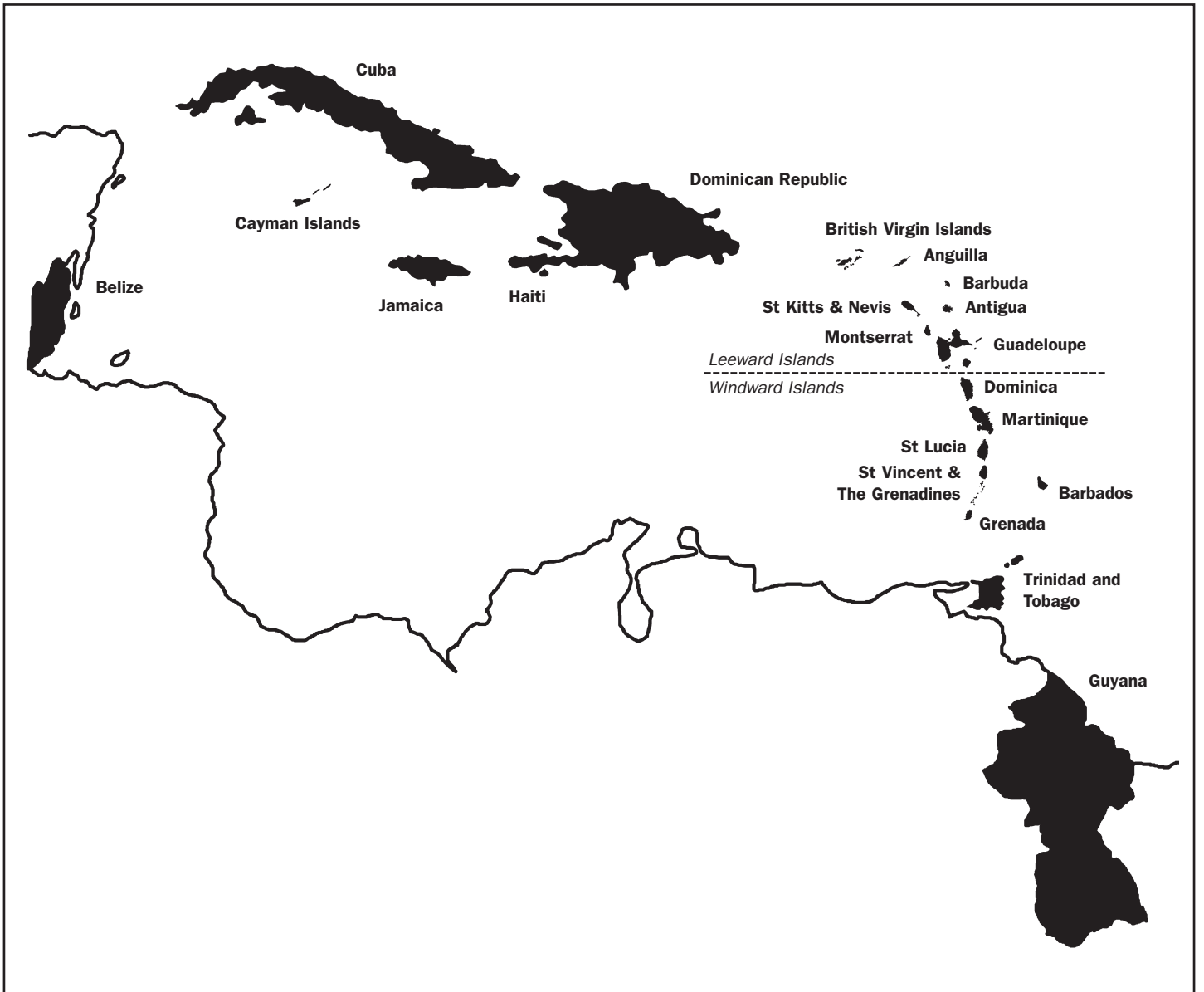


Regional Assistance Plan for the **Caribbean**





Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015. These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America, the Caribbean and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

WHAT ARE REGIONAL ASSISTANCE PLANS?

