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ANNEX 1

of the Commission Decision on the

Action Document for State Building Contract for Dominica for Rehabilitation following Tropical Storm Erika

1. Title/basic act/ CRIS number	State Building Contract for Dominica for Rehabilitation following Tropical Storm Erika CRIS number: No. 2015/038-947 Financed under the 11 th European Development Fund			
2. Zone benefiting from the action/location	The action shall be carried out at the following location: Commonwealth of Dominica			
3. Programming document	EDF B-Envelope			
4. Sector of concentration/ thematic area	State Building Contract	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 8 900 000 Total amount of EDF contribution EUR 8 900 000 of which EUR 8 800 000 for budget support and EUR 100 000 for evaluation.			
6. Aid modality and implementation modality	Budget Support: Direct management - State Building Contract - Procurement of Services			
7 a) DAC code(s)	51010 ; 15111 – Public Finance Management			
b) Main Delivery Channel	Government of Commonwealth of Dominica			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	x
	Aid to environment	<input type="checkbox"/>	x	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	x	<input type="checkbox"/>
	Trade Development	x	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	x	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective

	Biological diversity	x	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	x	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input type="checkbox"/>	x	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	N/A			

SUMMARY

On 27 August 2015 **Tropical Storm Erika** passed over the island of Dominica with excessive and unexpected amounts of rain of a high intensity. Due to the mountainous terrain and the saturated condition of the soil, the result was intense and rapid flooding. Dominica suffered severe infrastructural damage, primarily related to transportation, housing and agriculture with the worst damage occurring in the south and south east parts of the island. Out of a total population of 72,340 persons, 11 persons were confirmed dead, 22 missing, 574 homeless and 713 evacuated with approximately 7,229 impacted by the event in the nine (9) disaster declared areas.

In the weeks following the event, the World Bank and the Government of the Commonwealth of Dominica undertook a Rapid Damage and Impact Assessment which was financed by the European Union, in the framework of the ACP-EU Natural Disaster Risk Reduction Programme. This assessment indicated the impacts of **TS Erika to have caused total damages and loss of XCD 1.3 billion (USD 483 million), equivalent to approximately 90% of Dominica's Gross Domestic Product (GDP)**. The majority of damages were sustained in the transport sector (60 percent).

Responses from regional and international partners were rapid and basic services and operations, as well as connectivity, have been restored to a certain extent. However, major damage to the transportation network requiring extensive works remain, and a significant part of the island still lacks permanent + disaster proof water connections.

Thus far **Dominica has assured app. 50% (according to figures from the IMF) of financing needed for rehabilitation**. There is a **very large need for grant financing**, in order that Dominica adheres to permissible indebtedness thresholds set by the ECCU.

In recognition of the situation of relatively acute fragility, the **European Commission is seeking to provide EUR 8.9 million in financial support through a State Building Contract**. The focus of the operation will be on **water infrastructure investment, institutional framework of energy sector and improvements in public procurement, PFM legislation and external audit**.

A **State Building Contract (SBC)** is particularly pertinent in the current situation of Dominica, given the fragile situation in the country following the Tropical Storm Erika. The storm has considerably weakened the ability of the Government of the Commonwealth of Dominica to recover from the economic losses caused by the disaster. The proposed programme aims therefore to support the Government, through a state building contract, to

rehabilitate basic infrastructure and consequently restore basic services to the population. It is the intention to capitalise on the commitment of the Government at the highest level to promote and undertake key reforms with a direct impact on future sustainable and inclusive growth in Dominica.

This **SBC in Dominica should prepare the ground for sector reforms** by supporting the formulation of national/sector development policies, consolidating the macroeconomic and PFM framework or ensuring a better phasing and smoothing transition from short to medium/long term partner country's objectives and commitments. It would thus link up to Dominica having successfully completed a Budget Support (BS) operation under the 10th EDF which we foresee utilising for future financial cooperation with the partner country.

