

CARIBBEAN COMMUNITY STRATEGIC PROGRAMMING FRAMEWORK

FY 2007/08 TO FY 2017/18

June 2007

Canadian International Development Agency

Version en français à suivre

Central America and the Caribbean



802107 (R00769) 8-93

CONTENTS

Map	ii
Acronyms	v
Executive Summary	vii
ONE: CONTEXT	1
1.0 Purpose	1
2.0 Scope of the Framework	1
3.0 Development Characteristics of the Region	1
3.1 Economic Vulnerability	2
3.2 Social Risk	2
3.3 Environmental Fragility	4
3.4 Democratic Governance	4
4.0 Canadian Interests in the Region	5
4.1 Trade and Investment	5
4.2 Shared Interests	6
4.3 Partnerships	6
5.0 Achievements, Lessons Learned and Challenges	6
5.1 Past Investments	6
5.2 Program Evaluation	7
6.0 Other Considerations	8
6.1 Strategic Environmental Assessment	8
6.2 International Development Partners in the Region	9
TWO: STRATEGIC ORIENTATION	10
7.0 How CIDA will Program in the Caribbean Community/OECS region	10
8.0 Rationale for Supporting Integration Agenda	11
8.1 Regional Integration Strengthens Resilience	11
8.2 Functional Cooperation Helps Advance Rationalization of Public Goods and Services	13
8.3 National and Regional Capacities Should Be Balanced	13
THREE: IMPLEMENTATION	14
9.0 Sector Priorities	14
9.1 Regional Democratic Governance	14
9.2 Regional Economic Renewal	16
9.3 Regional Human Capital Formation	18
9.4 Cross-cutting Themes	20
10.0 Contribution of Multilateral Programmes Branch, Canadian Partnership Branch and Office of Democratic Governance	21
11.0 Strengthening Aid Effectiveness	23
12.0 Results Management	25
13.0 Risk Management	26
13.1 Risks	26
13.2 Mitigating the Risks	29
14.0 Program Resources, Management Implications and Accountability	30
14.1 Financial Allocation	30
14.2 Key Management Issues	30

14.3 O&M Costs to Deliver the Regional Program	31
14.4 Absorptive Capacity	31
14.5 Accountability	32
15.0 Conclusion	32

TABLES:

Box 1: ECEMP and CARTAC	13
Box 2: Potential Future Democratic Governance Initiatives	16
Box 3: Potential Future Economic Renewal Initiatives	18
Box 4: Gender Equality Successes	18
Box 5: Potential Future Human Capital Initiatives	19
Figure 1: Key Institutions of Regional Integration	1
Figure 2: Programming Snapshot	21
Figure 3: Logic Model	28
Table 1: Selected Donors to CARICOM 2006	9
Table 2: Planned Disbursement Profile for 15 years	30
Table 3: O&M Costs	31

APPENDICES:

- A. Selected Economic and Social Indicators for “Poverty Snapshot”, Poverty Profile
- B. Status / Progress toward Millennium Development Goals
- C. Detailed Background Analysis
 - 1. Regional Context –Greater Caribbean
 - 2. Regional Institutional Architecture
 - 3. Regional Institutions & Regional Delivery Mechanisms
 - 4. Regional and National Development Strategies
 - 5. Caribbean Regional Integration: A CIDA Perspective on Regional Governance
 - 6. International Development Partners in the Caribbean
 - 7. Canadian Policy Coherence
- D. Results Assessment Framework (Draft)
- E. Caribbean Population Distribution
- F. List of Key Documents

ACRONYMS

ACCP	Assembly of Caribbean Community Parliamentarians
ACP	African, Caribbean and Pacific States
ACS	Association of Caribbean States
APPR	Annual Project Performance Report (CIDA)
BPOA	Barbados Plan of Action for the Sustainable Development of Small Island Developing States
CAREC	Caribbean Epidemiology Centre
CARIBCAN	program for trade, investment and industrial co-operation created by the Canadian government in 1986 under which Canada unilaterally extended preferential duty-free access to the Canadian market for almost all imports from the Caribbean Community member countries
CARICOM	Caribbean Community (the organization)
CARIFORUM	Caribbean Forum of the ACP States
CARTAC	Caribbean Regional Technical Assistance Center
CCCC	Caribbean Climate Change Centre
CCJ	Caribbean Court of Justice
CCS	CARICOM Secretariat, also “Carisec”
CDERA	Caribbean Disaster Emergency Response Agency
CDCC	Caribbean Development and Cooperation Committee, of ECLAC
CFD	Caribbean Forum for Development
CDB	Caribbean Development Bank
CEHI	Caribbean Environmental Health Institute
CGCED	Caribbean Group for Co-operation in Economic Development (World Bank)
COFAP	Council for Finance and Planning (CARICOM)
COFCOR	Council for Foreign and Community Relations (CARICOM)
COHSOD	Council for Human and Community Relations (CARICOM)
COTED	Council for Trade and Development (CARICOM)
CPB	Canadian Partnership Branch (CIDA)
CRDPF	Caribbean Regional Development Programming Framework (CIDA)
CROSQ	Caribbean Regional Organization for Standards and Quality
CSME	CARICOM Single Market and Economy
DFAIT	Department of Foreign Affairs and International Trade (Canada)
DOM	departement d’outre mer; overseas department (of France)
DR	Dominican Republic
ECCB	Eastern Caribbean Central Bank
ECCM	Eastern Caribbean Common Market
ECLAC	United Nations Economic Commission for Latin America and the Caribbean
ESDU	Environment and Sustainable Development Unit of the OECS (formerly the NRMU)
FDI	foreign direct investment
FTAA	Free Trade Agreement of the Americas
HDI	Human Development Index
IADB/IDB	Inter-American Development Bank
IFI	international financial institutions
IPF	indicative planning figure (CIDA)
NAFTA	North America Free Trade Agreement
NERO	National Emergency Relief Organization (Grenada)
NIP	National Industrial Policy (Jamaica)
NDS	National Development Strategy (Guyana)
NPEP	National Poverty Eradication Program (Jamaica)
OCTs	overseas countries and territories
OECS	Organization of Eastern Caribbean States
PAHO	Pan-American Health Organization
PMF	Performance Measurement Framework

PPR	Program Performance Report (CIDA)
PRS	Poverty Reduction Strategy (Guyana)
RAF	Results Assessment Framework
RNM	Regional Negotiating Machinery
RSS	Regional Support Strategy (European Community)
RFM	Regional Fisheries Mechanism
SIDS	small island developing state(s)
UNDCP	United Nations Drug Control Program
UWI	University of the West Indies
WTO	World Trade Organization

EXECUTIVE SUMMARY

Context

The Caribbean Community (CARICOM) comprises twelve island states (including the recently accepted Haiti) and three continental countries (Belize, Guyana and Suriname). All are considered members of the Small Island Developing States (SIDS) grouping – small island and low-lying coastal countries that share similar sustainable development challenges, including: small populations, human resource deficits, lack of access to central trading routes, susceptibility to natural disasters, poor diversification with excessive dependence on commodities and tourism, and vulnerability to global developments. (The Organization of Eastern Caribbean States – or OECS – is a sub-grouping of CARICOM members that are much smaller micro-states found in the Leeward and Windward Islands). Most of the CARICOM countries are also members of the Commonwealth of Nations.

Although human resource and technical capacity is often lacking, the region has largely demonstrated a willingness to improve administrative structures to ensure sustainable development and overcome inherent vulnerabilities. There is trepidation with regard to globalizing markets and loss of traditional industries; however, the region has taken bold steps to reconfigure the economic basis of their future prosperity by reconstituting twelve former separate economies as a single unified market (Haiti, Montserrat and the Bahamas are not yet members of the Single Market) and economy. The process has been launched and some successes have been achieved, but it now needs to be completed in order for the benefits of this endeavour to be fully realized. The next ten years will be crucial. A more competitive regional economy will provide the basis for investment, economic growth and poverty reduction while cooperation on developing effective regional services will strengthen security and social development with benefits for achievement of the Millennium Development Goals.

Caribbean states are committed to freedom and democracy but need to make a greater effort on promotion of human rights, particularly in Guyana and Jamaica, and in reducing corruption. Democratic governance is a particular challenge in Guyana; however, macroeconomic management is sound, and it is a HIPC country with a Poverty Reduction Strategy (PRS).

Canada has strong ties to the region. Canada and the Caribbean Community manage what both sides term a “special relationship”, based on shared historical, political, business, immigration, and personal linkages (e.g., many current Caribbean leaders were educated in Canada or were recipients of Canadian scholarships to the University of the West Indies). Canada shares a constituency with the Caribbean on the executive boards of the IMF and World Bank and is a significant shareholder in the Caribbean Development Bank (CDB). The Canadian executive directors speak for Caribbean countries at the Board meetings. There is a large Caribbean diaspora in Canada. CARICOM also has influence beyond its size and is a partner with Canada on global issues. A stable and prosperous Caribbean Community can be a strong partner for assisting with Haiti’s economic, political and social development and integration.

Strategic Orientation

In line with Government of Canada foreign policy priorities, the Caribbean Community will be a region of focus for bilateral assistance over the next ten years. Strengthening Caribbean resilience by supporting integration and enhanced cooperation among these countries is key to helping them manage their vulnerability at this critical juncture in their transformation. Equally important is addressing key bottlenecks to national progress on the elements that constrain their participation in regional integration. Both of these goals can be achieved through the right mix of support to regional institutions and regional multi-country mechanisms. We will also strengthen our policy dialogue in the region, have a more geographically concentrated program, and focus our assistance on few sectors.

The purpose/objective of the “Caribbean Community Program” is: *to strategically address root causes of vulnerability and institutional weakness by supporting the region as a whole so that it can be more self-reliant in ten years.*

Implementation

CIDA will double its resources to the Caribbean Community regional program during the next ten years. After ten years, CIDA's Caribbean Community Program will begin winding down and be completely finished by 2023 as the focus shifts to a fuller economic cooperation relationship with Canada. The current country programs in Jamaica and Guyana will be closed in about four years following completion of a justice reform program in Jamaica and governance reform projects in Guyana. Both countries will participate in regional programs. CIDA's future programming will be focussed on three themes:

Theme 1: Regional Democratic Governance:

Accountable public institutions:

- strengthening the capacity of the CARICOM and OECS Secretariats to support policy development and management of regional and sub-regional integration
- strengthening capacity for incorporating risk reduction in government and other stakeholder planning; and integrating affordable access to catastrophe risk insurance
- strengthening public sector modernization and reform; improving financial management; enhancing accountability and anti-corruption measures
- supporting evidence-based research capacity for economic transformation and re-positioning
- strengthening capacity of CARICOM to integrate Haiti

Rule of law:

- strengthening capacity of the region to share lessons learned in reforming their institutions of justice and protecting civil liberties and building public confidence in these reform outcomes

Freedom and democracy:

- strengthening capacity for more effective partnership relations between government and civil society
- strengthening capacity of local government, electoral systems and primary institutions of democracy including media

Theme 2: Regional Economic Renewal

- improving the regional enabling environment for trade and competitiveness and strengthening linkage to markets
- strengthening the adaptation of disadvantaged states and sectors to the region's single market and economy by supporting the Regional Development Fund

Theme 3: Regional Human Capital Formation

- strengthening the region's capacity to provide youth with appropriate skills for future labour market needs, promoting positive and healthy life style choices
- strengthening capacity of next generation of Caribbean leaders
- addressing gender equality and equity issues

Canadian Partnership programs will also contribute to strengthening capacity in Jamaica, Guyana and the OECS countries and, where feasible, to regional solutions to development problems. Multilateral organizations including the IFIs and the principal organs of the UN system are active in the Caribbean. The bilateral program and the multilateral program will collaborate to enhance the poverty reduction programming of the CDB. CIDA's Office for Democratic Development and Inter-American Program are also collaborating to strengthen democracy in the Caribbean.

Greater concentration and increased focus will enhance the overall effectiveness of Canadian assistance to the region. The achievement of measurable results and expected outcomes will be monitored regularly and remedial action taken to mitigate risks. Environmental sustainability and gender equality strategies will be developed to guide regional programming and management tools such as a results assessment framework will be used to guide accountable decision-making. The expected immediate outcomes (7-10 years) at the Program level will help to construct the building blocks in the areas of democratic governance, private sector development and human capital formation of a vibrant and robust Caribbean Community that we, and our partners, hope to see emerge in the longer term in the region.

ONE: CONTEXT

1.0 PURPOSE

The government's new *Strategy for the Americas* recommends the Caribbean as a region of focus for Canadian bilateral assistance. The Caribbean is a broad geographic area. CIDA is engaged in Haiti and has approved a programming strategy for this fragile state. CIDA is also engaged in Cuba with a programming approach appropriate for this transition state. The present paper outlines how CIDA will program development assistance in the **Caribbean Community region**. Our paper focuses on this constituency because it has a number of common institutions as well as a coherent framework provided by the treaty that links the countries together within the Caribbean Community and Common Market (CARICOM)¹. The Organization of Eastern Caribbean States – or OECS – is a sub-grouping of seven CARICOM members that are much smaller micro-states situated in the Leeward and Windward Islands.

Intended mainly to guide CIDA's bilateral programming, the paper will also be used to provide guidance to multilateral and Canadian partners and other government departments about CIDA's bilateral approach in the region with the aim of promoting synergy and complementarity among Canadian aid channels.

2.0 SCOPE

The following table shows the scope of the Caribbean Community region as illustrated by membership in the region's two key political organizations.

Figure 1: Key Institutions of Caribbean Regional Integration

Caribbean Community and Common Market (CARICOM)	
Organization of Eastern Caribbean States (OECS)	OECS countries
Antigua & Barbuda	Bahamas
Dominica	Barbados
Grenada	Belize
Montserrat	Guyana
St. Lucia	Haiti
St. Kitts & Nevis	Jamaica
St. Vincent & Grenadines	Suriname
	Trinidad & Tobago

3.0 DEVELOPMENT CHARACTERISTICS OF THE REGION

CARICOM comprises twelve island states and three continental countries (Belize, Guyana and Suriname). There are significant differences in the comparative size of the economies (the three largest are Jamaica, Trinidad & Tobago, and Barbados) and their levels of development. About half are lower middle income countries (Belize, Dominica, Guyana, Jamaica, St. Vincent & the Grenadines and Suriname); and the remainder are upper middle income countries (Trinidad & Tobago, Grenada, St. Lucia, Antigua & Barbuda, St. Kitts & Nevis).

¹ There are two non-Commonwealth and non-English speaking CARICOM members: Haiti and Suriname. British overseas territories are associate members of CARICOM, including: Anguilla, Bermuda, British Virgin Islands, Cayman Islands, and Turks & Caicos Islands. Together, the full members of CARICOM and OECS are seeking to formalize a single integrated economy and CIDA's assistance will support this process among them. CIDA's regional programming in the Caribbean will benefit all the actors that are participating in the CARICOM and OECS regional integration processes regardless of their individual status as aid eligible or non-aid eligible recipients, or low income and middle income beneficiaries.