Regional Assistance Plans set out the broad framework for how DFID aims to contribute to the achievement of the Millennium Development Goals in a specific region of the world. Regional Assistance Plans focus on areas where DFID has smaller country programmes and where those countries are close geographically and face similar development challenges. They explain how DFID will work more effectively with a range of partners (at the national, regional and multilateral levels), building on experience from our bilateral country programmes, to address economic, political and social challenges that inhibit poverty reduction. Regional Assistance Plans will be available electronically at www.dfid.gov.uk. Major reviews of Regional Assistance Plans leading to new printed documents are expected to be undertaken every three to four years, in line with Country Assistance Plans

Regional Assistance Plan for the Caribbean

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A. Summary

- A1. This regional plan sets out the framework for DFID's involvement in the Caribbean over the next three years up to 2006/7. It draws on the UK Government's White Papers on International Development and Globalisation, and DFID's Middle Income Countries Strategy. It contains a summary of DFID's approach to Guyana and Jamaica though separate country plans are being produced for those two countries.
- A2. The Caribbean Community (CARICOM) comprises a diverse group of countries each with their specific challenges and opportunities, but they all face the challenges of globalisation and need to maximize the positive impact and minimize the negative aspects affecting their countries. Each country addresses these challenges to some degree on a national basis, though the continued movement towards regional integration demonstrates their recognition that many issues are best dealt with by coordinating policies and responding at the regional level.
- A3. DFID's overarching goal in the Caribbean is to assist the region to achieve sustainable reductions in poverty in line with the Millennium Development Goals. This effort will operate within and support the framework of poverty reduction and growth promotion policies and instruments embodied in the treaties and communiqués of the Conference of Heads of Government of CARICOM together with the policy frameworks provided by the CARICOM Secretariat, such as the Regional Strategic Framework for HIV/AIDS. CARICOM and its international development partners, including DFID, recognises that to achieve poverty reduction it needs to continue to make progress inter alia in the following areas:
- develop and implement national strategies for sustained poverty reduction;
 - take forward central aspects of the single market and economy to maximize growth opportunities;
 - negotiate effectively as a region on trade issues;
 - address the major threat of HIV/AIDS in the region;
 - strengthen and empower key regional institutions to undertake certain tasks on behalf of national governments;
 - integrate external donor efforts within the frame of national strategies;
 - find a political way forward in Haiti and support its efforts to develop.
- A4. This plan recommends that DFID supports this agenda by engaging with the region at multilateral, regional and national levels. We will:
- work for improved aid effectiveness in partnership with Caribbean and multi-lateral institutions through which we channel most of our assistance, particularly the Caribbean Development Bank (CDB), European Commission (EC), Inter American Development Bank (IDB) and World Bank;
 - direct increased resources to strengthening the capability of regional institutions to meet global challenges including economic stabilisation, trade, HIV/AIDS and crime and violence;
 - focus bilateral assistance on supporting effective delivery of national poverty strategies in Guyana and Jamaica.
- A5. In carrying forward this agenda we will focus on three themes:
- economic and fiscal management and public service delivery within the framework of poverty strategies;
 - trade, competitiveness and economic integration agenda;
 - HIV/AIDS and violent crime.

B. The challenges facing the Caribbean

B1. This section assesses the key factors affecting poverty in the region and some of the main ways in which the Caribbean is tackling the challenges involved.

Description of poverty

B2. It is estimated that approximately 334,000 people, or 8% of the population, live in extreme poverty (\$1 a day) in the poorest countries of the Anglophone Caribbean¹. A further five million Haitians, or 65% of the population, live in extreme poverty, accounting for over 85% of the incidence of extreme poverty within the Caribbean Community (CARICOM)². In all middle-income Caribbean countries there is considerable inequality and there are pockets of severe poverty, though the absolute numbers are fairly small apart from in the Dominican Republic, Surinam, Jamaica and Guyana (see Table 1).

B3. The main groups of poor in the region include:

- those who have lost their source of income because of the removal of trade preferences (particularly banana producers);
- those low income farmers, labourers and their families who are particularly vulnerable to natural disasters;
- the socially excluded indigenous populations of Belize, Guyana and Dominica who have the highest poverty rates in their countries;
- the socially excluded in urban settings with limited skills and opportunities, such as young men in inner city Kingston; the elderly;
- those Haitians who are poor as a consequence of a breakdown in governance and stable political leadership over many years.

B4. In regard to other Millennium Development Goals, Caribbean countries, apart from Haiti, have done well, with the education and health targets either already met or likely to be met by 2015. In the poorer countries of the Anglophone Caribbean halving the proportion in extreme poverty requires annual per capita growth rates between 1990 and 2015 of 1.6% (ranging from 1.5% in

Jamaica, 1.8% in Guyana, 2%–2.5% in the Windwards, and 3.5% in Belize). These rates of growth are possible but current prospects are definitely mixed; they also assume neutral distribution of growth income and action will be needed to reduce inequality.

B5. The overall challenge facing the Caribbean is whether it can maintain and further the gains it has made and whether it can put in place the measures needed to limit vulnerability and take the opportunities available for sustained pro-poor growth. In broad terms, this will determine whether there will be a sustained increase or decrease in the number of poor people over the next three years.

