of St. Kitts and Nevis and is the cornerstone of its entire development programme.

To this end, the 9th European Development Fund (EDF) National Indicative Programme (NIP) for St. Kitts and Nevis has a primary focus on the education sector with special emphasis on skills development in the area of ICT. The rapid development of the ICT base is regarded as an important element in the pursuit of the Country's diversification agenda. Electronic transactions, trade in services, efficient government services delivered via the internet, etc. are vital for modernising the service sector of the economy. Given the correct enabling environment, these technologies could provide the support for St. Kitts and Nevis to overcome some of its physical and economic constraints and compete in the global market.

By the end of 2007, as a result of the use of effective implementation strategies, the majority of funds for the 9th EDF had been committed in global commitments. Similarly funds for all ongoing projects were committed in individual commitments prior to the respective d + 3 deadlines. This improved outlook bodes well for achievement of project results in 2008 – 2009. Similarly, a lot of the groundwork has been laid for effective implementation of both the 2006 and 2007 Sugar-related projects. Further, every effort has been made to ensure synergies amongst projects in the active portfolio of the Federation, while ensure adherence to the state's Adaptation Strategy.

The focal sector in the 10th EDF will be safety and security with a proposed allocation of € 4.08 M. In addition, St. Kitts and Nevis benefits from the Accompanying Measures for Sugar Protocol Countries (AMSP) support scheme as of 2007.

Beyond economics, full recognition must be accorded to the social development challenges, such as unemployment and poverty, and to the crosscutting issue of gender equity, together with the wide range of environmental concerns. The intended transformation is towards a new and sustainable social, as well as economic, environment with GSKN fully committed to enabling all citizens genuinely to participate in the evolving society.

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

A1. Table of Macroeconomic Indicators

Indicator	Actual			Estimate			Projected			
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
stock of net imputed official reserves	49	60	70	68	74	78	81	81	82	82
capital expenditures	10,3	8,4	13,9	6,9	8,2	8,6	8,2	6,2	5,6	5,6
grants	0,8	0,5	3,0	0,6	1,6	0,9	2,6	1,7	0,0	0,0
cap revenues	0,3	0,4	0,7	0,2	0,2	0,2	0,2	0,2	0,2	0,2
tot reven			35	33	35	40	39	37	37	37
current revenues			31,1	32,3	33,6	38,5	35,8	34,9	36,5	36,6
Tot expenditur			53	42	44	45	42	39	38	38
net lending			5,4	1,4	1,4	0,7	0,0	0,0	0,0	0,0
capital expenditure			13,9	6,9	8,2	8,6	8,2	6,2	5,6	5,6
current expenditure			33,7	33,6	34,3	35,4	34,0	33,0	32,6	32,5
National accounts (as % of GDP)										
Gross domestic product ^b	100	100	100	100	100	100	100	100	100	100
Agriculture	2,7	3,1	3,4	3,0	3,0	2,9	2,6	2,5	2,4	2,4
Industry	26,8	28,5	26,8	25,4	26,9	26,4	26,2	26,5	26,4	26,4
Services	70,5	68,4	69,8	71,6	70,1	70,7	71,2	71,0	71,2	71,2
Total Consumption	80	69	81	75	68	71	71	70	70	71
Gross domestic fixed investment	50	54	48	47	48	43	42	41	40	38
Government investment	10,3	8,4	13,9	6,9	8,2	8,6	8,2	6,2	5,6	5,6
Private investment	39,2	45,4	33,8	40,2	39,7	34,4	33,8	34,8	33,9	32,4
Exports (GNFS) ^b	46	46	44	47	52	54	53	54	55	56
Imports (GNFS)	75	69	72	69	68	67	66	65	64	64
Gross domestic savings	21	31	19	25	32	29	29	30	30	30
Gross national savings ^d	30	25	11	18	24	23	22	21	20	20
<i>Memorandum items</i>										
Gross domestic product (US\$ million at current prices)	330	345	355	369	397	421	442	467	492	516
GNI per capita (US\$, Atlas method)	6610	6420	6370	6860	7600					
Real annual growth rates (%)										
Gross domestic product at factor cost	6,5	1,7	-0,3	0,6	4,0	3,6	1,9	3,4	3,9	4,0
Real annual per capita growth rates (% calculated from 1977 prices)										
Gross domestic product at market prices	5,7	0,9	-1,1	-0,2	3,2	2,8	1,1	2,6	3,1	3,2
Balance of Payments (US\$ millions)										
Trade Balance	-121	-112	-113	-118	-127	-130	-137	-140	-146	-151
Exports (GNFS) ^e	150	160	155	174	207	225	233	251	269	288
Merchandise Exports FOB	52	55	64	63	68	72	68	73	77	82
Imports (GNFS) ^e	247	238	257	256	271	283	290	302	317	332
Merchandise Imports FOB	173	167	178	180	195	202	206	213	223	233
Services Balance	24	34	10	36	63	73	80	89	98	107
Tourism receipts	58	62	56	73	91	102	111	121	131	141
Resource balance	-97	-78	-103	-82	-64	-57	-57	-51	-48	-44
Net current transfers	63	18	16	17	18	18	18	17	17	17
Current account balance	-65	-100	-131	-109	-95	-92	-95	-94	-94	-93
Net private foreign direct investment	96	88	80	51	54	56	63	59	62	65
Long-term loans (net)	10	62	44	43	22	6	9	6	4	3
Other capital (net, incl. errors & omissions)	-34	-73	-110	-83	-89	-74	-81	-73	-73	-75
Change in reserves ^e	-7	23	117	98	109	105	104	101	100	100
<i>Memorandum items</i>										
Resource balance (% of GDP)	-29,5	-22,7	-29,0	-22,2	-16,0	-13,6	-12,9	-11,0	-9,7	-8,5
Public finance (as % of GDP at market prices)^f										
Total revenue and grants	29,9	29,0	34,8	33,1	35,4	39,6	38,6	36,8	36,7	36,8
Total expenditure and net-lending	44,3	41,4	53,0	41,9	43,9	44,7	42,2	39,2	38,2	38,1
Central government overall balance	-14,4	-12,4	-18,2	-8,9	-8,5	-5,1	-3,6	-2,4	-1,5	-1,4
Capital expenditure	10,3	8,4	13,9	6,9	8,2	8,6	8,2	6,2	5,6	5,6
Primary balance	-9,5	-6,7	-11,2	-1,2	-0,5	3,3	5,4	6,8	7,7	7,8
Monetary indicators										
M2/GDP	87,4	85,4	87,8	90,6	98,1	..	..	..	..	..
Growth of M2 (%)	27,9	2,3	6,4	6,9	16,4	..	..	..	..	..
Consumer price index (% change, eop)	3,1	2,6	1,8	2,3	2,3	2,0	2,0	2,0	2,0	2,0