Nevis, and Barbados). All are considered members of the Small Island Developing States (SIDS) grouping – small island and low-lying coastal countries that share similar sustainable development challenges, including: small populations, human resource deficits, lack of access to central trading routes, susceptibility to natural disasters, poor diversification with dependence on traded commodities and tourism, and exposure to global developments. Some of these factors are structural, i.e., not under the control of national authorities.² There are four categories of Caribbean vulnerability:

3.1. Economic Vulnerability

- Globalization and the current dynamic international economic and trading environment have created rapidly changing conditions in which the small Caribbean states carry on their economic activities. The productivity of their traditional sectors has declined and markets for their traditional export commodities (e.g., bananas, rice, sugar), are generally weak. There is increasing competition for tourist dollars as the region's infrastructure ages and more exotic destinations develop. The once thriving offshore financial services sector has been adversely affected by OECD action to counter money laundering and 'unfair' tax practices, and further constrained by anti-terrorism measures in the wake of 9/11. The former regime of preferential market access for Caribbean commodities is being dismantled through trade liberalization and this economic blow has come at the same time as Foreign Direct Investment (FDI) and Official Development Assistance (ODA) flows to the region have declined. The high debt load carried by several countries increases risk to macro stability. The Caribbean still attracts a relatively high share of global FDI but this share has declined since 2000. Yet sustained economic growth cannot be achieved without efficient and well-directed private investment. Diversification into new promising niche sectors (e.g., offshore health and education services, ICT-enabled business) is a key plank in the region's economic renewal agenda.

3.2 Social Risk

- The cohesion of families and communities is under threat from economic instability, increasing crime, and decline in the quality and availability of physical and social infrastructure.
- Organised crime trafficks drugs, guns, money and people through the Caribbean countries and uses corruption and intimidation to undermine the state's capacity to maintain law and order and provide citizens with a sense of security.³ More generally, high levels of illicit or 'parallel' activity undermine legitimate economic activity and the fiscal regime. The return of convicted criminals and immigration violators from developed countries increases the pool of marginalized persons in which crime too predictably flourishes. The region has developed a regional strategy for combating crime and enhancing security.⁴
- The spread of HIV/AIDS has reached crisis proportions in the Caribbean. The region now has the highest incidence of reported AIDS cases in the Americas, and worldwide is second only to sub-Saharan Africa. The potential impact to Caribbean states is magnified by the existing small population base. While the HIV/AIDS epidemic in the Caribbean is very serious, recent experience (e.g., Barbados and The Bahamas) demonstrates that a coordinated and sustained attack on HIV/AIDS can reduce transmission and infection rates. The rise of chronic non-communicable diseases (e.g., heart disease, diabetes, stroke) is a new phenomenon in the region that requires attention from policy leaders.⁵
- There have been some gains in gender equality in the region, but both sexes face significant structural and cultural constraints. Young women consistently out-perform boys across the education system, but women

² See JP Atkins, S Mazzi, CD Easter (2000), A Commonwealth Vulnerability Index for Developing Countries: The Position of Small States, Commonwealth Secretariat. Also see <http://www.un.org/esa/sustdev/sids/>.

³ See World Bank and United Nations Office on Drugs and Crime (March 2007), *Crime, Violence, and Development: Trends, Costs, and Policy Options in the Caribbean*, report number 37820.

⁴ CARICOM heads of government meeting 3-6 July 2006 approved a management framework for enhancing regional security and signed an "Agreement Establishing the CARICOM Implementation Agency for Crime and Security (IMPACS)", a "Treaty on Security Assistance Among CARICOM Member States", and a "Memorandum of Understanding for the Sharing of Intelligence Among Member States of the Caribbean Community". They also approved a "Regional Strategy for Ensuring a Safe and Secure Environment for the Hosting of Cricket World Cup (CWC) 2007" that will have lasting value beyond this sports event. See Caribbean Community, Communiqués.

⁵ These diseases are among the four leading causes of death. See PAHO and CARICOM (2006) *Report of the Caribbean Commission on Health and Development*.

continue to have less access to productive resources like land and credit, than do men. Female labour is too often poorly paid and little counted. Professional women are rarely present in upper management. Poverty is highly concentrated in female-headed households. The notion of ‘male marginalization’ does not enjoy universal endorsement, but the interlocking phenomena, among young males in the region, of low educational participation and success rates, high unemployment, drug use, antisocial and criminal behaviours cannot be ignored. Violence against women is also a persistent characteristic of the region.

- According to recent data, the region has made important strides towards the Millennium Development Goals (MDGs), but progress in key areas remains elusive, while some areas are showing signs of regression (i.e. poverty and HIV/AIDS in Guyana, and maternal health and HIV/AIDS in Jamaica). The ongoing economic malaise in the region makes it difficult for the region to make the necessary social investments that would help secure broad progress towards the MDGs. Increasing poverty in the Windward Islands and a growing awareness of poverty as a significant Caribbean issue are new factors in the dynamics of the region.⁶
- The Caribbean Community has the highest rate of emigration in the world (a regional average of about 35% of the labour force has migrated to OECD countries since 1965). Many people who leave are well educated and seeking better economic opportunities. On average, 73% of college/university graduates left the region in the period since independence, but the figures are over 80% in the case of Jamaica, Guyana, St. Vincent, Grenada, and Haiti. This emigration phenomenon has profound economic and social consequences back home. Because the skilled component of the population is constantly reduced, neither the private nor the public sector can benefit (e.g., fiscal loss from foregone tax revenues) from the state’s investment in subsidizing long years of schooling.⁷
- This human resource deficit is only partially compensated by the overseas transfer of financial remittances and/or goods to family members and community organizations. A recent IMF study has shown that, while very significant (amounting to about 13% of CARICOM’s total GDP in 2002, and roughly US\$ 3.3 billion in 2005), remittances to the Caribbean cover about half the cost of lost labour. Nonetheless, remittances are an important source of social financing, and have increased at the same time as total FDI and ODA to the region has declined.⁸ Efforts are underway internationally to facilitate remittances and increase their impact on development and on the welfare of recipient families. Sending remittances from North America to the region has become much less expensive due to growing competition among money transfer operators. In order to further reduce the transfer costs, a recent Inter-American Dialogue report highlights a few areas where improvements could be made: e.g., Canadian regulators might be able to work with Canadian banks and money transfer organizations to develop mechanisms that would further facilitate the flow of remittances while combating money laundering; promote cooperation between banks and transfer organizations and the use of new technologies such as international debit cards.⁹
- Caribbean countries are also increasingly engaging with their diasporas to encourage formation of networks to promote trade, tourism, and investment, and to tap into diaspora knowledge and skills.

⁶ The Windward Islands are Dominica, Grenada, St. Lucia and St. Vincent & the Grenadines. See Appendices A& C for poverty analysis and Appendix B for MDG analysis.

⁷ Outward migration appears to be a general characteristic of small and/or island states since the top 19 people-exporting countries (in terms of percentage of total labour force that leaves, not absolute numbers) are all Small Island Developing States. Migration data in: P Mishra (January 2006), *Emigration and Brain Drain: Evidence from the Caribbean*. IMF Working Paper WP/06/25. See also Finance, Private Sector & Infrastructure and Chief Economist Office (August 2006), *The Developmental Impact of Workers’ Remittances in Latin America*, World Bank.

⁸ “Between 1990 and 2002, [total] ODA declined from 4 percent to 1 percent of GDP ...[while] FDI has also declined from 9 percent to about 6 percent in 2002,” Mishra, *ibid*. During the same period, remittances increased from 3 to 13 percent of GDP.

⁹ Inter-American Dialogue Task Force on Remittances (May 2007), *Making the Most of Family Remittances*, Washington. Remittance statistics are from: World Bank, Global Development Finance Online (<http://www.worldbank.org/>); ECCB Balance of Payments 2005; and IaDB, Multilateral Investment Fund (<http://www.iadb.org/mif/remittances/index.cfm>).

3.3 *Environmental Fragility*

- According to the Caribbean Development Bank (CDB)¹⁰, over the past two decades the region has experienced an increase in the frequency of natural disasters and the significance of their social, economic and environmental costs. This trend may be expected to continue to the extent that climate change results in more extreme weather phenomena. In addition, environmental deterioration, particularly in the forms of coastal zone degradation, deforestation and habitat loss, threatens important sectors of the economy, such as agriculture and tourism. The region has taken steps to develop a catastrophe risk insurance facility through the World Bank that will help mitigate the economic impact of natural disasters.

3.4 *Democratic Governance*

- The region's political and social institutions are strained. Public administration needs strengthening across the region. The capacity for policy-making, regulation and control is a concern in light of countries' obligations under international conventions, to assure macro stability and viability of central financial systems, and to harmonize policies, standards and regulations under the Caribbean Single Market and Economy (CSME). The efficiency and effectiveness of legal and justice systems are the focus of increased attention. The capacity to defend Caribbean interests in multilateral fora – on issues of trade, for example – is generally inadequate but increasing.
- Civil society organizations are generally weak and feel that their policy-making and/or service delivery capacity has declined in recent years.
- The region's strong democratic traditions hold in many countries, but popular unrest and political tensions have challenged democratic process in Guyana, Trinidad & Tobago, and Nevis, while Haiti has cycled through political paralysis and violence and tentative recovery. Heavy-handed security operations have created human rights violations in Jamaica, Guyana, and Trinidad in recent years.

Deterioration in the conditions of trade and the risk of economic and societal decline determine much of the current regional development agenda concerning integration and globalization. An underlying rationale for this priority lies in the now broadly shared understanding that **stronger integration is essential if the Caribbean peoples are to realize their full potential.**

A fully integrated regional economy will be more competitive and have a better chance of attracting the foreign investment the region needs to grow.¹¹ The single market presents a larger “space” for local firms to operate. A more integrated Caribbean provides a stronger and more unified basis on which to negotiate external economic arrangements. It also offers the possibility of rationalizing the provision of public goods such as key infrastructure and social services. But this regional integration must provide tangible results that improve the well-being of Caribbean people¹² in order to convince Caribbean citizens to support it.

Integration is considered by many commentators the only realistic and viable option through which to achieve sustainable development of the small Caribbean states.¹³ The Secretary-General of CARICOM expressed this

¹⁰ *Disaster Mitigation Facility for the Caribbean: Background Paper.*

¹¹ Intra-regional trade in itself will not be sufficient to produce satisfactory growth rates. A recent IaDB study showed that, because the enlarged common market (15 million people) remains relatively small and Caribbean states have relatively similar factor endowments, the gains of integration from internal trade-related activities will be limited. To make the most of internal trade, CARICOM needs to remove all obstacles/impediments to free movement of goods, services, capital, and labour. However, the gains that derive from regional cooperation for the provision of public goods and services (i.e., social and physical infrastructure and services) can be substantial. The single market and economic integration when complete will also provide a more competitive base for external trade. The IaDB study did not address the issue of how regional economic integration will affect foreign direct investment flows, but this is expected to increase. See Moreira and Mendoza (August 2006), “Regional Integration: What is in it for CARICOM?”, internal IaDB research paper.

¹² Rt. Hon. P.J. Patterson (July 2003), “Opening Address of the 24th Meeting of the Conference of Heads of Government of the Caribbean Community”.

¹³ Rt. Hon. Owen S. Arthur (April 2004), “Implementation of the CARICOM Single Market and Economy and Its Implications for US-CARICOM Economic Relations”. Feature Address to the American Business and Consulting Group Special Symposium.

view directly in his address to top business and government leaders at the 2006 Annual Miami Conference: “this is the only way in which the region can realistically expect to provide 15 million people spread over 15 countries in CARICOM with an enhanced quality of life and work”.¹⁴ Seen in this light, regional integration by the Caribbean is both a means of defending the interests of this bloc within the evolving geo-political environment and enlarging the opportunities for Caribbean economic and social advancement.

4.0 CANADIAN INTERESTS IN THE REGION

Canada has a close, long-standing relationship with the English-speaking countries of the Caribbean, originating in the salt fish and rum-trading pattern of the eighteenth century Transatlantic Trade Triangle. The shared values, traditions, institutions and language that derive from a common colonial heritage have strengthened the relationship. Trade, investment, and academic linkages help maintain the relationship, along with patterns of immigration (e.g., Canada is home to more than 500,000 people of Caribbean origin) and tourism, and sectoral cooperation with the region on issues such as security, health, and disaster response. Our chief interests are:

4.1 Trade and Investment

In 2005, two-way Canada-CARICOM merchandise trade amounted to \$3.1 billion, an increase of 50% since 1999. CARICOM nations benefit from a one-way preferential trade arrangement (CARIBCAN, 1986), as well as a General Preferential Tariff and Most Favoured Nation treatment that provide duty-free access to approximately 96% of imports from the Caribbean Community.

Gold, alumina/bauxite, fisheries and agri-food products, mineral fuels, petroleum oils, steel rods, and industrial chemicals lead Canadian imports.¹⁵ The CARICOM countries offer Canadian companies a growing market for computers and components, and telecommunications equipment. Demand remains strong for traditional Canadian exports such as food and consumer products. In 2003, Canadian services exports to CARICOM exceeded \$1.5 billion, while services imports amounted to \$2.2 billion, mostly in commercial and travel services. Prospects for growth are also promising for products and services in the agri-food sector, energy (petrochemical and hydro), education, health, building materials and housing, transportation, environment and utilities (e.g. water and sewerage, waste management) and tourism.¹⁶

The stock of Canadian investment in the Caribbean reached \$69.8 billion in 2005, centred in the financial, mining, and energy sectors, making it the third most important destination for Canadian investment after the United States and the European Union.

Discussion of a possible Canada-CARICOM free trade agreement began in 2001 and advanced in response to reduced expectations for the scope and scheduling of an eventual FTAA. Canadian and CARICOM officials have met on four occasions to identify issue-areas that could be pursued in a possible future negotiation.¹⁷ Parallel environment and labour agreements are expected to be included. A free trade agreement with CARICOM would strengthen Canada’s trade and political ties with the region’s economies, and contribute to the shared goal of deepening economic integration within the Hemisphere. Canada has provided substantial trade-related technical assistance in support of special arrangements for CARICOM countries in their adjustment to a liberalized trade regime, including the creation of the FTAA Consultative Group on Smaller Economies, chaired by Jamaica, as well as training in WTO rules and regulations, negotiating skills, and trade policy development. Technical assistance requirements to implement a Canada/CARICOM FTA and its parallel agreements will be determined during negotiations.

¹⁴Edwin Carrington. (4-6 December 2006) “The Competitiveness Challenge to the Caribbean Community”. Keynote Address to the 30th Annual Miami Conference on the Caribbean Basin.

¹⁵ Canada Gazette. Dec 15, 2001. “Consultations on Trade Negotiations with the Caribbean Community”.

¹⁶ Canada Gazette. Op.cit.