Analysis of poverty

B6. Poverty exists despite relatively high Gross National Product (GNP) per capita rates, and this reflects the fairly high levels of inequality (see table 1). Economic growth has been poor in the majority of countries over recent years. In some countries this reflects weak macroeconomic management and governance though all have been affected by their vulnerable position in the global economy. The main factors that contribute to the Caribbean's vulnerability are small open economies, narrow export and economic bases, heavy reliance on trade preferences and trade taxes, natural disasters, HIV/AIDS and rising drug related crime³.

B7. The major and increasing challenge for the region relates to the open nature of the economies, their dependence on a very narrow range of goods and services and their limited competitiveness. As these countries face global integration of markets for goods and services, and reduction in trade preferences, they face considerable challenges with people losing their traditional livelihoods and small or inefficient producers becoming marginalised. Given the dependence on relatively few exports and small firms, a fair outcome of trade negotiations (Doha, Free Trade Areas of the Americas, European Economic Partnership Agreement) will be critical.

1 In line with its mandate, DFID focuses its efforts on the poorer countries of the Anglophone Caribbean. To this end, in the 1990s we graduated from supporting Antigua & Barbuda and St Kitts & Nevis, focusing our support in the Organisation of Eastern Caribbean States (OECS) on the Windward Islands.

2 CARICOM Members: Antigua and Barbuda, The Bahamas (community but not common market member), Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname and Trinidad and Tobago.

3 The Commonwealth Secretariat's composite vulnerability index provides an indicator of how the Caribbean fares against others – it includes several Caribbean states in the first 20 most vulnerable economies of the 100 developing and small states that were included in the analysis.

- B8. In many CARICOM countries, the private sector's low level of competitiveness has contributed to low or negative economic growth. In some countries this has been partly caused by governments' weak management of the macro economy. There has also been limited progress in providing the appropriate legal, regulatory and institutional environment for private investment and for the completion of the CARICOM Single Market and Economy (CSME). These factors, and the legacy of protectionism, have reduced the dynamism of the private sector as a whole, which now has considerable ground to make up in order to be able to compete effectively as trade preferences erode.
- B9. Many countries, communities and individuals depend on tourism and are hit heavily when tourist demand decreases. The global security environment and increasing competition has increased the volatility of the sector. As in other regions, joining the informal sector has become a major coping strategy for the Caribbean poor as the formal wage sector have contracted. Informal sector employers and employees tend to be more vulnerable to poverty than their counterparts in the formal sector, because of low and less reliable income sources and their reduced access to state welfare schemes.
- B10. Governance in the Caribbean is largely characterised by parliamentary democracies, which have respect for the rule of law and judicial independence. However, mechanisms to enforce accountability are often weak and the performance of the public sector is affected by serious deficiencies in human resources and organisational capacity. Inevitably it is the poor and marginalised who often suffer most from the subsequent inadequate delivery of public services.
- B11. The Caribbean has a considerable and growing HIV/AIDS problem, with a regional prevalence rate of approximately 2.4% among adults (ranging from an estimated 6% in Haiti to 0.05% in Cuba). This is the second highest prevalence rate in the world after sub-Saharan Africa. It is also one of the highest rates of AIDS cases amongst women in the Americas. HIV/AIDS disproportionately affects the younger age cohorts of the population: 70% of cases in the region occur in

TABLE 1 – CARIBBEAN POVERTY AND INEQUALITY COMPARISON

	GDP per Capita (US\$) ⁴	Population ⁴	% of population below national poverty line ⁵	Number of people below national poverty line ⁵	% of population classified as indigent poor ⁵	Numbers of indigent poor ⁵	Gini Coefficient of inequality ⁶
<i>Upper-middle income</i>							
St Lucia	3,840	159,000	25.1	39,909	7.1	11,289	0.43
Grenada	3,500	102,000	32.1	32,742	18.0	18,360	0.45
Dominica	3,180	72,000	33.0	23,760	13.0	9,360	0.49
<i>Lower-middle income</i>							
St Vincent	2,820	117,000	37.5	43,875	25.7	30,069	0.45
Belize	2,960	253,000	33.0	83,490	13.4	33,902	0.51
Jamaica	2,820	2,613,000	16.9	441,597	3.2	83,616	0.38
Dominican Republic	2,320	8,635,000	20.6	1,778,810	3.2	276,320	0.49
Suriname	1,960	423,000	47.0	198,810	--	--	--
Guyana	840	772,000	36.3	280,236	19.1	147,452	0.45
<i>Low income</i>							
Haiti	440	8,286,000	65.0	5,385,900	--	--	--

4 Sources: Data relate to 2002 from World Development Indicators (WDI) 2003.

5 Sources: National poverty assessments and living conditions surveys, except for Haiti and Dominican Republic, which are from WDI 2000. All poverty figures in this table are approximate, with the countries using their own poverty line relating to household living standards. The measure of "indigent" poor approximates to the "\$1 a day" level with the exception of Jamaica and Dominican Republic which are specific World Bank \$ a day estimates