a. Projections for 2005-09 are based on an adjustment scenario including the closure of the St. Kitts Sugar Manufacturing Company and the transfer of sugar lands to its creditors in 2006.

b. GDP at factor cost

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

d. Includes net unrequited transfers excluding official capital grants.

e. Includes use of IMF resources.

f. Combined accounts of the Federal government of St. Kitts and Nevis and the Nevis Island Administration.

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

A2. Table of indicators for the MDGs

	1990	1994	1997	2000	2003	2004	2005
Goal 1: Eradicate extreme poverty and hunger							
Income share held by lowest 20%	..	..	..	..	..	..	..
Malnutrition prevalence, weight for age (% of children under 5)	..	..	..	..	..	..	..
Poverty gap at \$1 a day (PPP) (%)	..	..	..	..	..	..	..
Poverty headcount ratio at \$1 a day (PPP) (% of population)	..	..	..	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..	..	..	..
Prevalence of undernourishment (% of population)	..	..	19	..	11	11	10.0
Goal 2: Achieve universal primary education							
Literacy rate, youth total (% of people ages 15-24)	..	..	..	..	..	..	..
Persistence to grade 5, total (% of cohort)	..	..	..	87	..	..	..
Primary completion rate, total (% of relevant age group)	..	..	..	119.0	107.5	114.3	..
School enrollment, primary (% net)	..	..	..	..	..	..	93.0
Goal 3: Promote gender equality and empower women							
Proportion of seats held by women in national parliament (%)	7.0	..	13.0	13.0	13.0	13.0	13.0
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 nonagricultural sector (% of total nonagricultural employment)	..	..	..	..	..	..	..
Goal 4: Reduce child mortality							
Immunization, measles (% of children ages 12-23 months)	99.0	99.0	97.0	99.0	98.0	98.0	99.0
Mortality rate, infant (per 1,000 live births)	..	..	..	..	..	..	..
Mortality rate, under-5 (per 1,000)	..	..	..	..	..	..	..
Goal 5: Improve maternal health							
Births attended by skilled health staff (% of total)	..	..	..	..	..	..	..
Maternal mortality ratio (modeled 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)	13.6	..	..	..	..	10.7	..
Prevalence of HIV, female (% ages 15-24)	..	..	..	..	..	..	..
Prevalence of HIV, total (% of population ages 15-49)	..	..	..	..	..	..	..
Tuberculosis cases detected under DOTS (%)	..	..	..	0.0	48.6	..	-
Goal 7: Ensure environmental sustainability							
CO2 emissions (metric tons per capita)	1.6	2.1	2.5	2.3	2.4	..	..
Forest area (% of land area)	14	..	..	14	..	..	14.7
GDP per unit of energy use (constant 2000 PPP \$ per kg of oil equivalent)	..	..	..	..	..	..	..
Improved sanitation facilities (% of population with access)	96	..	..	..	96	..	..
Improved water source (% of population with access)	99	..	..	..	99	..	100.0
Nationally protected areas (% of total land area)	..	..	..	..	..	..	..
Goal 8: Develop a global partnership for development							
Aid per capita (current US\$)	193.5	114.1	177.5	88.3	-2.4	-2.3	..
Debt service (PPG and IMF only, % of exports of G&S, excl. workers' remittances)	3	5	5	13	24	..	22.8
Fixed line and mobile phone subscribers (per 1,000 people)	231.1	..	426.8	521.8	610.1	744.9	745.0
Internet users (per 1,000 people)	0.0	..	24.5	61.0	214.1	..	214.0
Personal computers (per 1,000 people)	..	..	..	158.1	214.1	234.1	234.0
Total debt service (% of exports of goods, services and income)	3	5	5	13	24	..	10.6
Unemployment, youth female (% of female labor force ages 15-24)	..	..	..	..	..	..	..
Unemployment, youth male (% of male labor force ages 15-24)	..	..	..	..	..	..	..