¹⁷ DFAIT. “Regional and Bilateral Initiatives: Canada – Caribbean Community and Common Market (CARICOM) Free Trade Discussions”. www.dfait-maeci.gc.ca/tna-nac/caricom-en.asp

4.2 Shared Interests

Canada shares a constituency with the Caribbean small states on the Boards of the IMF and World Bank. Our Executive Directors speak on their behalf when discussing matters pertaining to these countries. Canada and the Caribbean Community also share many foreign policy positions on critical and timely issues, sometimes in counterpoint to the US. The 2003 “Rose Hall Declaration on Regional Governance and Integrated Development” reaffirmed the Caribbean Community’s commitment to multilateralism as the guiding principle of international relations. Their support of the International Criminal Court has been unflinching in the face of the resulting loss of US bilateral security assistance. Their opposition to unilateral intervention in Iraq was based on their joint position that diplomacy and dialogue present the most enlightened approach to building understanding and resolving conflicts in an interdependent world.¹⁸ In 2004, CARICOM distanced itself from both Canada and the US concerning the withdrawal from Haiti of former President Aristide but has re-engaged with Haiti subsequent to the holding of national elections in February and investiture of President Préval on May 14, 2006. Haiti is the newest member of the Caribbean Development Bank through Canada’s support. Canada named its first plenipotentiary representative to CARICOM in 2002, in support of the mutual goals of strengthening democracy, creating economic prosperity, and realizing human potential. Caribbean Community member states are also a source of considerable support for Canadian initiatives and candidacies at international organizations, and *vice versa*.

4.3 Partnerships

A remarkable number of Canadian government departments have a long-standing and diversified presence in the Caribbean. For example, Health Canada is working on HIV/AIDS and health human resource issues in the region; International Trade Canada is leading discussions of the proposed Canada-CARICOM FTA and is involved in deliberations regarding the FTAA; the Department of Foreign Affairs and International Trade Canada has been extending support to Caribbean jurisdictions in crime and counter-terrorism as well as human security; Industry Canada is providing assistance on E-strategies while Transport Canada provides technical cooperation on air transportation policy and airport and seaport security.

Many Canadian voluntary sector partners (including NGOs, universities, colleges, cooperatives, trade unions, youth, volunteers, and municipalities) receive CIDA support, on a cost-shared basis, to work with counterpart organizations in the region. Some have been operating in the region for over twenty-five years and have both strong sectoral and institutional knowledge. In addition, CIDA’s Industrial Cooperation Program has funded a number of linkages between private sector interests in Canada and the region.¹⁹ The International Development Research Centre (IDRC) has a modest program with Caribbean institutions and disbursed \$300,000 in 2004/05 in Jamaica and Suriname. The Institute for Connectivity in the Americas (ICA), an independent institution housed within IDRC, is developing with the World Bank a Caribbean-wide approach to Information and Communications Technologies for education. The regional Program will seek to **improve the synergy** among the initiatives it supports in related sectors and those of other government departments and may strategically select other federal departments to implement future CIDA-funded initiatives, as resources permit. This ‘Whole-of-Government’ approach to technical cooperation in the Caribbean is an objective of the Strategy for the Americas.

5.0 ACHIEVEMENTS, LESSONS LEARNED AND CHALLENGES

5.1 Past Investments

Canada has provided the Anglophone Caribbean about Cdn\$ 2 billion in aid since 1963. During 2002-2007, CIDA invested \$265 million through various assistance channels. The bilateral program provided about 70%, Multilateral Programmes contributed about 20% and Canadian Partnership Programmes contributed about 10%.

¹⁸ Communiqué issued at the conclusion of the 14th Inter-sessional Meeting of the Conference of Heads of Government of the Caribbean Community (14-15 February 2003).

¹⁹ There are presently 105 Canadian civil society partners delivering programming in the Caribbean Community region through 116 CIDA-funded projects. Source: CIDA, *Canadian Partnership: Country Footprint – Commonwealth Caribbean*, (draft) April 2007. Further information is provided in section 10 (below).

In the past, Canadian bilateral development assistance to CARICOM countries emphasized agriculture, fisheries, forestry, and economic infrastructure (particularly in transportation and water/sanitation), and human resource development (particularly through scholarship programs for study in Canada and regional institutions). Balance of payments support associated with economic reforms was another focus of programming. Under the previous *Caribbean Regional Development Program Framework (1993)*, the objectives of Canada's development assistance shifted to focus on (i) increasing the region's capacity to compete in the global economy within a framework that promotes the equitable distribution of economic gains; and (ii) strengthening the region's capacity in environmental management. Regional integration/co-operation and gender equality were key crosscutting concerns. Since the last RDPF, new issues and opportunities have risen and CIDA responded with flagship bilateral initiatives in human resource development for private sector development, HIV/AIDS, trade policy development, environmental management/climate change, public sector economic management (CARTAC), social infrastructure, gender equality, as well as institutional strengthening of the CARICOM and OECS Secretariats. Recent disbursements for the bilateral Program in the region have totalled about \$30-35 million per year.²⁰

Significant results have been achieved in promoting sectoral cooperation, developing environmental management capacity and strengthening women's empowerment. Specifically, our Gender Equality Program helped countries enact legislation on gender violence – in one year alone in Guyana a 60% increase in the number of cases reported and prosecuted. Over the years we have helped raise awareness of opportunities for women that is reflected, for example, in a 30% increase in female parliamentarians elected in Suriname. Canada's past support to educational systems has helped produce a comparatively well-informed citizenry with high literacy rates. We have built schools, trained teachers, and assisted the University of the West Indies. Our scholarships have helped develop a generation of leaders that is now retiring. CIDA has been the only donor to support Guyana's distance education outreach to the hinterland regions of the Upper Amazon and its Amerindian population, with an outcome that increased primary level teacher pass rates by 37% in one year.

Our support to environmental capacity building is also recognized. In the Eastern Caribbean, CIDA support enabled all governments to develop and enact their environmental charter. In Jamaica through the "Trees for Tomorrow Program", we have strengthened local skills to manage and preserve the tropical forest cover that is so important to maintaining integrity of watersheds. More recently, we helped put adaptation to climate change on the Caribbean policy agenda and supported establishment of the region's climate change centre.

We have also achieved slow but steady results in institutional strengthening at national and regional levels. There have been noteworthy successes in strengthening financial planning and management capacity in the Eastern Caribbean. Our economic management program –ECEMP– has helped Eastern Caribbean states double tax revenues since 1998 resulting in reduction of budget deficits. Until recently, CIDA has been the only donor helping to strengthen the CARICOM Secretariat. Canada and the UK are the largest foreign shareholders in the Caribbean Development Bank, each with 9.4 percent voting shares. We are helping CDB substantially increase its poverty reduction programming and to institutionalize gender equality analysis. In short, there have been many achievements – not always advertised the way they should be. One of our goals in this next programming phase is to improve and strengthen our communication of Canada's assistance and the results that our assistance is helping the region achieve.

5.2 Program Evaluation

In 2003, CIDA's Performance Review Branch conducted a corporate evaluation of the Caribbean Community Program as an aid to the preparation of this new framework. The evaluation yielded 12 areas for programming endorsement or improvement. The following are the most important observations:

²⁰ Exceptionally, total disbursements in FY 2001/02 reached \$50 million as a result of a one-time contribution in budgetary support to Jamaica. In addition, CIDA provided additional funds for special initiatives such as CARTAC and HIV/AIDS which increased the annual program disbursement beyond its base budget for that fiscal year.

- *Regional programming (CARICOM/OECS-wide) that builds capacity continues to be an important means to support regional integration but direct action at the national level is also important and institutional strengthening needs to be rationalized. Regional programs have been more effective in contributing to functional co-operation in the Caribbean, particularly in the areas of fisheries resource management, trade policy and CARICOM Secretariat capacity, than in furthering integration which is a political process.* This observation confronts head on the challenges of programming in the Caribbean. On the one hand, there is the need to nurture regional consciousness and vision, and foster regional solutions to regional challenges, while on the other hand, regional solutions need to be implemented by national jurisdictions. This argues for a careful balance between programming of national scope with region-wide programming, all within an overarching vision across the program and for strong internal coherence among the program components. Furthermore, the intensifying and expanding demands on the CARICOM and OECS Secretariats argue for continuing support to its institutional strengthening.
- *Programs at the regional (CARICOM) and sub-regional (OECS) levels are among the most complex to manage and costly to deliver.* The complexity derives from the uncertainty of commitment and resources to be provided by partner institutions, tensions between national and regional priorities, and the challenges inherent in design and management of regional programs. In fact, until FY 2000/01 the Commonwealth Caribbean & Suriname Division had disbursed less than its cash ceiling in almost every fiscal year of the past decade. Since 2000/01, fewer and larger initiatives reduced delivery cost and enabled the program to disburse fully up to, and in some years, beyond its cash ceiling. The program will continue to develop fewer but larger initiatives.
- *The Program needs to give more attention to poverty reduction and equity and be tied to the MDGs. The Agency should develop a corporate policy for assistance to middle income countries.* Given the current pressures within the region, the key to long-term prosperity and poverty reduction will be strategic repositioning of Caribbean economies and more effective public management of resources. The Program will continue providing assistance for both strategic repositioning (through support for trade policy development and improvements to the enabling environment for private sector development) and public sector resource management (through CARTAC and ECEMP). With respect to the MDGs, the programming Framework has specific linkages to MGD goals 3 (gender equality), 6 (HIV/AIDS), and 8 (global partnership for development, including building capacity for an open trading system and addressing the needs of SIDS). By strengthening capacity for economic growth in the region the Framework also has an indirect linkage with Goal 1 (poverty reduction).
- *Results are more difficult to gauge when activities are spread over many sectors and themes.* Results have been achieved in the Program in areas such as women's empowerment, environmental management capacity, trade policy capacity, and civil society capacity among others, but future results are expected to be deeper as the Program will have fewer sectors and a more focused set of priorities than in the past. New regional program initiatives, as well as bilateral initiatives that continue in Jamaica and Guyana for 4-5 years, will be based on clear, achievable objectives. A risk analysis and results assessment framework are integral parts of our programming strategy and will help ensure the focus on results.

6.0 OTHER CONSIDERATIONS

6.1 Strategic Environmental Assessment

The Commonwealth Caribbean & Suriname Division commissioned an independent assessment of the environmental effects and opportunities associated with proposed strategic directions for programming in the Caribbean, in compliance with the 1999 *Cabinet Directive on the Environmental Assessment of Policy, Plan and Program Proposals*. The Strategic Environmental Assessment (SEA) was carried out in Fall 2005 and a final report accepted in December. The report confirmed that the proposed outcomes from the strategic orientation could have positive and/or negative environmental impacts. Detailed program/project design, when undertaken, will provide the opportunity to include measures that would lessen the risk of negative impacts and enhance the likelihood of positive environmental impacts. The report encouraged us to incorporate more opportunities to

achieve positive environmental outcomes and to make a greater effort to mainstream environment in the regional strategy with outcomes that are appropriate and relevant to the intended aid intervention. For example, CIDA’s intention to support regional trade and competitiveness provides an appropriate and relevant opportunity to strengthen the linkage between trade and environment policy and build capacity to help partners ensure that private sector-led economic growth in the region under a more liberalized trade regime is environmentally sustainable. Our Programming Framework has included environmental sustainability outcomes at the Program level (see Program Logic Model in section 12 below). The Caribbean Division has also agreed to incorporate during the detailed design phase environmental sustainability outcomes at the project level where appropriate for all new programs/projects.

6.2 International Development Partners in the Region

There are a smaller number of development partners in the Caribbean Community region compared to other regions, however the Caribbean receives one of the highest per capita ODA disbursements in the world (US\$40.00 in 2004). Donors have national, sub-regional and/or regional programs to varying degrees. As indicated in Table 1 below, among multilateral donors, the European Union (EU) had the largest grant program in 2006, followed by CDB, and IaDB.²¹ The most important bilateral donors are CIDA, USAID, and DFID (other donors active to a lesser degree in the region include Japan, Germany, Netherlands, Belgium, Norway, Switzerland, Spain, China, and India).

Table 1: Selected Grant Donors to CARICOM – 2006

DONOR	DISBURSED GRANTS IN 2006	DISBURSED LOANS IN 2006
EU	61.52	nil
CDB	44.18	74.19
CIDA	27.75	nil
USAID	20.26	nil
DFID	18.90	nil
WB	12.00	52.50
IaDB	11.40	131.01

Notes:

All figures in US\$ millions; exchange rate July 2006. 2. Includes all CARICOM member countries, but **not** Haiti or CARICOM associate members. 3. For EU, CIDA, USAID and DFID: figure is for bilateral/regional programs only; does not include humanitarian assistance, debt relief, partnership programs, UN core funding, and contributions to IFIs. 4. USAID budget disbursement only; does not include PEPFAR, MCC and USDA (PL480) funds which are substantial.

CIDA’s development approach in the Caribbean is complemented by the regional strategies of other international development partners, especially EU, IaDB, USAID and DFID.

In March 2006 the **European Commission** announced a renewed and strengthened focus on the Caribbean through its new strategy for *EU-Caribbean Partnership for Growth, Stability and Development*.²² In its strategy paper, the Commission maintains support for regional integration and economic diversification, restructuring and reform in the Region but gives new emphasis to shaping a political partnership (“conducting an enhanced political dialogue”) with the Caribbean based on shared values, as well as addressing economic and environmental opportunities and vulnerabilities, and promoting social cohesion and combating poverty. The Strategy is based on the assumption that CARICOM members will become developed countries by 2020.

²¹ Information about donor strategies for the Caribbean is provided in Appendix C. IDB has prepared a technical discussion on resource flows to the CARICOM members including Haiti in *IDB Regional Strategy for Support to the Caribbean Community 2007-2010*, Annex VII.

²² European Commission (2006) *Communication from the Commission to the Council, the European Parliament and the European Economic and Social Committee*, COM(2006) 86 final, and SEC(2006)268

The **Inter-American Development Bank** (IaDB) has finalized a new *Bank Strategy for Support to Caribbean Regional Integration (2006-2010)* that focuses on two main areas: 1) full intra-regional market liberalization and assistance to manage the distributional risks of liberalization; and 2) regional cooperation to improve CARICOM's social and economic infrastructure (non-tradables) in critical areas. The overall objective of IaDB's strategy is to help Caribbean countries transform their regional integration process into an effective instrument of global integration, competitiveness and economic growth.

USAID's Sustainable Development Strategy for the Caribbean Region (2005-2009) sets out four strategic objectives:

- Business environment improved for increased trade and competitiveness;
- More effective environmental management for sustainable economic growth;
- Increased effectiveness of key legal systems;
- Enhanced Caribbean response to the HIV/AIDS crisis in targeted countries.

Human capacity / gender, governance, and public support for change are cross-cutting themes.