6 Sources: Windward islands – World Bank Country Assistance Strategy 2001; Belize – CDB Poverty Reduction Strategy 2000; DR – WDI 2000; Jamaica, Guyana – World Bank 2003. Gini values closer to 0 indicate more income equality and closer to 1 less equality. Caribbean figures indicate fairly significant inequality. By contrast values for Scandinavia are low (all 0.20s); typically 0.30s for many developed countries; most of Latin & Central America have values in 0.50s.

the 15-44 age group, the most economically active. HIV/AIDS places a significant burden on health care systems and has long term implications for labour, as governments and businesses face productivity losses. In 2000 the total cost of the epidemic is estimated by CARICOM to have been close to 6% of Gross Domestic Product (GDP) with future projections of significant decreases in growth, investment, savings, employment but large increases in expenditure on HIV/AIDS. The key lesson from Africa must be that the Caribbean takes action while the epidemic is in its earlier stages.

- B12. International drug trafficking networks between Latin America and the USA and Europe, involves criminal elements in the Caribbean. The UN Drug Control Programme puts the net regional earnings of the drug industry (mainly cocaine) at \$3.3 billion, or nearly half the GDP of Jamaica or Trinidad. This offers huge illegal opportunities for the region while imposing great social and economic costs not least because drug traffickers are often paid in drugs or weapons. The drugs trade is threatening the stability of democratic structures through violence, corruption and money laundering. In Jamaica, and increasingly in Guyana, drugs are linked with the gang violence and extortion that has blighted poor urban areas and the life chances of the poor people who live there. Although there is a range of measures that individual countries are putting in place, this is an issue which needs increased international and Caribbean action to resolve.
- B13. The Caribbean has experienced a sharp increase in the last decade in violent crime which has been attributed to the drugs trade, growing inequality, unemployment and a mounting feeling of alienation amongst young men in particular. Violent crime and insecurity affects the poorest disproportionately since they live in the most disadvantaged urban areas and cannot afford the means to protect themselves or their property. In turn the violent reputation of their neighbourhoods limits their employment prospects and their access to basic services such as education. Violent crime imposes additional cost burdens on business (for example, security and losses from theft) thus constraining growth and discouraging investment.

- B14. Migration offers very many Caribbean nationals economic opportunities denied at home due to slow economic growth and political turmoil. Freer movement of workers within the CSME could act as a key driver for increased competitiveness in the region. However, in some states emigration is draining public services of skilled and experienced staff. Further negative social impacts of migration include the separation of families. For decades emigrants' remittances in cash and kind have been a traditional means of support and a key social safety net. The scale of remittances varies from country to country but it has grown rapidly in the last ten years (for example, 11.7% of Jamaica's GDP in 1999).
- B15. The links between poverty and gender in the Caribbean are not as clear-cut as in some other regions. The Caribbean has a large percentage of female-headed households but these families are not always poorer than male-headed households. Female labour force participation is relatively high. However, such advances have not consistently translated into greater female empowerment, while violence against women persists. Throughout much of the Caribbean there are concerns about low participation and performance of boys at school and their consequent high unemployment rates which for some increases the risk of anti-social behaviour.

Meeting the challenge

- B16. The Caribbean is tackling these challenges in a range of ways. This section sets out some of the key strategies being employed and highlights the associated risks.

Public service delivery and economic management

- As elsewhere, governments strive for national solutions to national problems. However the diseconomies of small states often limit the choices available to them nationally. Thus regional approaches to gain economies of scale and overcome capacity constraints are well established with organizations such as CARICOM. In the Eastern Caribbean sub-regional institutions such as

the Eastern Caribbean Central Bank (ECCB) and the Organisation of Eastern Caribbean States (OECS) are addressing these challenges. However progress is put at risk by the tension between national and regional priorities, and under-funding or under-performance of some regional institutions.

- In most Caribbean countries well functioning democracies and respect for the rule of law and judicial independence provide a good base for government accountability. Fiscal and debt management could be improved however, and a range of governance issues is of concern. The consequences of poor economic management include lower quality public services and lower growth which particularly impact on the poor and marginalized.
- The Caribbean has high levels of external aid per capita relative to sub-Saharan Africa and South Asia, which supplement domestic resources and those accessed in capital markets. However, compared to other parts of the world, aid instruments remain old fashioned with many stand-alone projects and limited donor integration behind priorities identified and articulated by the region. Therefore there is scope for increased efficiency in aid delivery and for greater impact of total resources.