	1990	1994	1997	2000	2003	2004	2005
Unemployment, youth total (% of total labor force ages 15-24)	..	..	..	..	..	..	..
Other							
Fertility rate, total (births per woman)	2.7	..	2.4	2.2	2.1	2.1	2.1
GNI per capita, Atlas method (current US\$)	3610.0	5010.0	6000.0	6530.0	6980.0	6980.0	7,840.0
GNI, Atlas method (current US\$) (billions)	0.2	0.2	0.2	0.3	0.3	0.3	0.3
Gross capital formation (% of GDP)	55.4	38.1	44.0	49.5	54.5	54.5	..
Life expectancy at birth, total (years)	67.2	..	70.0	70.8	71.3	..	70.0
Literacy rate, adult total (% of people ages 15 and above)	..	..	..	..	..	..	..
Population, total (millions)	..	..	..	0.4	0.4	0.5	0.5
Trade (% of GDP)	134.9	119.2	124.1	121.0	113.4	112.4	..

Source: World Development Indicators database, April 2006; Latest figures: World Development Report 2007/2008

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.	N° INDIV COMMIT.	TITLE GLOBAL COMMITMENT	END date of implementat ^o	SITUATION END 2007		
			TITLE INDIVIDUAL COMMITMENT		GLOBAL COMMIT.	INDIV. COMMIT	RAC
					AMOUNT ONGOING INDIV. COMMIT.	PAYMENTS ON ONGOING INDIV. COMMIT.	RAP
TOTAL ON ONGOING GLOBAL COMMITMENTS					11,372,001	8,672,175	2,699,826
TOTAL ON ONGOING INDIVIDUAL COMMITMENTS					8,614,820	6,351,901	2,262,919
1995	7ACP SCN7	0	SAINT KITTS & NEVIS HOSPITAL REHABILITATION (+7SCN8).		2,455,569	2,449,911	5,658
1995	7ACP SCN7	1	DESIGN COLLABORATIVE	19990228	262,738	262,738	0
1995	7ACP SCN7	3	MOORJANI/EDGEHILL (PARTIAL SEE 6SCN6/1,8SCN1/1,7SCN10/1,7SCN	20020531	2,173,764	2,173,764	0
1995	7ACP SCN8	0	SAINT KITTS & NEVIS HOSPITAL REHABILITATION (+7SCN7).		43,931	43,931	0
1995	7ACP SCN8	1	MOORJANI/EDGEHILL (PARTIAL SEE 6SCN6/1,8SCN1/1,7SCN10/1,7SCN	20020531	0	0	0
1995	7ACP SCN8	2	DESIGN COLLABORATIVE - SEE 7 SCN 7/1 (COVERAGE FOR EXCHANGE	20021231	43,931	40,179	3,752
1999	7ACP SCN10	0	ST KITTS & NEVIS HOSPITAL REHABILITATION	20031001	5,237	5,237	0
1999	7ACP SCN10	1	MOORJANI/EDGEHILL (SEE 6 SCN 6/1 & 8 SCN 1/1)	20020531	5,237	5,237	0
1999	8ACP SCN1	0	ST KITTS & NEVIS HOSPITAL REHABILITATION	20031001	2,700,000	2,700,000	0
1999	8ACP SCN1	1	MOORJANI/EDGEHILL (SEE 6SCN 6/1 & 7 SCN 10/1) PARTIAL	20020531	2,700,000	2,700,000	0
2003	9ACP SCN1	0	INFORMATION TECHNOLOGY (IT) BASED TRAINING AND MANAGEMENT	20111231	3,067,264	2,997,263	70,001
2003	9ACP SCN1	1	INTERNATIONAL TECHNICAL ASSISTANCE - 649,400 XCD	20070107	204,000	92,042	111,958
2003	9ACP SCN1	2	PROGRAMME ESTIMATE NO.1/IT-BASED TRAINING AND MANAGEMENT	20060614	141,800	33,778	108,022
2003	9ACP SCN1	3	FWC BENEF- HTSPE LTD FOR EUR 198,660 - PROJECT COORDINATOR	20080521	198,660	119,196	79,464
2003	9ACP SCN1	4	FUNDING OF PROGRAMME ESTIMATE 2 2005/6	20061128	41,700	1,711	39,989