DFID has prepared a new (draft) *Regional Assistance Plan for the Caribbean 2007- 2010* that addresses the challenge of persistent poverty and inequality as well as vulnerabilities to HIV/AIDS, natural disasters, climate change and economic shocks. DFID is continuing to move towards a regional perspective in its programming but will also maintain bilateral programs in Jamaica and Guyana. The regional program is built on the logic of partnership with regional institutions that are advancing Caribbean integration (e.g., PANCAP, CRNM, CDB, CARTAC, CARICAD, CDERA, and CCCCC). Three themes will guide programming:

- Strengthen regional capacity to address vulnerabilities;
- Support evidence-based, inclusive and poverty-focussed policy processes and frameworks; and
- Promote safety, security and access to justice.

Other programming imperatives include strengthening harmonization, results focus, whole-of-government work, partnership with EU, and mainstreaming gender equality, disaster risk reduction and HIV/AIDS prevention as cross-cutting themes.

TWO: STRATEGIC ORIENTATION

7.0 HOW CIDA WILL PROGRAM IN THE CARIBBEAN REGION

The CARICOM/OECS Region has reached a critical stage in its transition. It will need assistance in transforming its economy and addressing key vulnerabilities. In keeping with the principles of aid effectiveness, **our regional programming will support the made-in-the-region development strategy** that is provided by the region's integration agenda. We have helped strengthen the key political institutions involved with integration (i.e., CARICOM Secretariat and OECS Secretariat) and will continue to assist new governance institutions that the CARICOM Heads of Government and the OECS Heads of Government may put in place under proposals for a Caribbean Commission structure.

In line with Canadian foreign policy directions, **CIDA will give the Caribbean Community region increased resources for the next 10 years.** This length of time is considered necessary and sufficient for the region to achieve its transformation/integration plans and to attain the Millennium Development Goals.

Under our new programming Framework, **CIDA will likely be the largest grant donor to the region in 2010/11.** This position **entails responsibility to promote harmonization** with other donors, especially EU, USAID and DFID. CIDA will also take **leadership on selected issues for policy dialogue, such as gender equality.**

The effectiveness of Canada's future aid to the region will also be strengthened through **greater concentration.** A regional Program for the CARICOM member countries (including the OECS member states) *as a group* will

replace national/country programs. However, since **Guyana** is the poorest and weakest member within CARICOM after Haiti (which has a special development program), some bilateral programming in governance reform will continue in Guyana for about four years to help it develop national capacity to participate in and benefit from regional integration. CIDA's bilateral program in **Jamaica** has been winding down and will conclude with a legacy project in the justice sector. In future, Jamaica will benefit from regional initiatives. Apart from these special circumstances, **the regional Program will be the principal channel of Canadian assistance** over the next 10 years. CIDA will cease bilateral programming in Barbados, Belize, Trinidad & Tobago, and Suriname, however these countries may benefit from participation in regional programs and the Department of Foreign Affairs and International Trade Canada (DFAIT) may wish to provide Canada Funds for Local Initiatives.

The future Program will also reflect **greater sectoral focus** (three themes only) and the portfolio will comprise larger interventions as we phase out of small project initiatives. We will work within the broad Government of Canada context to enhance our engagement with the region in support of the Strategy for the Americas. CIDA will strengthen its capacity for higher-level **advocacy and policy dialogue** with the region in the context of project and Program management. Key issues of policy will also be developed in concert with other international development partners.

The updated **purpose/objective** of the Caribbean Community Program is *to strategically address root causes of vulnerability and institutional weakness by supporting the region as a whole so that it can be more self-reliant in ten years.*²³ Strengthening the capacities of regional public sector institutions and non-state organizations and promoting closer cooperation among CARICOM/OECS member states on key functional issues are central to CIDA's assistance strategy for the regional Program. Stronger CARICOM and OECS institutions will also be able to more effectively bring Haiti within the CARICOM purview and provide that country with appropriate technical assistance with the ultimate view of integrating Haiti within the regional common market.

8.0 RATIONALE FOR SUPPORTING INTEGRATION AGENDA

8.1 Regional Integration Strengthens Resilience

This strategic approach to Caribbean development is informed by two complementary analytical concepts – *vulnerability* and *resilience*.²⁴

First, *vulnerability* – the susceptibility to damage when exposed to risks, or liability to succumb to shocks. Multi-faceted vulnerability is an inherent characteristic of Small Island Developing States (SIDS). External threats to the economic, environmental and social well-being of the Caribbean Community are real, recurrent and significant.²⁵ Most of the Caribbean Community/OECS members lie within the hurricane belt and periodically experience set-backs caused by storm damage. For example, as a consequence of the 2004 category 5 Hurricane Ivan, Grenada lost over 200% of GDP. Because of small size, the impact of a natural disaster such as a serious hurricane or earthquake is more widely spread in a Caribbean country than in a larger state and the economic damage sustained is relatively greater. The lessons learned from “Ivan” are that the Caribbean SIDS need to have stronger mitigation programs in place as well as finely tuned disaster response mechanisms.

²³ This purpose or program mandate statement is transferred into standard Results Based Management (RBM) terminology as approved by Canada's Treasury Board Secretariat in the Program Logic Model in section 12 below.

²⁴ Conceptual definitions of vulnerability and resilience relate to psychology, sociology, economics and ecology. In the Caribbean context of small island states ecological considerations concerning resilience are especially appropriate. See http://www.resalliance.org/ev_en.php. Also *The Vulnerability of SIDS: Enhancing Resilience - the Role of the Private Sector, Civil Society & Trade in the Sustainable Development of SIDS*, Dominica, 29 September to 03 October, 2003, reported by SIDSNET. http://www.sidsnet.org/workshop/experts_meetings.html.

²⁵ See University of the West Indies Centre for Environment and Development (2002) “The Growing Vulnerability of Small Island Developing States”.

Caribbean economies are open, small and little diversified. This renders them highly vulnerable to exogenous economic shocks and changes in the terms of trade beyond their control. High exposure to debt leaves Caribbean SIDS particularly susceptible to even small fluctuations in interest rates. The increasing level of drug trans-shipment through these tiny economies and populations means that a relatively wider cross-section of society is affected by the trafficking. This has implications for education outcomes, formal economy participation rates and the general sense of personal security.

Relative isolation from the major market thoroughfares can translate into higher transportation costs for both people and goods. The cost of service delivery in general is greater because of small size (e.g., difficulty of getting a critical mass for health and education services; there are also base costs involved in establishing systems). Information technology development is also constrained by the small size of the market. The generally small size of Caribbean states means that relatively limited amounts of environmental damage in absolute terms may have a significant impact on fragile ecosystems. Because of small size, it is difficult to have the range of skills required to manage a modern public sector. Finally, emigration is a characteristic of small states: because of limited opportunities, trained people tend to leave.

Second, *resilience* – the capacity to absorb a disturbance and rebound or spring back. Resilience is a positive force emphasizing the strengths that individuals and organizations mobilize in their struggle with adversity. Flexibility and adaptiveness are hallmarks of resilient individuals. Governments, too, demonstrate resilience when they anticipate and reduce future harm by implementing adaptive measures, such as planning for economic set-backs in their budgetary allocations. The general aim in CIDA’s future programming in the Region will be **to bolster Caribbean resilience for self-reliance** across the range of our interventions.

One of the chief means by which Caribbean small states are improving their *resilience* is through their economic integration agenda. Until recently, the Caribbean economic system has been characterized by high levels of protection for domestic production and high levels of dependence on preferential terms of trade for exported commodities. Built up over centuries, this system is rapidly eroding due to global economic liberalization. Caribbean societies are challenged on multiple fronts: to transform and diversify their productive sectors; to reorient their fiscal systems; to redefine the role of the State and its relations with private sector actors in economic development; and to prepare their citizens for a productive life in a globally competitive environment. To succeed, they require sustained high levels of private and public investment, enhanced labour and management productivity, broader access to and absorption of technology and information, as well as the development and cost-effective use of physical infrastructure. Regional integration is the chief means they propose to increase their competitiveness. They have been moving toward greater economic integration for more than three decades but the pace of preparation appears to have quickened in recent years, with establishment of the single market component of the Caribbean Single Market and Economy (CSME) in January 2006 and the planned establishment of the single economy component by 2015.²⁶

The Organization of Eastern Caribbean States (OECS) has taken bold steps to advance its sub-regional integration (e.g., a common currency, transportation policy, pharmaceutical procurement, and supreme court are already in place) and has announced the intention to establish an OECS Economic Union by July 1, 2007 following a year of public consultations. A detailed workplan for this phase of integration has been developed by the OECS Secretariat. While primarily economic in nature, the Economic Union will also have a governance impact as it will transform the OECS from an intergovernmental to a supranational organization with some law-making functions.²⁷

8.2 Functional Cooperation Helps Advance Rationalization of Public Goods and Services

²⁶ The Caribbean Single Market was officially launched on January 30, 2006 among six signatories (Barbados, Belize, Guyana, Jamaica, Suriname, and Trinidad & Tobago). The 7 members of OECS signed the accords on June 30, 2006. See Appendix C for CIDA’s perspective on the status of Caribbean Community and OECS regional and sub-regional integration.

²⁷ See OECS Communiqué, 43rd Meeting of the OECS Authority, St. Kitts & Nevis, 21-23 June 2006; and Prime Minister W. Baldwin Spencer, Incoming Chairman of OECS Heads of Government Authority, Speech: Basseterre, June 22, 2006.

Cooperation among countries through collaboration on joint sectoral or thematic initiatives also helps to strengthen *resilience*. The Caribbean has become known as a co-operative region and these habits need to be encouraged further and strengthened with a view to rationalizing the provision of public goods in the region. CIDA is currently supporting the multi-country work programs of selected regional public sector program delivery institutions/organizations in the areas of disaster management (Caribbean Disaster Emergency Response Agency), trade policy (Caribbean Regional Negotiating Machinery), and health and HIV/AIDS prevention (Caribbean Epidemiology Centre). CIDA is also supporting the multi-country work programs of regional non-state organizations in health and HIV/AIDS (e.g., Caribbean Regional Network of Sero-Positives, and Caribbean Conference of Churches). In its new programming for the region, CIDA will **strengthen capacity for efficient/effective service delivery**. Capacity development (CD) enhances the ability of individuals and organizations (and whole societies) to respond and adapt to change and is thus the recommended strategy for bolstering Caribbean *resilience*.²⁸ CD approaches will be the main mode of intervention supported by the bilateral program.

8.3 National and Regional Capacities Should Be Balanced

An effective strategy to strengthen Caribbean *resilience* requires coherent and coordinated action at both regional/sub-regional **and** national levels. This is an important programming principle to appreciate – regional programming is only as strong as its weakest link and in regional terms the weakest links are the capacities of national entities to apply regional solutions. The converse is also true: in the Caribbean, national problems can only be solved within a regional context and as part of a larger process of solving interdependent problems.²⁹ CIDA will **maintain a balance between strengthening the regional institutions and strengthening through regional delivery mechanisms key counterpart ministries/organizations at the national level**.

For example, CIDA’s multi-country programming mechanism for the “Eastern Caribbean Economic Management Program” (ECEMP) is considered by leaders in the region to be an excellent approach to help drive a regional solution down to the national and community level, or to bring forward for regional consideration a solution to a fiscal management issue that has been found to work well at the national level. The lessons learned will be used in designing the next generation of economic management support.³⁰

Box 1: ECEMP AND CARTAC ARE HELPING OECS SOLVE THEIR FISCAL PROBLEMS

The small island state members of the Organization of Eastern Caribbean States (OECS) entered the 21st century with serious fiscal challenges. Countries have incurred heavy debt burdens in an attempt to address short term fiscal shortfalls. Canada has been there to support them. First, CIDA is the largest funder of the "Caribbean Regional Technical Assistance Centre" (CARTAC) that is strengthening macroeconomic policy formulation, budgeting and expenditure management, tax policy and reform, and improved statistics. Second, CIDA designed the "Eastern Caribbean Economic Management Program" (ECEMP) to strengthen the skills and technology base for more effective public expenditure management and revenue generation. (A recent ECEMP analysis shows that the project has enabled the OECS countries to almost double their tax revenue since 1998). Together, ECEMP and CARTAC are helping strengthen fiscal management to ensure that the countries remain solvent into the 21st century so they can maintain and indeed improve their performance both economically and socially.

-Source: *ECEMP III Operations Review, October 2005*

The combined effect of all of these means to achieve our objectives should be a more effective CIDA contribution to strengthening national capacities and helping our partners achieve greater degrees of regional cooperation and economic integration. In the longer term, these factors are expected to provide a better environment for poverty reduction and the achievement of the Millennium Development Goals. Consistent with CIDA’s *Policy on Poverty Reduction* (1996), we hope to make some programming in the issues addressed in the

²⁸ See “What is Capacity Development?” at www.capacity.org and the CIDA capacity development website at http://www.acdi-cida.gc.ca/cida_ind.nsf/AllDocIds/F1264D1C86780DF6852569E30070F247?OpenDocument

²⁹ Tewarie, Dr. Bhoendradatt (2003) “Redesigning Strategy for Caribbean Success in the Age of Globalization.” 6th lecture of the Distinguished Lecture Series commemorating the 30th anniversary of the Caribbean Community.

³⁰ More information about regional institutions vs. regional delivery mechanisms is provided in Appendix C.

Programming Framework specifically ‘pro-poor’ in approach and specific outcomes. Moreover, many of the aspects of vulnerability addressed through the Framework constitute root causes and structural factors of poverty. We intend to conduct our future policy dialogue in a way that is more attentive to opportunities to redress human development disparities both within Caribbean Community and OECS Member States (e.g. identifiable ‘pockets’ of poverty and marginalized groups) and the more prevalent poverty of some Member States (e.g. Guyana, Windward Islands). The ultimate end of our development effort is a vibrant and robust Caribbean Community with reduced poverty and inequities and greater environmental sustainability.³¹

In developing this strategic orientation for development cooperation in the region, CIDA has also been guided by the various regional plans and strategies, as well as by discussions with regional organizations and member governments.³² An ongoing theme throughout the region’s development discourse has been the need to address CARICOM and OECS Members’ underlying environmental, fiscal and social vulnerabilities. By aligning its development programming with the priorities identified by the countries themselves,, CIDA can support the region in its efforts to build a stronger, more secure, increasingly resilient, and sustainable Caribbean. In doing so, CIDA has a role in promoting global prosperity, freedom and democratic development, the rule of law, and human rights.

THREE: IMPLEMENTATION

9.0 SECTOR PRIORITIES

Three focal themes have been selected for the Caribbean Community Program over the next ten years. New programming will be proportioned to **democratic governance**, **economic renewal**, and **human capital formation**.

9.1 *Regional Democratic Governance*: Sustained economic growth and balanced social development are facilitated by good governance, specifically by the appropriate structure and effective functioning of national and regional governance systems. There is general recognition in the region that democratic governance needs improvement and strengthened capacities in several areas.

Modernization reform of the public service is underway to help bolster Caribbean economic transformation for the more competitive trade and investment environment. The central objectives of these reform processes (for example, in the modernization programs being carried out by Jamaica and St. Lucia) include more transparent and accountable decision-making processes; cultivation of management style that promotes efficiency, effectiveness and results achievement; and capacity to deliver quality services in a timely manner to the public. CIDA is currently providing democratic governance support in the region through the \$18.2 million “Canadian Cooperation Fund” (CCF). The CCF is a responsive regional mechanism. The purpose of the Fund is to strengthen public sector entities in the Caribbean for the effective and efficient delivery of services (i.e., public sector modernization) and to address investment climate bottlenecks to private sector development. The CCF provides short, medium or long-term technical assistance through the secondment of experts/practitioners from the Canadian government or by contracting private consultants.