Trade, regional economic integration and competitiveness

- Most CARICOM countries are well endowed with natural beauty and well placed for tourism; they have also benefited from trade preferences and diversified into financial services. However intense competition in tourism, the reduction in trade preferences and more restrictive global financial codes and standards present a challenge to increase productivity and to diversify into higher value-added goods and services.
- The moves towards economic integration provide opportunities for increased trade and economies of scale within the Caribbean as well as gains in competitiveness from a legal and regulatory

environment that better facilitates business development. There are however major adjustment challenges such as shifting the tax base from primarily external tariffs to domestic sources, addressing declines in the incomes from the erosion of trade preferences and accepting the pooling of sovereignty.

- The related trade negotiations – Free Trade Area of the Americas (FTAA), European Economic Partnership Agreement (EPA), World Trade Organisation (WTO) – provide opportunities for the region to benefit from trade liberalization. There are however significant risks associated with this, given the lack of competitiveness of some Caribbean industries and the likely impact on those countries or groups less equipped to respond to freer trade.

Crime and violence, and HIV/AIDS

- While overall poverty levels in the region are modest, economies in the region are fragile. The influence of drug money is a formidable risk to poverty reduction throughout the region and in some states is severely eroding the rule of law and quality of governance as well as increasing the social exclusion of poor urban youths.
- Well-educated, healthy workforces attract investment. However this is being undermined by HIV/AIDS which is causing suffering not least from stigmatisation. It is also creating costs for families, businesses and nations, and reducing the availability of skilled personnel. Available data indicate that five countries in the region now face generalised epidemics. The Pan Caribbean Partnership Against HIV/AIDS is taking a leadership role and progress has been made in the introduction of national treatment programmes. However, more needs to be done in co-ordinating interventions and in negotiating reduced prices on key medicines.

C. DFID engagement with the Caribbean

- C1. Our historical engagement in the region in support of governments and regional bodies has yielded key lessons in meeting the challenge above. This section begins by setting out these lessons and then articulates our future strategy in the context of regional and international responses to the region's challenges.

Managing the risks

- C2. The messages for us, and we believe for other external partners, in managing the risks in addressing the region's challenges are as follows:

- pursue increased harmonisation of aid delivery in order to increase aid effectiveness and reduce transaction costs for governments and development agencies;
- support Caribbean led processes to identify the region's priorities;
- be clear about the policy issues that are essential for sustained growth and poverty reduction and link national, regional and international action in areas such as trade;
- encourage the building up of those sustainable regional institutions which have substantial support from the region in terms of mandate and funding.

- C3. In addition DFID seeks to mitigate the risks to successfully support the region's development agenda by:

- Working with external partners to improve the quality and impact of the international aid system in helping the Caribbean cope with the risks of globalisation.
- Basing DFID staff in countries where we will continue to have significant programmes (Guyana in the longer term, Jamaica in the medium term). This is essential if we want to engage more closely with governments and partners on key policy issues.
- Deepening our collaboration with other parts of DFID and with other UK government departments to increase cohesion and the effectiveness of our effort.

International response to region

- C4. There are a large number of international organizations involved in CARICOM countries. These are the European Community, Inter American Development Bank, World Bank, International Monetary Fund and the United Nations agencies at the multilateral level. The major bilateral donors are Canada, UK and USA, with Japan and Taiwan significant in the Windwards. Annex A describes donor engagement in the region in more detail.

- C5. Donors employ a variety of instruments ranging from stand-alone projects to budget support. However many of these instruments impose high transactions costs on governments with increasingly stretched capacity. Some require annual reformulation or are more appropriate for larger governments with more capacity. Others are narrowly targeted leading to a multiplicity of donor support interventions. As the region moves towards closer integration, many of the region's external partners are reviewing and seeking to develop regional or sub-regional strategies and programmes. While welcome, this makes it more complex for national and regional institutions to co-ordinate donors operating out of geographically scattered regional headquarters.

- C6. There is a clear recognition that increasing the coherence of donor strategies and modes of implementation, within the frame of CARICOM priorities, should lead to greater effectiveness of international assistance and reduced burdens on governments and regional institutions. As a consequence there are real opportunities over the next few years to support governments and regional institutions in taking this agenda forward. At the same time this will challenge all development agencies in the region to move towards more flexible approaches. DFID's role in taking this agenda forward is set out in the next section.

DFID strategy

- C7. Drawing on the analysis above, this section outlines how DFID will engage with the Caribbean and the international community over the next three years to support the Caribbean's efforts to address its key challenges. It sets out how we will strive to attain

our overarching goal of assisting the region to achieve sustainable reductions in poverty in line with the Millennium Development Goals and DFID's Middle Income Country Strategy. This effort will operate within and support the framework of poverty reduction and growth promotion policies and instruments embodied in the treaties and communiqués of the Conference of Heads of Government of CARICOM together with the policy frameworks provided by the CARICOM Secretariat.