YEAR of GLOB. Commit.	ACCOUNTING NUMBER of GLOBAL commit.	N° INDIV COMMIT.	TITLE GLOBAL COMMITMENT	END date of implementat°	SITUATION END 2007		
			TITLE INDIVIDUAL COMMITMENT		GLOBAL COMMIT.	INDIV. COMMIT	RAC
					AMOUNT ONGOING INDIV. COMMIT.	PAYMENTS ON ONGOING INDIV. COMMIT.	RAP
2003	9ACP SCN1	5	PROGRAMME ESTIMATE 3 (29/11/2006 TO 31/05/2008)-IT BASED	20080531	1,385,000	394,885	990,115
2003	9ACP SCN1	6	SUPPLY CONTRACT FOR ICT EQUIPMENT - BOSS PRO-TEC FOR	20070331	157,758	141,982	15,776
2003	9ACP SCN1	7	SUPPLY CONTRACT FOR ICT EQUIPMENT WITH ILLUMINAT(B'DOS) LTD	20070331	323,445	0	323,445
2003	9ACP SCN1	8	SUPPLY CONTRACT FOR ICT EQUIPMENT WITH SOLUTION PROVIDERS	20070331	96,900	85,098	11,802
2003	9ACP SCN1	9	SERVICE CONTRACT WITH CHIEF PERSONNEL OFFICER/HUMAN RESOURCE	20091213	448,000	0	448,000
2003	9ACP SCN1	10	COMMITMENT OF FUNDS TO FINANCE SERVICE CONTRACT	20080831	0	0	0
2004	9ACP SCN2	0	TECHNICAL COOPERATION FACILITY (TCF)	20101031	500,000	475,832	24,168
2004	9ACP SCN2	1	FRAMEWORK CONTRACT NO.2005/102899-B&S EUROPE FOR EUR 30,000	20051231	30,000	28,504	1,496
2004	9ACP SCN2	2	FRAMEWORK CONTRACT NO.2005/110223- SCANAGRI CONSORTIUM	20060106	137,404	109,192	28,212
2004	9ACP SCN2	3	FWC-BENEF-SUPPORT TO NAO OFFICE-SCN WITH 10TH EDF	20060731	15,000	14,636	364
2004	9ACP SCN2	4	FWC BENEF-IBF INTERNATIONAL CONSULTING FOR EURO 99,810 FOR	20060709	99,810	97,845	1,965
2004	9ACP SCN2	6	FWC-DFC SA/MACROECONOMIC SUPPORT TO ACP COUNTRIES-SECTOR	20080910	38,672	23,203	15,469
2004	9ACP SCN2	7	PE1 FROM 25 APRIL 2007 TO 24 OCTOBER 2008 FOR BBD\$398,854.72	20081024	111,000	27,910	83,090
2007	9ACP SCN3	0	INFORMATION AND COMMUNICATION TECHNOLOGY FOR IMPROVING EDUCA	20130630	0	0	0
2007	9ACP SCN4	0	INFORMATION AND COMMUNICATION TECHNOLOGY FOR IMPROVING EDUCA	20130630	2,600,000	0	2,600,000

B2. Regional Projects

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 the Caribbean Regional Negotiating Machinery	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