Equally important, there is recognition in the region that government needs to engage with civil society, labour and the private sector to formulate consensual partnerships aimed at changing attitudes to productivity and delivering some services at less cost. Barbados, for example, has legislated a tripartite consultation mechanism for policy-making, but the treaty governing CARICOM does not make legal provision for the participation of social partners in regional policy-making.

³¹ A similar long-term goal is recommended by Dr. Bhoendradatt Tewarie, “Redesigning Strategy for Caribbean Success in the Age of Globalization.” Distinguished 2003 Lecture Series commemorating the 30th anniversary of the Caribbean Community.

³² More information on regional and country development strategies is provided in Appendix C.

Democratization also requires strengthening in some jurisdictions (e.g., Guyana) by improving institutions and systems to better moderate conflict between ethnic groups and to encourage inclusiveness, while the reform of legal and judicial systems requires support in order to strengthen rule of law and promote human rights (CIDA has been supporting justice reform in Jamaica and OECS and can share these lessons with Guyana and the region as a whole).

The extensive movement of people between Canada and the region makes many security and crime-related issues in the region Canadian ones as well. Other government departments provide training support for local police forces, customs agencies and financial bodies to fight increasingly sophisticated forms of crime, such as drug trafficking, people smuggling, money laundering, and terrorism. Increasing violent crime results in a decreasing level of security, while crime and corruption erode civic confidence in democratic governance and increase costs to business.

The governance structures of both the OECS and CARICOM are considered ill-suited for the enhanced roles that these institutions are expected to play in deepening Caribbean integration and in supporting the more efficient provision of public goods in the region.³³ CIDA is currently providing capacity building assistance to the Caribbean Community Secretariat (Carisec) and the OECS Secretariat. Canada is well placed to assist CARICOM and OECS strengthen capacity to implement their plans for reforming these institutions.

There are also critical public sector policy issues in the integration agenda that would benefit from the mobilization of greater knowledge and research expertise (e.g., harmonization of fiscal, tax and monetary policies, regulatory regimes). Improvements in sectoral capabilities (e.g., fiscal, debt and expenditure management, as well as risk management and relevant mitigation) should also continue to be made. CIDA's ongoing support for both CARTAC and ECEMP is well appreciated in the region.

Building on past achievements and lessons learned, **CIDA's future regional initiatives will be targeted** to strengthening governance of CARICOM/OECS regional cooperation and integration, strengthening management of public finances, promoting greater security through sharing lessons learned in judicial and legal reform while also protecting civil liberties, strengthening modernization and reform of public institutions, strengthening capacity for more effective partnerships relations between government and civil society, and strengthening capacity of local government, electoral systems and primary institutions of democracy including the media. This focus will also complement the efforts of DFAIT and other Canadian federal departments to ensure security in the region and fight crime. Support for strengthening democratic governance in Guyana and Jamaica will continue for about four years in these country programs.

Expected program outcomes: *Strengthened key institutions involved with the governance of integration (e.g., CARICOM Secretariat, OECS Secretariat); more effective and accountable gender-sensitive public sector management of regional and national resources including environmental resources, with an emphasis on modernization and reform of the public sector; greater capacity to plan and implement risk reduction practices; improved partnership relations between government and civil society; improved capacity in local government, electoral systems and primary institutions of democracy.*

During the 10-year implementation period covered by this programming Framework, we anticipate that new issues and priorities in regional democratic governance will emerge in response to changes in the regional, hemispheric and global geo-political environments. Emerging issues should be addressed by strategic alliances, creative partnerships, and other like-minded approaches to technical cooperation. The Program strategy will be twofold: 1) to **maintain sufficient flexibility** in our programming in order to respond in a timely fashion to

³³ See Dr. Ralph Gonsalves, Prime Minister of St. Vincent & the Grenadines (2005), "An Appropriate Regional Governance Framework for Promoting Growth and Balanced Development in the Caribbean in the 21st Century," in *Managing Transformation for Competitiveness: Proceedings from the Caribbean Forum for Development*, Caribbean Development Bank.

emerging priorities; and 2) to **proactively act as a catalyst** in the formation of partnerships to address emerging democratic governance issues of mutual high priority to Canada and the Region. The CCF, for example, is ideally suited to help the region address critical emerging issues.

Box 2: POTENTIAL FUTURE DEMOCRATIC GOVERNANCE INITIATIVES

Caribbean Regional Technical Assistance Centre (CARTAC) Phase III. CARTAC is a program-based regional mechanism supported by CARICOM members and donors that provides expert advice in key areas of management of public finances (e.g., tax reform, expenditure management, debt management, financial sector supervision). In Phase III, CARTAC will be refocusing its efforts on economic management related to regional integration. The IMF is the main source of CARTAC's expertise.

Support to Economic Management in the Caribbean. This regional mechanism complements the work of CARTAC in critical areas of economic management not covered by CARTAC. The future programming will be focused on critical areas identified by leaders in the region, including Information Technology (IT) for improved financial management, pension reform, and anti-corruption measures.

Disaster Risk Reduction Program. This program will assist governments in the region to incorporate risk reduction in their development planning and strengthen the regional institution responsible for disaster risk reduction (CDERA).

Caribbean Catastrophe Risk Insurance Facility. The disaster-prone Caribbean region periodically experiences set-backs from hurricanes and floods but does not have access to affordable risk insurance. This innovative project initiated by the World Bank on behalf of Caribbean leaders will establish a collective insurance facility for the region with substantial Canadian support.

Regional Think-Tank Initiative. The re-positioning of the Caribbean economy for global competitiveness is a sought after goal by Caribbean leaders but there are very few ideas based on research about how this can be achieved. This project will establish a think tank for the region based in Jamaica through partnerships with IDRC, UWI and Canadian think tanks.

Guyana Governance Reform. This program builds on Guyana's 2006 success in conducting its first ever violence-free national elections to support reform of local democratic governance at the municipal level and help prepare Guyana for municipal elections (and may also include national institutions).

Justice Undertakings for Social Transformation in Jamaica. Our legacy program for Jamaica will support justice reform by strengthening the capacity of the criminal courts to implement justice undertakings as well as build capacity of civil society groups to mediate and resolve conflict. There may be scope for developing a future regional initiative in rule of law, based on CIDA's experience in supporting justice reform in Jamaica and legal/justice reform in the OECS.

9.2 Regional Economic Renewal: All of the CARICOM member states except Haiti are middle income countries or what the World Economic Forum calls countries at the "efficiency-driven stage of development", in which the key competitiveness or productivity-enhancing determinants are: 1) the efficiency of goods markets, financial services markets and labour markets; 2) quality of higher education and training; and 3) the ability to absorb technology, especially ICTs, and use it to enhance productivity. With respect to market efficiency, such issues as market size, benevolent regulations, maintaining a healthy level of competition, well functioning equity markets, cooperative employer-employee relations, and flexibility in salary structures, are important for this stage of economic development. (Guyana and Suriname only recently crossed the threshold into middle income status and hence the "factor-driven stage of development" - e.g., basic health and education, quality of democratic governance and institutions, and primary macroeconomic stability - remain more important for these countries according to the WEF analysis).³⁴

To strengthen economic growth, the region as a whole needs to strengthen competitiveness and improve its overall 'investment climate'. We have mentioned earlier some of the larger competitiveness factors that

³⁴ See <http://www.weforum.org/en/initiatives/gcp/Global%20Competitiveness%20Report/index.htm>

constrain economic growth, for example the challenging security environment, high levels of public debt and low savings rates, rigidities in labour markets, and inadequacies in the education system. In the 2006-2007 "Global Competitiveness Report" of the World Economic Forum (WEF), Guyana achieved an overall low ranking of 111 out of 125 countries, putting it among competitor countries such as Madagascar, Uganda, and Zambia. According to the WEF report, these countries are among the worst performers for basic elements of democratic governance, including reasonably transparent and open institutions. They all suffer from poorly defined property rights, undue influence, inefficient government operations, perceived favoritism in government decision-making, an insufficiently independent judiciary, and security costs associated with high levels of crime and corruption that make it difficult for the business community to compete effectively. On the other hand, Barbados was ranked at 31 out of 125 and is in the company of competitors like Spain, Chile and Tunisia. Jamaica was ranked at 60/125 and keeps company with Mexico and Turkey, while Trinidad and Tobago was ranked at 67/125 in the ranks with Brazil and Argentina. (WEF did not rank the OECS countries).³⁵

It is important, therefore, that the 'enabling environment' for regional investment, productivity and diversification continue to be strengthened through improvements in democratic governance. CIDA's support for the strengthening of public institutions and public sector modernization under the democratic governance theme outlined in section 9.2 above will link beneficially to the business enabling environment. In addition, mechanisms such as ECEMP and CARTAC and risk reduction practices such as the Catastrophe Risk Insurance Facility, by addressing issues that influence macroeconomic stability, also benefit the business environment.

CARICOM has created a larger market and the challenge now is to implement the measures that will remove market distortions and improve efficiencies. CIDA support is needed **to help CARICOM address reform and harmonization of the regulatory framework** so that it is more conducive to investment and diversification by the private sector while maintaining adequate safeguards for environmental protection and labour rights and standards. CSME and CROSQ have the lead role for coordinating this activity regionally in cooperation with national entities and the private sector.

At the same time as they are implementing their new *internal* market arrangements, CARICOM institutions and their national counterparts are developing trade policy positions and negotiating *external* trade agreements that pave the way for the insertion of local business into the global market. CIDA has provided significant Trade-Related Capacity Building Assistance for the region and will continue to assist it to reap the benefits of globalization through increasing trade, investment and new opportunities for women and men entrepreneurs. CIDA's future support will be focussed on **strengthening capacity of the core regional institutions (CSME and CRNM) concerned with the internal and external market and implementation of trade arrangements**. It will also be important to ensure that environmental sustainability and gender equality considerations are taken into account in furthering trade liberalization and private sector competitiveness.

Expected program outcomes: *strengthened enabling framework for the environmentally sustainable growth and productivity of the Region's private enterprises; and strengthened gender-sensitive linkages to regional, hemispheric and global markets* through support for regional approaches to trade issues, implementation of the CSME and private sector competitiveness.

One potential area that could be explored in future, in cooperation with Canadian Partnership Branch, is the role of the Caribbean diasporas in Canada. For example, some diaspora groups (notably Jamaican) are examining

³⁵ *ibid.* On November 29, 2006 the World Bank published its first assessment of doing business in the Eastern Caribbean. The World Bank survey is part of an international assessment and is more narrowly confined to competitiveness factors such as ease of business establishment, credit availability, taxation policy, registration of property, obtaining licenses, etc. It ranks the Organization of Eastern Caribbean States members, as well as all CARICOM members except Guyana, Suriname and Haiti, in the top half out of 175 countries for ease of conducting business. For example, the report noted the progress made by Antigua & Barbuda in reducing the business tax rate and simplifying requirements to register a new business while pointing out the need to further streamline tax administration requirements. See <http://www.doingbusiness.org/OECS>.

their potential as a development partner beyond the sending of remittances and have expressed interest in furthering the process of private sector development in the Caribbean.

Box 3: POTENTIAL FUTURE ECONOMIC RENEWAL INITIATIVES

Regional Trade and Competitiveness Program. Building on the achievements of past programming in private sector development, CIDA is planning the continued strengthening of trade capacity in key regional institutions, the public and private sectors and civil society in the region. The objective will be to enable governments in the region to effectively participate in global trade liberalization through the promotion of regional market integration, trade policy negotiations, and economic development and adjustment.

Regional Development Fund. Regional economic integration boosts the concentration of economic activity in the larger economies (Trinidad & Tobago, Barbados, and Jamaica) thus necessitating a CARICOM regional adjustment mechanism (the Regional Development Fund) for the disadvantaged sectors and smaller/weaker economies, as required under the Revised Treaty of Chaguaramus. The Fund will be supported by both member countries and international partners with management by an independent entity associated with the Caribbean Development Bank. The fund will help countries adjust their economies for the more competitive environment created by the CSME and global trading opportunities and is strongly oriented to private sector diversification.

9.3 Regional Human Capital Formation: With 60 percent of its population under the age of 30 (47% under age 24), and large segments of youth marginalized or at-risk of under-achievement, the Caribbean is facing a major challenge of social policy. Caribbean leaders are seeking assistance with educational reform, community mobilization and cultural transformation to help youth develop more positive and healthy life styles, participate in learner centred educational experiences and develop relevant skills needed by the future economy.

In addition, many in the current generation of political leadership in the Caribbean were educated in Canada or benefited from Canadian scholarships to UWI. This leadership cadre is aging and will need to be replaced by a new generation of leaders with vision and competence to lead the region into fuller integration and address competition on a global scale. At the same time, the new generation of women and men will need to be equipped with leadership skills to resolve complex economic, social and democratic governance issues and to advance values of gender equality, human rights, equity, democracy, as well as good health and healthy lifestyles.

Box 4: GENDER EQUALITY SUCCESSES IN THE CARIBBEAN

CIDA is a leader in gender equality issues in the Caribbean. Through the \$7.5 million **Canada-Caribbean Gender Equality Program Phase II** (2001-2006), CIDA supported activities aimed at a) empowerment (including gender mainstreaming) and b) addressing gender-based violence. This multi-country and multi-stakeholder responsive program achieved good progress in empowering women (at the household, community and national levels) and **very significant progress** in addressing gender-based violence through awareness raising and policy dialogue with strategic partners (media, judiciary, police, policy-makers, service providers, and women, men and boys), legal changes, coordination and dialogue among partners, as well as some service provision.

Examples of empowerment efforts include: Amerindian women in five of Guyana's hinterland regions increased skills in leadership and political representation; on Violence Against Women, the program fostered linkages between the Ottawa Police and the Guyana Police Force to promote a more effective, gender sensitive approach to policing gender-based violence; and, development of gender analysis and integration guidelines for programs and policies of the Government of Jamaica, and follow-up training of key officials in sectoral agencies.

CIDA has selected **Education and Training** as its social development focus for the regional program for the next ten years. Work in this sector will provide CIDA a base for supporting reform processes and leading edge

institutions engaged in youth development, leadership development and women's empowerment. This programming emphasis has been strongly endorsed in consultations with partners in the region.