- C8. Within the frame of the total international support to the region, DFID will focus its effort on a few key themes which reflect Caribbean priorities. We will seek to help the Caribbean make progress in these focus areas, by identifying with partners where DFID can bring specific added value, whether based on specific UK institutions and expertise, or specific DFID approaches. Where no discrete value added is identified, DFID will not engage.

Areas of focus

- C9. We will build on our current programmes of support and will leverage international efforts to focus increasingly on the following three key themes:

- **Economic and fiscal management and public service delivery within the framework of poverty strategies:**

We will work closely on this with the Caribbean Centre for Development Administration, the ECCB and national governments, along with the Caribbean Regional Technical Assistance Centre on fiscal reform issues. We will also engage with the Caribbean Development Bank (CDB), World Bank, IMF and the OECS.

- **Trade, competitiveness and economic integration agenda:**

We will work closely with the CARICOM Secretariat on CSME, and with the Regional Negotiating Machinery on trade issues; and also the CDB, EC and the World Bank. We will work with these institutions to secure enhanced private sector and civil society input into regional trade negotiation and CSME positions. This work is part of DFID's

wider efforts to ensure a fairer, rules-based global trade system.

- **HIV/AIDS and violent crime:**

We will support the Pan Caribbean Partnership Against HIV/AIDS in line with the Caribbean's Regional Strategic Framework for HIV/AIDS. We will also engage with the wide range of donors and lenders providing support to HIV/AIDS efforts in the region. We will support efforts to reduce violent crime, primarily focusing on Guyana and Jamaica, along with engaging with the UK Government's efforts to support wider Caribbean efforts to tackle the underlying causes.

How we will work

a. Our institutional approach

- C10. We will work with the international community to improve the wider policy environment for poverty reduction to help ensure that international development assistance is used more effectively to reduce poverty in the region. We will strengthen those key regional institutions best placed to provide sustainable services to the region in the long term, alongside our direct engagement with national governments.
- C11. We will continue to deepen our collaboration with other UK Government departments across a range of issues, particularly security, drugs and trade.
- C12. DFID has a special engagement with the CDB to which the UK contributes significant financial resources as well as funds for technical assistance supporting social policy work. We will continue to support the CDB in achieving its mandate in the region, which centres around poverty reduction, through our Board involvement, our technical assistance and our regular engagement at country level and on single market issues.
- C13. DFID will work closely with the international community to improve the quality and impact of the total effort from donors/lenders in the region. This will focus on the World Bank, IMF, IDB and in particular the EC to whom the UK contributes financial resources as well as some direct technical support to the Delegation covering the

Windwards. We also plan to work with the World Bank to undertake some joint programmes and share staff resources.

b. Our geographical focus

C14. Drawing on our historical engagement, DFID's main geographical focus remains the poorer countries of the Commonwealth Caribbean. We will only cover countries such as Haiti through our multilateral work. Our bilateral engagement with **Guyana** and **Jamaica** is summarised in boxes 1 and 2. We will be setting out our plans in more detail in forthcoming Country Plans for the two countries.

C15. We will increasingly support Belize and the Windwards' development efforts through regional approaches and institutions. In **Belize**, future DFID efforts will be focused at a strategic level on promoting greater cohesion, policy dialogue and further sustainable progress in those areas covered by the Commonwealth Debt Initiative (CDI) criteria, namely progress on addressing poverty, governance and economic management. We will continue to work closely with other UK government departments in supporting resolution of the Belize-Guatemala border conflict.

C16. In the **Windwards** we will continue to work on the current areas of public sector reform, economic management and education. We will increasingly engage with others and do what we can to strengthen regional institutions as they support national governments in the sub-region. While some funds will be available to deal with particular strategic issues arising in these countries we do not intend to support new discrete stand-alone bilateral projects. We will continue to leverage our understanding and historic engagement with the Windwards as we work closely with the larger and more influential partners primarily the CDB and the EC. Our main focus will be to improve the quality of overall regional and international assistance.

C17. We will seek to better understand **Cuba** and its role in the region though we will not engage bilaterally. Where appropriate DFID may support initiatives there in accordance with the guidelines and criteria set out for our global and regional schemes.

BOX 1: DFID IN GUYANA – SUMMARY

In Guyana we are working closely with the international community to find ways to help the country address its serious political and security challenges. These need to be tackled so that Government policies to tackle poverty and put measures in place to promote pro-poor growth can be effective, and that total resources available to Guyana can be used to this end.

In this context the DFID effort will focus on promoting improved governance in the shorter and medium term, and in particular address wider judicial, security and where appropriate, electoral system issues.

We will also continue to work with Government and other players to help implement the Poverty Reduction Strategy Paper (PRSP), and to move towards enhanced Highly Indebted Poor Country (HIPC). We will focus on supporting Government efforts to improve public services with a particular emphasis on improved water and education services. We will work with the international community to improve the effectiveness of the overall effort to implement the PRSP.