B3. EIB projects

Project Name	Status	Convention	Contract number	Amount signed (m)		Date of Signature	Amount outstanding (m)		Beginning repayment
				OR	RC		OR	RC	
DEVELOPMENT BANK OF ST.KITTS-NEVIS	Disbursed	Lome - 2	70366		350,000.00	07/21/1983		24,010.00	03/10/1992
NEVIS AIRPORT EXTENSION	Disbursed	Lome - 4	71017		2,000,000	10/10/1995		1,140,200.00	10/05/2001
DBSKN GL III	Disbursed	Lome - 4 - Bis	20692		4,000,000	07/31/2000		2,331,187.27	07/15/2004
Total					6,350,000			3,495,397.27	

B4. Use of budget support

Programme	Type	Amount Signed (M€)	Date of Signature	Amount outstanding	Forecast Tranche Disbursement (M€)	
					Tranche 1 (Fixed)	Tranche 2 (Fixed)
					July 08	Dec 08
Accompanying Measures for Sugar Protocol Countries-allocation 2007 for St. Kitts & Nevis	General Budget Support	10.457 M	20.12. 2007	10.457	5.457	4.32

C. ANNEXES WITH A PROSPECTIVE CHARACTER

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

	FORECASTS 2008										
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50% M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50% M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	675,000	0	675,000	0	337,500	337,500
New Individual Commitments	500,000	221,146	229,932	48,922	336,112	948,000	276,003	389,498	282,498	470,753	806,865
Payments	1,022,042	452,042	470,000	100,000	687,042	973,560	283,445	400,000	290,115	483,445	1,170,487
Decommitments	259,969					151,085					411,054
Decommitments to recommit	0					0					0
Reduction of Old RAL	0	0	0	0	0	9,410	9,410	0	0	9,410	9,410
FORECASTS 2009											
	1st SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50% M	2nd SEMESTER	LOW	MEDIUM	HIGH	TARGET 100%L+50% M	TARGET ANNEE
New Global Commitments	0	0	0	0	0	3,825,000	0	3,825,000	0	1,912,500	1,912,500
New Individual Commitments	135,000	45,344	74,542	15,115	82,615	0	0	0	0	0	82,615
Payments	446,590	150,000	246,590	50,000	273,295	411,500	75,000	138,500	198,000	144,250	417,545
SITUATION on 01/01/2008		PROJETS decided before YEAR 2003		SITUATION on 31/12/2008		ALL PROJECTS		PROJETS decided before YEAR 2003		Amount	Nbr
Σ Ongoing GLOBAL COMMITMENTS	11,372,001	5,204,737		11,609,674	5,199,079					0	0
R A C	2,699,826	5,658		2,130,634	0						0
R A P	2,262,919	3,752		1,588,070	0						0
R A L	4,962,745	9,410		3,718,704	0						0
% RAL / Σ GLOBAL COMMIT.	44%	0%		32%	0%						0
Nbr of years to absorbe RAL	4			3							

D. ANNEXES ON AID EFFECTIVENESS

D1. Completed EAMR aid effectiveness questionnaire

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 arrangements¹

2. Introduction

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

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

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

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

3. Questions and definitions

1	How much technical cooperation did you disburse in 2007 (Total TC in EUR)? <i>OECD question reference in the Paris survey : Q^{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	<i>Q^{d4} / Q^{d3} (please calculate this and enter in the next column as %)</i>	0%
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5 Additional Information

4	Qualitative information² : Are there any significant initiatives to promote coordinated technical cooperation in your country? If so, please provide a short description. And indicate whether they are linked to the Code of Conduct / Division of Labour process or any other "EU initiatives" If not, highlight key constraints delaying joint work on TC and capacity development. Resistance from recipient countries to foreign TA Please note any other comments you have on these issues
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¹ 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}.

² 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	<p>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></p>	0
2	<p>Out of these, how many <u>new</u> parallel project implementation units were established during 2007?</p>	0
4. Additional Information		
3	<p>Qualitative information³:</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	
<p>The aim is to collect data on the number of uncoordinated EC Missions to your country. The information needed is (a) the total number of EC Missions to your country and (b) how many of these were coordinated.</p> <p>The Paris Declaration objectives underlying the related indicator of progress for coordinated missions are: "In planning their missions to the field⁴ it is important that donors: Conduct fewer missions, <u>coordinate timing of</u></p>	

³ 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.**

⁴ 'Field' refers to the country in general including missions to the capital only.

missions with partner authorities and, where necessary, with other donors, *conduct more joint missions, avoid conducting missions during "mission free periods"*⁵.

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 ref: Q ^d 15	How many HQ missions to the field were undertaken in FY 2007? ⁶	12
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;

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
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⁵ The target set for 2010 for indicator 10 a) is to have 40% of donor missions to the field as joint.

⁶ This question applies to the missions from the HQ

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 Matrixes on current and future donor roles

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

Source: World Bank OECS Country Assistance Strategy 2007-2011