Formal and non-formal learning systems in the region need to be improved so that they can equip young people with appropriate skills and positive attitudes if the overall CSME goal of increased productivity, competitiveness, investment and employment opportunities is to be achieved. At the same time, Caribbean citizens and leaders have called for action to address the conglomeration of family, school and community risk factors that can disrupt the process of positive youth development in the Caribbean and lead to negative outcomes (including school dropout and under-achievement of boys, early sexual initiation, sexual and physical abuse, HIV infection and AIDS, unemployment, involvement in crime and violence, substance abuse and drug-dealing, and social exclusion).³⁶

Youth development is a complex, complicated and sensitive area of development programming requiring integrated and intersectoral approaches based on national and regional ownership. In this regard, the 13th meeting of the CARICOM Council for Human and Social Development (COHSOD) recommended in October 2005 that member states put emphasis "on the 'asset behaviour model' which seeks to identify the positive trends and values in youth behaviour and on creating an enabling environment for their development" and called for a regional agenda to be developed and implemented to reduce risks and vulnerabilities among the region's youth.³⁷ At the 27th meeting of the CARICOM Conference of Heads of Government in July 2006, the region's political leaders mandated COHSOD to establish a Youth Development Commission to examine the challenges confronting Caribbean Community youth.³⁸ The OECS Secretariat has also confirmed to CIDA that all of its social development policy effort will be focussed in future on youth development.

Expected outcomes: *increased capacity of education and training systems to retain girls and boys and provide meaningful learning experiences and appropriate skills; improved information for youth on reproductive rights, healthy lifestyles and HIV/AIDS prevention; strengthened cadre of potential leaders for public life in the region; and enhanced women's empowerment and men's sensitivity to gender issues.*

Box 5: POTENTIAL FUTURE HUMAN CAPITAL FORMATION INITIATIVES

Caribbean Leaders for Tomorrow. The program will support innovative institutional partnerships including Canadian institutions for leadership development of women and men in the public and private sectors and public sector reform.

Regional Education for Youth Development. Future plans may include skills development, address issues associated with participation, and could include educative strategies for improved health, gender equality and HIV/AIDS prevention. Canadian strengths in information and communication technologies will be assessed for application in the sector. The Commonwealth Caribbean & Suriname Division will undertake a detailed review of evidence-based analysis of child and youth development issues. In consultation with regional partners including civil society, we will identify the most appropriate interventions for future Canadian assistance to support youth development through an education lens, building on lessons learned in supporting early childhood education and development in Jamaica, education reform in the Eastern Caribbean, and basic education teacher training in Guyana.

Regional Gender Equality Program. Building on the achievements of past gender equality (GE) support, our new programming will support CIDA's strategic directions for GE with a focus on strengthening partner institutions on women's empowerment and gender equality challenges and opportunities associated with regional integration.

³⁶ See World Bank, *Youth Development in the Caribbean: Issues and Policy Options*, Washington, May 2003. Many people have expressed concerns about issues facing Caribbean youth. Most recently, the current chair of the OECS Authority, Prime Minister Spencer of Antigua and Barbuda, addressed youth development issues in his incoming remarks to his Eastern Caribbean colleagues on 22 June 2006 and called for coherent and coordinated action. See Government of Antigua & Barbuda website, www.ab.gov.ag.

³⁷ CARICOM Secretariat Press Release 185/2005, 29 October 2005.

³⁸ CARICOM Secretariat Press Release 147/2006, 6 July 2006.

In ongoing programming, CIDA is making substantial regional investments in HIV/AIDS capacity building. We have initiated program-based approaches and donor harmonization in some organizations (e.g., Caribbean Epidemiology Centre). A mid-term review of the currently operational \$20 million “Enhanced Support to HIV/AIDS in the Caribbean” (ESAC) program will support decision-making on how and to what degree we will continue our regional support of HIV/AIDS within our new program focus on education/youth development.

Rehabilitation of existing social infrastructure and construction of some new infrastructure is being supported through CIDA’s ongoing, \$38 million “Regional Social Infrastructure Program”. This program is a partnership between CIDA’s bilateral Caribbean Program and the Caribbean Development Bank (CDB), which is implementing the CIDA project through its Basic Needs Trust Fund. The program began in 2001/02 and will continue until 2010/11. The program provides small-scale social infrastructure (e.g., health clinics, schools), as well as some small-scale economic infrastructure (e.g., farm access roads) throughout the region in the Bank’s borrowing-member states. Consideration of any additional future support will be in light of our new sector themes.

9.4 Cross-cutting Themes: Gender Equality and Environmental Sustainability. These two themes will be addressed strategically as cross-cutting imperatives in all future regional programming. The Caribbean Division will develop a gender equality strategy and environmental sustainability strategy in conjunction with the implementation of this framework.

Expected outcomes: *strengthened capacity to incorporate gender equality in development planning and management in the region; and strengthened capacity to incorporate environmental sustainability in development planning and management in the region.*

The “**Regional Social Infrastructure Program**”, executed by the Caribbean Development Bank’s Basic Needs Trust Fund (BNTF) is an **example of CIDA promoting gender equality as a crosscutting theme, with a multilateral partner**. The Gender Specialist recruited by CDB, as required and paid by CIDA, has been recognized by the Bank for her important work in ensuring that gender equality is featured in Basic Needs Trust Fund programming. The CDB has underscored its appreciation of the work done by the Gender Specialist by asking her to develop a Gender Strategy for the organization and to conduct gender assessments in 16 member states to provide critical data that will inform the Bank’s sector work and lending activities. The 40 completed BNTF sub-projects to date have benefited 45,811 persons (half of whom are women) across the region with new or rehabilitated schools, water systems, health clinics and roads. Additionally, ten completed training sub-projects have upgraded the skills of 263 persons (211 women).

CIDA is **funding a gender equality assessment for Guyana, as part of that country’s updated poverty reduction strategy (PRS)**. The main deliverables will be a chapter or section in a new PRS for Guyana, as well as integration of the GE findings and data into the recommendations and goals of the PRS where possible. In addition to the deliverables, the process itself will be important. The exercise provides an opportunity to build networking for gender in terms of civil society participation into the PRSP process. The Guyana Bureau of Women’s Affairs, will be leading the process, and it is hoped that this will improve their capacity to undertake gender assessment as it relates to the wider context of poverty reduction.

Looking to the future, programming under the new regional framework will be geared to further integration of Gender Equality as a crosscutting theme in addition to the specific GE programming that will be undertaken as part of our human capital formation theme. Certain new interventions will be more conducive to this integrated approach. The “**Education for Youth Development**” program that will be planned is most appropriate for placing an emphasis on gender and equity issues. Potential interventions could address such issues as low male participation rates, socialization problems, and violence against women. Through the planning of this new program we will identify how to fund a discreet gender and equity component that will give visibility and prominence to our gender and equity concerns. The “**Caribbean Leaders for Tomorrow**” initiative will not only be designed to benefit potential women and men leaders but also strengthen their capacity for taking leadership on the important gender equality issues in the region.

Environmental issues will be addressed largely through programming in support of public sector modernization and management (e.g., planning for risk reduction) but will also be mainstreamed in all future programs/projects. For example, we will examine the possibility of addressing the relations between trade and environment in the new program in trade and private sector competitiveness. Consistent with the recommendations of the Strategic Environmental Assessment for the program, we have incorporated environmental sustainability outcomes in program results statements where feasible. However, we have not selected “environment” as a focus sector for the future program – quality of environment is recognized nonetheless as a key factor to sustain the viability of tourism-based economies – because choices had to be made among competing needy areas and CIDA’s assistance will be more effective when focussed in a narrower range of sectors.

The following figure provides a snapshot of expected future programming under the programming Framework, across thematic/sectoral focus areas.

Figure 2: Programming Snapshot

Program Activity	<i>Democratic Governance</i>	<i>Economic Renewal</i>	<i>Human Capital Formation</i>
Regional Program	<ul style="list-style-type: none"> • CARICOM and OECS institutional capacity • Public Sector competencies and modernization (e.g. CCF responsive fund, risk reduction) • Adjustment to globalization (e.g., think tank initiative, • fiscal and debt policy, expenditure management 	<ul style="list-style-type: none"> • CSME and RNM institutional capacity (planning & admin for regional market and economy integration; negotiation of bilateral, regional, hemispheric and global trade arrangements) • Regional Development Fund 	<ul style="list-style-type: none"> • Youth Development (e.g., skills training, HIV/AIDS prevention in curriculum, at-risk youth) • Leaders for Tomorrow initiative • Gender equality
Other country activities	<ul style="list-style-type: none"> • Justice reform in Jamaica (continues about 4 years) • Governance reform in Guyana (continues about 4 years) 		

10.0 CONTRIBUTION OF MULTILATERAL PROGRAMMES BRANCH, CANADIAN PARTNERSHIP BRANCH AND OFFICE FOR DEMOCRATIC GOVERNANCE

Multilateral Programmes Branch, Canadian Partnership Branch and, to certain degree, CIDA’s Office for Democratic Governance, contribute to the development efforts of the Caribbean Community.

Canada is a significant shareholder in the Caribbean Development Bank (CDB) and through its involvement in the Board of Directors helps guide the policies and operations of the Bank. While the Bank’s lending is region-wide, it has an important role to play in the Eastern Caribbean as it is the only regional development bank directly supporting the OECS countries and is the key development driver in this sub-region. Furthermore, the Bank’s Basic Needs Trust Fund is the flagship social development program in the Caribbean, which has no other

programs of this magnitude. Canada works closely with the Bank in the development of country poverty assessments and strategies in the Eastern Caribbean. Americas Branch and **Multilateral Programmes Branch** are collaborating to enhance CDB's poverty reduction programming and gender equality efforts. For example, the Commonwealth Caribbean & Suriname Division identified CDB as the most appropriate regional organization to execute its \$38 million "Regional Social Infrastructure Program" as the Bank maintains an ongoing administrative capacity for its Basic Needs Trust Fund in Bank-member countries and thus we were able to deliver this program in a very cost-effective manner. The bilateral Desk provided funding to CDB for a Gender Equality specialist and has also supported CDB to provide secretariat services for the new Caribbean Forum for Development.

Multilateral Branch intends to reflect the regional Framework orientations in its policy dialogue with its institutional partners, including their development program policy frameworks, strategic programming frameworks, processes, monitoring and evaluation. For example, Multilateral Programmes Branch has provided \$21.1 million since 1998 for CIDA's "Global Financial Stability Program", comprising support to the Toronto International Leadership Centre for Financial Sector Supervision, the Financial Sector Reform and Strengthening Initiative, and the International Assistance Group of the Office of the [Canadian] Superintendent of Financial Institutions. These programs are providing technical assistance and training for Caribbean and other developing country financial sector managers. Multilateral Programmes Branch provides core funding for some UN agencies with Caribbean regional programs and will encourage this approach to be adopted wherever feasible. While recognizing that IFIs operate primarily through national lending programs, Canada, through its assessed contributions to the Caribbean Development Bank, Inter-American Development Bank and World Bank, has supported and will continue to support these institutions to prepare regional strategies in such areas as emergency preparedness, basic needs investments, democratic governance and economic growth. With respect to disaster risk reduction, the bilateral Program and Multilateral Programmes Branch will explore opportunities for collaboration and complementarity on risk reduction programming, especially with CIDA's "Natural Disaster Response and NGO Relations Group." Multilateral Branch also provided \$790,000 for International Humanitarian Assistance to Caribbean Community countries in 2005/06.

Canadian Partnership Branch disbursed \$4.4 million to the Caribbean Community region in 2005/06 (including \$1.38M for Jamaica, \$520,000 for Guyana, and \$1.3M throughout the OECS sub-region), however disbursements to the region have been declining in recent years. Canadian Partnership programs support democratic governance (Oxfam Canada, Canadian Comprehensive Audit Foundation, Canada World Youth, CUSO, Association of Canadian Community Colleges, Canadian Urban Institute, Canadian Institute of Planners, and CEGEP Saint-Jean-Sur-Richelieu); health improvement (Canadian Crossroads International, Canadian Paraplegic Association, Youth challenge International, Planned Parenthood Foundation, Canadian Public Health Association); education (CODE, Canadian Teacher's Federation, Voluntary Service Overseas Canada, Jamaica Self-Help); private sector development (CESO, B&C Nightingale Farms Ltd., Conestoga-Rovers & Associates, Gamma Engineering Ltd, Kobian Canada, Comprehensive Care International Inc, and Marbek Resource Consultants); environmental sustainability (Ghost River Rediscovery, Dalhousie University) and gender equality (Canadian Co-operative Association). This means that the **responsive programming of Canadian Partnership Branch is well oriented to the priority themes for bilateral assistance in the region** (democratic governance, economic renewal and human capital formation) and will complement each other. Canadian Partnership Branch will use the orientations outlined in the programming Framework in its consultations with Canadian non-governmental partners to inform them about CIDA's bilateral objectives in the Caribbean Community region but it is understood that the Branch does not 'direct' support to specific sectors or have sector objectives in specific countries.

Canadian non-governmental partners are highly responsive to the priorities of their local partner organizations, and reflect those organizations' capacities. CIDA, including Canadian Partnership Branch (CPB), has been providing funding to civil society organizations in Jamaica, Guyana and OECS countries, through Canadian partners, for many decades. In turn, these partners have contributed from two to three times as much money to the initiatives, through cost-sharing arrangements, as well as incalculable knowledge, time and effort. CPB's work with civil society and the private sector thus has a **multiplier effect** through the leveraging of additional

resources and reinforcing commitment. In 2006, the Branch established a new project-funding mechanism, the Voluntary Sector Fund, to provide greater access to program-based funding for Canadian NGOs and Caribbean countries may benefit in future through this facility. In addition, working with these partner organizations has also been an important means to **enhance the engagement of the Canadian public** in international development assistance. The partners work with their constituencies to raise local awareness of issues facing developing countries and the importance for Canada to play a key role in the development assistance. CPB may also play a helpful role to contribute to the achievement of bilateral programming objectives in youth development through its Youth Action programs involving both Canadian and local youth.

Support to the Caribbean through Canadian partners also **augments Canada's development presence** on the ground in the individual countries of the Eastern Caribbean, as well as in Belize, Suriname, and Trinidad & Tobago where Canada does not have separate and dedicated bilateral programs.

CIDA's Americas Branch also disbursed an estimated \$4 million to the Caribbean Community in 2005/06 through regional and hemispheric initiatives funded by the **Inter-American Program**. The Program works with the OAS and other hemispheric institutions in support of democratic governance and the Summit of the Americas agenda. The Program is also providing core funding to PAHO to strengthen its capacity to manage public health programs in Latin America and the Caribbean, while the Caribbean Community Program has been providing additional resources to help fund the workplans of PAHO's Caribbean Epidemiology Centre in the area of HIV/AIDS. The OAS is also engaged in disaster risk reduction and small and medium enterprise (SME) development activities in the Caribbean through funding from the Inter-American Program that complement the programming emphasis on democratic governance and private sector development in the Caribbean Community Program.