BOX 2: DFID IN JAMAICA – SUMMARY

In Jamaica, we will work with Government and partners to help deliver the objectives of the White Paper on public sector modernisation through better integration of social and economic policy objectives, and so improve public service delivery for poor Jamaicans. These efforts will also provide the environment needed to enable private sector development in a fiscal environment where the debt burden severely constrains direct government intervention to promote growth.

As part of a co-ordinated UK Government support to reducing crime and violence we will also continue to engage on issues of inner city poverty and the wider justice sector to help Government tackle the serious violence and social exclusion problems.

We will increasingly work towards more harmonised approaches with Government and the international community, and move towards less bilateral project work.

C18. **Haiti** has a massive development challenge. It is the poorest country in the Western Hemisphere with an estimated annual GNP per capita of only US\$438, making it the country with by far the largest number of poor people in the Caribbean. Haiti has a very long history of political instability and poor governance, causing significant social unrest, crime and violence. Public accountability is weak and corruption is rife. There are threats to the stability of neighbouring islands associated with the potential collapse of the Haitian state. Acute poverty has fuelled the country's AIDS epidemic and already there is major concern about Haitians moving to other Caribbean countries exacerbating HIV/AIDS and other social challenges. In this context DFID will explore ways by which we might work with other members of the regional and international community to add value to their efforts to help the process of stabilising and developing Haiti.

Resources

- C19. The UK will provide financial resources of approximately £96 million directly and indirectly to the Caribbean over the three-year period. This includes approximately £36 million directly through DFID's own programmes. The UK also provides financial resources to the CDB (£25 million in support of the Special Development Fund over 2002-6) and provides 13% of the total EU contribution to the region⁷. In addition to this, the UK makes significant contributions via the World Bank, IMF, UN and IDB.
- C20. On current projections, allocations from the DFID £36 million budget over the next three years is anticipated to be as follows: up to £14.5 million will be provided to Guyana and £8 million to Jamaica through our bilateral programmes; and £13.5 million to the wider region.

⁷ £35 million is the estimated UK share of EC funds available to the CARICOM countries over the next three years through 9th European Development Fund (EDF9), STABEX and the Special Framework of Assistance.

D. Monitoring the impact

D1. This section highlights a sample of key success criteria over the three years, which relate primarily to those Caribbean priorities which DFID will support. They are a mixture of output and final outcome criteria:

Trade and single market

- Effective trade negotiations for Caribbean by Regional Negotiating Machinery (RNM)
- Harmonised support by donors to RNM
- Accelerated development of the institutional infrastructure for completion of the CSME

HIV/AIDS

- Implementation of national HIV/AIDS strategic plans strengthened by key regional organizations (UK Government Service Delivery Agreement (SDA) milestone for 2003/4)
- More private companies implementing measures to prevent HIV/AIDS (SDA milestone for 2005/6)

CDB

- Greater leadership/policy dialogue role achieved by CDB in Windwards and Belize (SDA milestone)

EC

- Improved quality of EC strategies and projects on the ground particularly in the Windwards

World Bank

- Improved working with the Bank – strategies, programming, sharing of staff

Belize

- National policy progress in meeting CDI criteria

Dominica and the Windwards

- Improved fiscal management and improved business enabling environment in Dominica and Grenada
- Integrated, effective support provided to Dominica, with recovery taking place

- ECCB playing more active role
- Caribbean Centre for Development Administration playing more effective role

Guyana

- A political and security environment achieved which allows development and poverty reduction activities to take place
- Poverty Reduction Strategy Paper being implemented in Guyana and assessed by Government and donors to have made developmental impact
- Enhanced Highly Indebted Poor Country (HIPC) completion point achieved

Jamaica

- Improvement in public sector modernisation programme, backed by external partners using a harmonised approach (SDA milestone for 2003/4), and implementation of this using a common fund (SDA milestone for 2005/6).
- Improved donor harmonisation as evidenced by integrated support to public service reform, and joint country assistance strategy with the World Bank (SDA milestone for 2005/6).
- Reduction of violence and social exclusion in inner city Kingston.

Haiti

- Improved understanding of Haiti's situation and options for recovery.
- Identification of whether the UK can add value; if so, action under way.

D2. In addition to assessing progress against these criteria, we will seek feedback from governments and external partners about DFID's contribution to these targets through a structured assessment process.

E. DFID management and organisational issues

- E1. We have recently changed our organisational structure so that we are better equipped to deliver this agenda. DFID now has three small offices in the region. The Guyana office manages our support to Guyana, the Jamaica office manages our support to Jamaica and the Barbados office manages our engagement on regional issues. The offices work closely together on strategic review and planning for DFID's work across the Caribbean. This decentralization enhances opportunities to engage effectively with partners and to ensure appropriate DFID responses. The effectiveness of the arrangements will be monitored regularly. We will also continue to seek new ways of working and harmonising financial and staff resources with other donors.
- E2. We will place considerable emphasis on learning, both from DFID's experience elsewhere but also from other players in the region. We will also communicate more about our work in the Caribbean for the rest of DFID – both good practice and lessons learned. We will encourage staff development within the frame of our recently revised staff development policy.
- E3. We will work in a joined-up way with other parts of the UK Government, which is particularly key in the Caribbean where a number of departments take an active interest. In particular we will continue to work closely with High Commissions and Embassies in the region.
- E4. We will also work closely with the departments in DFID, which are key to the agenda in the Caribbean – in particular, International Financial Institutions Department, International Trade Department, European Union Department, Latin American and Caribbean Department and the Overseas Territories Department. We will work to feed regional experiences and issues to the cross-Whitehall Global Conflict Prevention Pool, and central DFID initiatives to provide global public goods such as challenge funds. We will collaborate with relevant thematic teams in the Policy Division, such as on HIV/AIDS and migration, and seek to influence relevant multi-donor funds to which DFID contributes.

Annex 1 – Donor support to the Caribbean

1. The most significant multilateral donors in the region are the European Union, Inter American Development Bank (IDB), World Bank and International Monetary Fund (IMF) along with the Organisation of American States (OAS) and the UN organisations. The major bilateral donors are Canada, UK and USA with Japan and Taiwan significant in the Windwards. Finland, France, Germany and Norway are also active.
2. The **European Union** supports major regional and bilateral programmes mostly through project aid. It is by far the largest grant provider in the Caribbean, and does this through EDF funds, Stabex funds, and the Special Framework of Assistance (SFA) facility under Cotonou. It finances projects in a wide range of sectors particularly regional economic integration, human development, infrastructure and rural development. Structural funds under the SFA facilitating the transition from preferential trading arrangements for bananas are particularly important in the Windwards while the EU sugar protocol is still a major benefit for the region. A number of EU instruments support private sector development while the European Investment Bank (EIB) is major investor in SME financing, utilities and infrastructure.
3. The **World Bank** funds a regional HIV/AIDS programme and offers sub-regional support to the OECS aimed at vulnerability reduction in terms of human-made and natural disasters, and capacity building. In Guyana it is moving towards budget support to the PRSP and a technical assistance credit, but has a number of sectoral projects still under implementation. In Jamaica it focuses on a number of sectors but again would wish eventually to move towards budget support and technical assistance. The World Bank has long played an important regional role as a co-ordinator of the CGCED (Caribbean Group for Co-operation in Economic Development), a role they will now share with the CDB.
4. The **IDB** channels its fund for the Organisation of Eastern Caribbean States (OECS) countries through the CDB. In Belize, Jamaica and Guyana the IDB is the largest lender, with large bilateral programmes in a wide range of sectors, lending on a stand-alone basis. Along with major investments in a range of productive and basic needs sectors, it supports a regional programme contributing to economic liberalisation, the convergence towards modern regulatory frameworks, and rationalisation and strengthening of institutions in CARICOM.
5. The **IMF** has operations in Belize, Dominica, Guyana and Jamaica. It also runs the Caribbean Regional Technical Assistance Centre, which is co-financed and governed by a range of donors and CARICOM states. The Centre provides technical assistance in the areas of fiscal administration (customs and tax administration, tax policy including VAT, budgeting and treasury), public debt, statistics (economic and social) and financial sector regulation and supervision (regulatory frameworks and supervisory practices)
6. The **United Nations Development Programme (UNDP)** supports agriculture, social policy development, environmental baseline assessments and institutional capacity development. FAO is active in disaster relief and mitigation while the Pan American Health Organisation (PAHO) supports the health sector including environmental health, health promotion and health systems development. The International Labour Organisation (ILO) is engaged in HIV/AIDS policy, labour productivity, child labour and labour information issues.
7. The **Canadian International Development Agency (CIDA)** is a major bilateral donor with country programmes in Guyana and Jamaica as well as a wide range of regional and sub-regional programmes. These are directed in large part to strengthening CARICOM, the Regional Negotiating Machinery and the OECS Secretariat. Enhancing the region's capacity to deal with trade issues and the management of public finances are major foci. Other sectors supported include education, HIV/AIDS, gender and environmental management.
8. **United States Agency for International Development (USAID)** operates bilateral programmes in Guyana and Jamaica along with OECS sub-regional and regional programmes. Most funding is project based and focuses on increased economic growth and diversification; improved environmental management; HIV/AIDS; and increased effectiveness and efficiency of judicial-legal systems in the Caribbean.

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