Canada has supported electoral observation missions deployed by the Organization of American States (OAS) in various countries in the region since the early 1990s, at the request of these countries' governments. In 2005, CIDA's **Office for Democratic Governance** (ODG) and the Inter-American Program created a \$500 000 fund to respond to funding requests for OAS missions. Through this fund, Canada was able to support OAS electoral observation missions in 14 countries in 2005-2006 including in Guyana. The Democratization Support Unit of the ODG aims to provide resources, knowledge and programming to assist in the development of internationally recognized Canadian capacity to strengthen national and international electoral institutions and processes. The Office for Democratic Governance (ODG) and the Inter-American Program will continue support for electoral observation in the Americas through a new \$1.2 million phase of the program as well as support the capacity of the OAS to deliver on its mandate, draw lessons learned and develop best practices. The region may benefit from future electoral assistance through this program.

More broadly, the region benefits from technical cooperation including ODA activities provided by other Canadian government departments in support of the DFAIT-led *Strategy for the Americas*. The International Development Research Centre (IDRC) and International Centre for Human Rights and Democratic Development (ICHRDD) also have very small programs for the region.

11.0 STRENGTHENING AID EFFECTIVENESS

The Region has been responding well to the international commitments made in the March 2002 Monterrey Consensus and is slowly building capacity to coordinate aid and lead country development strategies, both at the national and regional level. Guyana and Jamaica participated in the launch of the *Rome Declaration on Harmonization* in February 2003; Jamaica and the OECS Secretariat witnessed the *Paris Declaration on Aid Effectiveness – Ownership, Harmonization, Alignment, Results and Accountability* in March 2005. The ongoing challenge for Caribbean small states is to translate the principles outlined in these declarations into good practices. Harmonization is at a more advanced stage of discussion in Jamaica but is also undertaken in Guyana and the Eastern Caribbean. There were encouraging signs of improved coordination in the joint efforts to assist Dominica recover from its 2003 fiscal crisis, Grenada to recover from its 2004 hurricane disaster, and Guyana in relation to support for 2005 flood relief and reconstruction and the 2006 national elections. Guyana signed the Paris Declaration in January 2006.

Expected outcomes: *tangible progress implementing harmonization in the region.*

Harmonization is also discussed with regional institutions. However, at the regional programming level, partner countries are represented by regional organizations that are membership driven and this structure of participation creates unique layers of harmonization issues – between and among country-member states on the one hand, and between and among regional bodies and the international development partners on the other hand. Harmonization is also a challenge in the region given that the donors have different approaches in the Caribbean (e.g., country-level versus regional-level programming). Despite these complexities, the region has achieved some harmonization successes. The Pan Caribbean Partnership Against HIV/AIDS (PANCAPD) is a noteworthy case of regional collaboration coordinated by the CARICOM Secretariat in support of an important regional development issue.

CIDA has been proactive at the regional level in advancing **new approaches to development cooperation** with the aim of achieving greater developmental effectiveness, such as programmatic approaches and joint funding mechanisms. This has resulted in programmatic support for the CARTAC and CRNM project mechanisms, the PAHO/CAREC organizations, and the PANCAP partnership. CIDA has also promoted a harmonized approach to multi-donor elections support in Guyana for the August 2006 national elections and is planning its future democratic governance program in Guyana on harmonization principles. However, much work remains to be done because harmonization is not as advanced in the Caribbean as it should or could be. In the period covered by this new programming Framework, **we intend to accelerate our involvement in donor and partner country and regional organization harmonization discussions.** In planning new initiatives (as outlined in the focal themes section) we will be exploring with development partners and other donors opportunities for joint program planning, resource pooling, co-/parallel financing, common monitoring and reporting frameworks, and sector-wide approaches, where feasible. The ultimate aim is to see harmonized aid become the norm of Caribbean development cooperation. CIDA is planning to sponsor a harmonization best practices workshop in the Eastern Caribbean in 2007-08 in collaboration with development partners.

Advocacy and Policy Dialogue (PD) will be used to influence the development discourse and program implementation in the region so that Canadian objectives and positions on key national and/or regional issues (e.g., creating opportunities for women and protecting the environment) are well understood and, hopefully, having an affect on policy formulation and implementation. We will also extend this PD activity to advocate on behalf of small state concerns within the United Nations context, Canadian inter-departmental community, the IFI and other multilateral arena, and in Canadian partnership circles. At the national level, as well, policy dialogue must be part of harmonized programming to foster more effective democratic governance practices (such as protecting human rights, combating corruption) and to assist our partners advance reforms. Our annual Program workplans will include these activities and expected results will be monitored and measured to the extent possible as part of the overall assessment of Program outcomes.

The **structure of the regional portfolio** will evolve towards greater efficiency and effectiveness. This will mean fewer small projects in favor of more program-type funding and phased approaches to investment in key sectors (e.g. the use of a ‘project’ to prepare a program approach). In addition, given the involvement of major IFI’s in the region, such as the Caribbean Development Bank, it is expected that implementation of the Multilateral Effectiveness and Relevance Assessment (MERA) through Multilateral Programmes Branch will inform the collaboration between the bilateral and multilateral program in an effort to enhance the effectiveness of the CDB.

Finally, we have maintained our **field presence and local input**, through decentralized regional analysis, management of selected projects/programs, and the location of specialized human resources where required for greatest effectiveness in aid delivery. The missions in Bridgetown and Georgetown have been the main focus for this enhancement.

12.0 RESULTS MANAGEMENT

CIDA shares responsibility for the developmental results of its bilateral program initiatives with regional institutions and/or partner governments. Effective results-based management therefore begins with the *definition of expected results that reflects our partners' vision and priorities*. The outcomes expected of the regional Program derive from a number of sources that assure this coherence. These sources include:

- Declarations of the CARICOM *Conference of Heads of Government*, and OECS *Authority*, CARICOM Ministerial Councils, Caribbean Community official statements, and the pronouncements of the region's most eminent statesmen;
- Comprehensive development frameworks (e.g. Guyana *PRS* and *NDS*; OECS *Development Charter* and *Development Strategy*), approved sectoral strategies, institutional work plans, and other texts endorsed by governments, local institutions and development partners; and
- CIDA's own extensive strategic planning process of internal and external consultation and analysis.

We intend to conduct a *shared effort to track and measure developmental results*. For this purpose, CIDA uses a *Results Assessment Framework (RAF)*, grouping results statements with their measurable indicators and targets. A strategic results matrix is a means to succinctly communicate CIDA's developmental intent to other stakeholders. Its purpose as a management tool is to help program/project managers identify sector and Program-level results so that managers and stakeholders of project initiatives have a common view of the progress towards Program results. It also serves as a basis for preparing annual reports of program performance as required by Canada's Treasury Board Secretariat. In this way, the RAF serves to foster dialogue on program direction and achievement, and inform decision-making.³⁹ The RAF will be reviewed and updated as necessary to reflect changes in its key parameters, including the effect of policy dialogue, donor coordination and other 'programmatically' interventions on expected results and targets.

CIDA will carry out *periodic assessments of program results*. CIDA may also mandate reviews and/or evaluations, at mid-term and/or final points in implementation, at the sector and/or Program level (project-level reviews and evaluations are well-established routines). CIDA will also undertake a review of the programming Framework toward the end of its effective life-span.

The chain of related Program-level expected results for the Caribbean Community Program is illustrated in a simple logic model provided in Figure 3 (below). Our Program logic model is consistent with the outcomes approved by Canada's Treasury Board for the Agency's logic model and will contribute to achieving its macro results. As mentioned earlier, the purpose/objective of the Caribbean Community Program is *to strategically address root causes of vulnerability and institutional weakness by supporting the region as a whole so that it can be more self-reliant in ten years*. We can deconstruct this mandate statement into standard results terminology expressed as causal relationships in the following narrative:

Inputs: CIDA will contribute substantial **financial, human** and supporting **organizational** resources for the next ten years to assist Caribbean governments and regional institutions in their efforts to make concrete progress on deepening regional integration. CIDA's resources from its bilateral, multilateral, Canadian Partnership and Office for Democratic Development channels will be part of a wider Canadian government contribution and join with the resources provided by the Caribbean itself and other international development partners. This multi-dimensional or joint aid environment forms the background of each level of the results chain.

Activities and Outputs: CIDA's Commonwealth Caribbean & Suriname Division plans and manages Canada's bilateral program for the region, taking into account Government of Canada policy directions for aid, sectors and programming priorities such as gender equality and environmental sustainability as well as good managerial practices prescribed by Canada's Treasury Board. Over the next 10 years, the Division will conduct research, analysis and design projects in order to **provide technical assistance programs and projects** along with **funding arrangements to regional institutions** and **multi-country regional mechanisms** to support the

³⁹ A preliminary draft Results Assessment Framework (RAF) is attached in Appendix D and will be finalized following discussions in the region with key partners.

capacity building objectives for sustainable development as defined by the region. We will also fund some initiatives for **Jamaica** and **Guyana** in critical areas for the next 4-5 years. The Division will also manage **policy dialogue** with national and regional bodies in support of Canadian positions and objectives for aid in the region.

Immediate Outcomes: In 7-10 years, (i.e., by the end of this 10-year programming Framework), the Caribbean beneficiaries of Canadian bilateral assistance will have an **increased awareness** of good practices and **enhanced capacity** to support regional democratic governance, private sector development and human capital formation. This will result specifically in **strengthened key institutions** involved with **democratic governance and regional integration** (e.g., CARICOM Secretariat, OECS Secretariat, national parliaments); more effective and accountable gender-sensitive public sector **management of regional and national resources** including environmental resources, with an emphasis on modernization of the public sector; greater capacity to **plan and implement risk reduction** practices; improved **partnership relations between government and civil society**; and **improved capacity in local government, electoral systems and the primary institutions of democracy** including the media. In the area of economic renewal, the expected results will be a **strengthened enabling framework** for the environmentally sustainable growth and productivity of the Region's private enterprises and **strengthened gender-sensitive linkages to regional, hemispheric and global markets** through support for regional approaches to trade issues, implementation of the CSME and private sector competitiveness. In the area of human capital formation, the results expected include **increased capacity of education systems to retain girls and boys** and provide meaningful learning experiences and **appropriate skills**; **improved awareness** of youth on reproductive rights, healthy lifestyles and HIV/AIDS prevention; **strengthened cadre of potential leaders** for public life in the region; and **enhanced women's empowerment and men's sensitivity to gender issues**.

Intermediate Outcomes: In 10-15 years, the targeted regional institutions, national counterpart entities and regional non-state organizations are expected to have consolidated and internalized the benefits of the capacity building activities supported by CIDA and other international development partners and be capable of delivering their mandate to their citizens with reduced need for further external assistance. Caribbean Community citizens will be able to recognize and attribute their improved standard of living and quality of life to an **improved regional democratic governance and integration, strengthened regional economic renewal, and strengthened human capital**.

Final Outcome: The expected impact in 15 years and beyond that we are aiming to make in the region is informed by a shared vision of a promising future for Caribbean people through a **vibrant and robust Caribbean Community**. As CARICOM implements deeper integration and finds ways to provide public goods and common services more efficiently and effectively, economic growth through improved competition, productivity and diversification is expected to increase and provide governments with the means to **reduce poverty**. Regional harmonization of key policies and standards in the areas of social services, gender equality and environmental management, will also have benefits for the reduction of **inequalities** and **greater environmental sustainability**. CIDA's relations with the Caribbean Community/OECS are expected to evolve from an aid-based relationship to a partnership based on mutual interests.

This results chain has been formulated based on a premise of progressive forward momentum towards the attainment of objectives. The reality is that there are risks along the way that need to be managed and mitigated.

13.0 RISK MANAGEMENT

CIDA's hopes for a more deeply integrated and sustainable Caribbean Community and OECS are largely dependent on the evolution of a number of issues whose outcome is less than certain.

13.1 Risks

- The HIV epidemic started in 1980 in the Caribbean and reached a prevalence rate of 2.4% of the adult population in 2000, but experts fear that the viral pandemic has not yet peaked and will increase moderately to between 2.3% and 2.5% by 2009. Reflecting global patterns, persons aged 15-44 are most vulnerable,

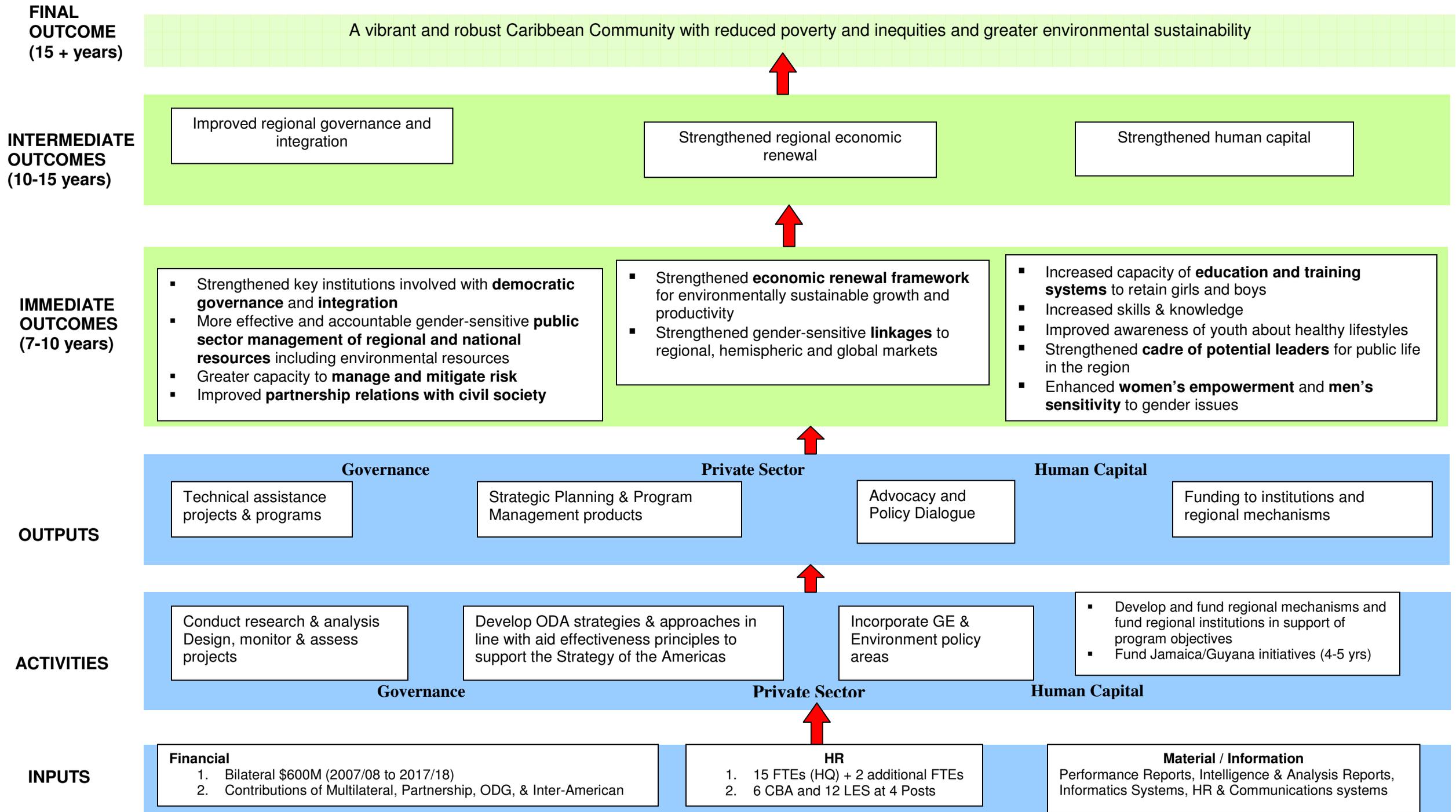
especially young women. With porous borders, considerable inter-island movement of the population and large seasonal influxes of visitors, the Caribbean is highly vulnerable to serious long-term economic and social impacts from the infection.

- Having outstripped traditional sectors in many Caribbean economies, tourism is not only extremely vulnerable to external shocks, but has not yet generated sufficient employment to balance job loss in traditional sectors.
- The region's governments and specialized agencies may not be capable of formulating appropriate responses to the combined effects of economic pressure, climate change, natural disasters and natural resource degradation.
- The successive setbacks to both WTO and FTAA negotiation schedules in the past increase the likelihood that bilateral agreements will emerge as the principal avenues of trade liberalization for the near future.
- Economic uncertainty can speed up or slow down the pace of integration. The fiscal crisis in Dominica that developed in 2002 and 2003 is one indication of the fragility of a number of Caribbean national economies in a context of trade liberalization, weak public sector management capacity and external debt. Barbados, Trinidad & Tobago, the Bahamas, and some OECS countries were able to rapidly put in place emergency stabilization assistance for Dominica, but CARICOM would be hard pressed to intervene decisively in the case of economic and/or fiscal collapse in one of the region's larger countries. An annual US\$3 billion regional outlay for food imports is but one of the continuing strains on the region's economies.
- Intra-regional trade is unlikely to increase significantly and it alone will not compensate for the loss of European preferential treatment of sugar and bananas from the Caribbean. There may be insufficient will or knowledge to lead local economic diversification that cultivates the emergence of new productive sectors for export trade with external partners.
- National governments may not be motivated to undertake the difficult political transformations required to move beyond intergovernmental cooperation to forms of supranational action, such as those that characterize the European Union's success.
- Bilateral relations between a number of Member States are fraught with tension as a result of on-going maritime boundary disputes. Both Barbados and Guyana have resorted to international arbitration, under the United Nations Convention on the Law of the Sea, for a final and binding resolution to disputes with Trinidad & Tobago (fish stocks) and Suriname (seabed resources), respectively. A reasoned and cooperative resolution to these issues could have a positive effect on larger Community efforts toward greater economic integration, but the converse is also possible.
- The recovery of Haiti is another uncertainty in the Caribbean's future. By accepting Haiti as a full member in 2002, CARICOM is committed to supporting its effective participation in the regional integration movement. This is a formidable, costly and long-term undertaking, but reaffirms CARICOM's understanding of its role as an agent of greater Caribbean integration. It is also sign of a proactive strategy in the face of stark reality. A resurgence of economic and political refugees, an increase in communicable disease and the deeper penetration of organized illicit trade in drugs, arms and humans across the wider Caribbean are but three of the potential negative effects if there is a further period of socio-economic decline and deterioration in the quality of democratic governance in Haiti.

**Canadian International Development Agency
CARIBBEAN COMMUNITY REGIONAL PROGRAM - LOGIC MODEL**

Figure 3:

(NOTE: The premise throughout this model is a joint, multi-donor and multi-partner/stakeholder aid environment in which CIDA is one player)



- CARICOM Heads of Government reaffirmed their commitment to accelerated progress on the CSME and other integration measures in the July 2003 Rose Hall Declaration on “Regional Governance and Integrated Development”. Nevertheless, long experience suggests that progress toward the legislative and policy harmonization essential to the implementation of the Caribbean Single Economy (CSE) may be slower than the expected completion by 2015.⁴⁰
- The sustainability of regional institutions is continually in doubt for lack of timely and adequate financial contributions from Member States. Institutions such as the OECS Secretariat, the RNM and CEDA regularly cope with financial arrears. This situation raises doubts about the viability of new institutions being created in support of CSME, such as the CROSQ and the Competition Commission. (On a positive note, the establishment of the CCJ Trust Fund advanced on schedule.) The proposed system of automatic resource transfers for financing Community institutions is an important step to resolving this threat, but it has yet to be enacted and demonstrated over time.
- Looking toward the longer-term horizon, successful Caribbean integration must eventually include Cuba, yet integration requires transition within Cuba toward economic and political systems more compatible with those of the Caribbean Community. Nevertheless, further openness on CARICOM’s part is conditioned by their need also to protect relations with the US.⁴¹ Regional governments continue to pursue a policy of constructive engagement with Cuba. Further progress toward integration of Cuba within the Caribbean may thus be as dependent on evolution within US foreign policy, as on transition within Cuba.

13.2 Mitigating the Risks

The Commonwealth Caribbean & Suriname Division has adopted an integrated “risk management/results management” approach to manage and mitigate risks to the success of the Caribbean Community Program. This consists of four interlocking strategies. Convinced that *good intelligence* is essential to early warning and adequate understanding of risk, CIDA has maintained a regional analytical capacity in the field. A deep commitment to effective donor coordination allows CIDA to *share risk with other donors* involved in CIDA’s priority sectors. *Annual performance* reviews (which may eventually to be done in tandem with our partner countries and other donors) enables CIDA to test its risk analysis with those most closely concerned and determine management and mitigation responses. Finally, CIDA is building into its future programming in the region the *capacity to adjust strategies* (e.g., “off-ramps”) as needed.

Our strategy of supporting regional institutions as well as multi-country regional mechanisms will provide us with flexibility to adjust the program should a scenario emerge in the region that impedes the integration agenda - such as the collapse of commitment to CSME - or threatens the sustainability of individual institutions. Also, our strategy to focus on three themes provides us with some flexibility to shift resources among themes/sectors if progress in one theme –for example, democratic governance – becomes bogged down. **We have not been able to resolve the complex issue of how to respond to emergency needs at the national level (such as for national reconstruction following a catastrophe) in the Caribbean Community Program and are continuing to hold discussions within the Agency on an annual set-aside of funds to respond to catastrophic weather events during hurricane season.**

⁴⁰ See Caribbean Community, Communiqués. www.caricom.org. CARICOM Heads of Government meeting 12-14 February 2007 agreed to a two-phase approach for implementation of the full CSME and the measures that need to be addressed. Phase 1 (2005-08) is identified as consolidation of the single market and initiation of the single economy; Phase 2 (2009-15) is termed consolidation and completion of the single economy. Member states and CARICOM are continuing to study how to govern enhanced integration of the Community.

⁴¹ León, Francisco (1997) “Cuba’s Challenge to Caribbean Integration.” Cuban Committee for Democracy.

14.0 PROGRAMMING RESOURCES, MANAGEMENT IMPLICATIONS AND ACCOUNTABILITY

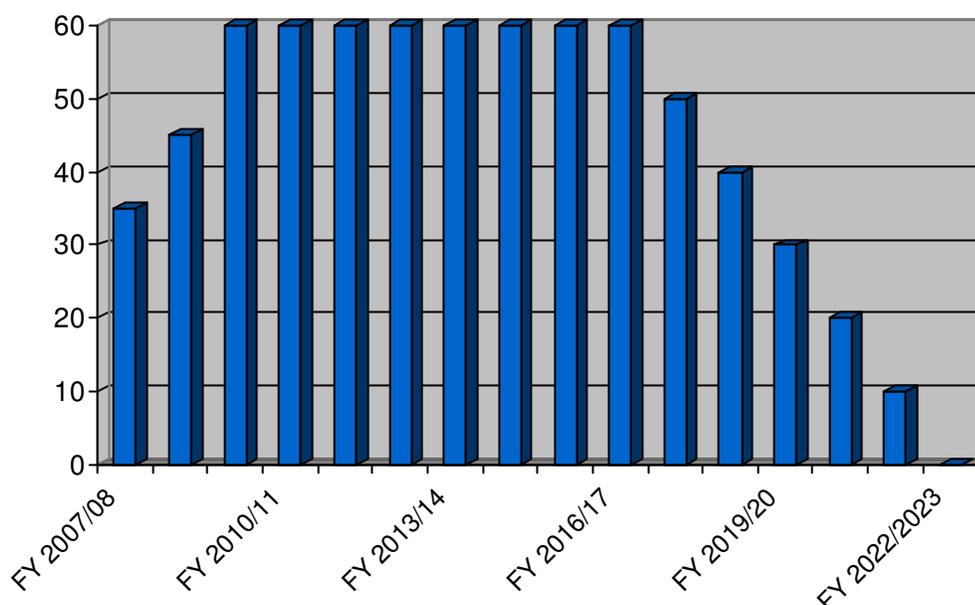
14.1 Financial Allocation

For planning purposes, the notional 10-year bilateral Budget (FY2007/08-2017/18) to implement the programming Framework for the Caribbean Community Program is \$600 million or about \$60 million annually, which is approximately **double the current planning figure for the Program**.

Annual disbursements will be ramped up over a three-year period (\$35 million in 2007/08, \$45 million in 2008/09, and \$60 million in 2009/10). As indicated in the graph below, the Program budget will be held at a flat line of \$60 million until 2016/17, which is the ten-year mark in our strategic programming framework. Starting in 2017/18, the Program budget will reduce by about \$11 million per annum until it reaches zero balance in 2022/23, which is the fifteen-year mark. CIDA will have no development cooperation program for the Caribbean Community after 2022/23.

Table 2: *Planned Disbursement Profile for 15 years*

(Millions of Canadian Dollars)



The notional annual allocation to sectors is about \$30 million for regional democratic governance, \$15 million for regional economic renewal, and \$15 million for regional human capital formation. The special initiatives we are undertaking for 3-5 years in Jamaica (justice reform) and Guyana (strengthening democratic governance) are funded from the regional envelope.

14.2 Key Management Issues

The Program will need to focus on planning new interventions over the next few years to reach the proposed annual disbursement level of \$60 million per year by 2009-2010. Every effort will be made to work in collaboration with other donors to engage in co-financing, Program-Based Approaches (PBAs), or "PBA-like" initiatives, in the challenging context of regional programming. The workload of selected officers will be adjusted to enable them to devote most or all their time to program planning. The human resources in the field will be increasingly directed to program planning as well.

14.3 O&M Costs to Deliver the Regional Program

One continuing management challenge arises from the complexity of programming in a regional environment. How to ensure effective coordination and synergy among the program elements and how to achieve efficient delivery systems are issues that were highlighted in the 2004 corporate evaluation of the Caribbean Program. The evaluators urged CIDA to aim for greater economy in the delivery of the Program.

The management trend in the regional Program has been to maintain a strong CIDA presence in the field. This trend is in response to the movement within the region towards greater ownership of development strategies and processes. In addition, following the appointment of Canada's first plenipotentiary representative to CARICOM, CIDA designated the Development Assistance Section in Georgetown as the focal point for regional programming analysis and operational oversight of CARICOM-based development projects but much of this work must also be done in Bridgetown, which is the base of the Caribbean Development Bank and a regional focal point for most donors.

Table 3: O&M Costs for Caribbean Community Regional Program (FY 2005/06)

Salaries (15 FTEs at HQ, 6 Canada-Based staff at Posts)	\$ 2,187,681
Salaries of 12 locally-engaged staff and DFAIT charges for 4 field Post operations	\$ 2,405,438
Other O&M combined ⁴²	\$ 287,957
Total O&M costs	\$ 4,881,076
Total Bilateral Aid Program disbursed 2005/06	\$36,400,000
Overhead ratio	13.4%

The Program is managed by a combination of resources in the field and at headquarters. In the field, CIDA has representatives in Kingston, Bridgetown and Georgetown, supported by appropriate local resources (there is one locally-engaged professional in Port of Spain assigned to CIDA functions). At headquarters there are program officers, mid-level managers, analyst/planners, and an executive program director. (Until recently, contracted personnel have also administered Canada Funds for Barbados and OECS, Jamaica, Guyana, Belize, Trinidad & Tobago, and Suriname). **We will need 2 additional FTEs (project managers)** for the expanded Program. It may be that one of these new officers would be assigned to the Field.

This combination of personnel is required by the Program in order to provide effective oversight of a multi-country environment (the four missions are accredited to 12 countries) but does require significant administrative resources. There is no easy solution to this situation.

14.4 Absorptive Capacity of Partner Countries and Regional Organizations

The absorptive capacity of partner governments and regional organizations is of concern. CIDA's **focus on capacity development** in this Framework is a key strategic decision for two reasons. First, CIDA believes that increased human and institutional capacity is the principal means through which the region will realize sustainable developmental gains. Second, building institutional capacity is the best way to mitigate the moderate-to-high risk (varying from one institution / government to another) of inadequate absorptive capacity.

In implementing the Framework, CIDA must be responsive to the priorities, targets and work plans of its regional partners. Capacity development needs will be determined as a function of these concrete parameters. The implementation schedules of our new initiatives will reflect partners' capacity constraints. Capacity development under this Framework will thus be a process of "laying track to carry the train forward".

⁴² "Other combined" includes travel, representational hospitality, materials & supplies, telecommunications, printing, training, and professional services.

14.5 Accountability

This programming Framework is a statement of CIDA's corporate strategic priorities and directions for Canadian development cooperation in the Caribbean Community/OECS region. The majority of discrete initiatives through which the Strategy will be implemented are the responsibility of the Americas Branch bilateral program. Americas Branch is responsible for policies, advice and positions formulated and advanced with its regional partners. Americas Branch, through its Caribbean Division, will be actively involved in the identification, selection, planning and (to the extent of its responsibility under the Agency Accountability Framework) implementation of the different initiatives. Americas Branch will maintain regular policy and results dialogue with the Multilateral and Canadian Partnership Branches. CIDA's accountability for initiatives through these two Branches is limited to its relative level of involvement in the actual selection, planning and implementation of development initiatives.

15.0 CONCLUSION

Canada's development assistance program for the region over the next 10 years will be visible and effective. It will be grounded on the development priorities of the countries themselves as they have articulated in their agenda for regional integration. It will be of sufficient magnitude to leverage resources for key initiatives in the areas of democratic governance, private sector development and human capital formation.

Government-to-government assistance will be complemented by multilateral, hemispheric and Canadian partnership aid channels and make a significant contribution in the broader context of Canadian objectives in the Region. Canada will play a leadership role in assisting the Region to find ways to address some of its most pressing development challenges including risk reduction, gender equality, and youth development. We will work closely together with other international development partners to support economic repositioning and growth and an improved governance of regional integration. Together with our development partners in the region we will strive for harmonized modalities that reduce the transactional burden on the small states and commit ourselves to an accountability regime whereby the achievement and communication of measurable results is the predominant consideration. During the lifespan of the Framework, we expect to have helped construct the building blocks for a vibrant and robust Caribbean Community that will emerge in 15 years and beyond as CARICOM fully implements its Single Market and Economy. Progress towards that goal will be the basis on which we fine-tune our assistance strategy in the years ahead.

- END -