The funds are to be **disbursed in two tranches (one fixed and one variable)**, depending on Dominica continuing to meet eligibility requirements and achieving agreed milestones of the corresponding Road Map.

No specific EU complementary support is envisaged under this programme. Complementary measures will, to a large extent, be delivered by other international partners.

However, should the need arise, EU Complimentary support will be channelled via 11th EDF contributions to the NAO office, the TCF and support to Non State Actors.

1 CONTEXT

1.1 Country context

Dominica is an upper-middle-income Small Island Developing State (SIDS), with a Gross National Income per capita of USD 10 300 (app. EUR 9 650). Nonetheless, according to the 2008-2009 Country Poverty Assessment (CPA), 28.8 % of Dominicans live below the locally defined poverty line, 3.1 % are deemed to be indigent and 11.5 % deemed vulnerable. The Gini coefficient of inequality was estimated to be 0.44 in 2008. In 2014 Dominica was ranked 93 of 187 countries in the United Nations Development Program Human Development Index (HDI).

The population is estimated to be 72,340 (51% men, 49% women). The country covers 750 km² of mountainous terrain. App. 90% of the population lives in the coastal areas. Exports are primarily agricultural products, which are complemented by educational services delivered by international medical schools with campuses in the country. Since the end of preferential trade agreements with the European Union (EU) for bananas, the country has sought to diversify the economy with a view to developing tourism, as well as enhancing education and improve social services.

Over the past ten years Dominica's economic performance was defined by real growth averaging less than 2% per annum, also on account of the country's high vulnerability to natural hazards and external economic shocks. Dominica is ranked as 12th on the list of one hundred and eleven (111) countries on the composite vulnerability index of the Commonwealth Secretariat and the World Bank (WB). Hydro-meteorological disasters have historically imposed significant costs on the Dominican economy, leading to major declines in GDP growth and general productivity, and accounting for annual average losses of roughly

7.4% of GDP. In August 2015, Dominica was hit by Tropical Storm Erika, which resulted in significant loss of life and substantial damage to physical infrastructure. The Assessment Report (funded by the EU) by the World Bank and Government of Dominica estimates total damage and loss at USD 483 million (96% of GDP), making this storm one of the worst natural disasters to ever impact the country. The recovery and rehabilitation costs are putting tremendous pressure on already challenging fiscal and balance of payments positions.

1.1.1 Public Policy Assessment and EU Policy Framework

The Dominica Growth and Social Protection Strategy (GSPS) 2014-2018 sets out the medium term strategy for development of the country. The GSPS seeks to focus on i) promotion of economic growth and job creation; ii) development of the skills and health conditions that will enable current and future households to achieve and maintain a sustainable and fulfilling life; iii) betterment of the conditions of those currently in severe poverty to help them achieve sustainable livelihoods through a combination of direct income support and other measures; iv) elimination or reduction of the potential causes of future impoverishment.

As defined in the GSPS, the Government has commenced the implementation of the Special Focus Areas, (SFA) programme, with a view to improving living conditions in the areas identified in the 2008/09 CPA as needing special interventions. A Social Transformation and Empowerment Programme (STEP) has also been developed. As part of Government's ongoing efforts at addressing youth unemployment, the National Employment Programme (NEP) was launched in 2013. The overall goal of the programme is to generate employment opportunities for over 500 young persons within one year through a programme of internship and mentorship. The Government has also developed the Comprehensive Carib Territory Community Development Programme (CTCDP). The CTCDP has recently been renamed as the Carib Territory Community Capacity Building Project (CTCCBP). So far XCD 8.6 million (EUR 2.9 million) has been invested to reduce poverty in the Territory through provision of social and economic infrastructure.

The GSPS proposes to undertake major infrastructural works in the capital city Roseau and in the town of Portsmouth. These works will include road works, bridge replacement, improvement to tourism areas and improvement and or construction of administrative buildings. Furthermore, the GSPS foresees a continuation of the ongoing investment in the country's infrastructural development. Specifically, continued attention will be placed on the infrastructural areas of transportation, power, telecommunications and water. Government is ever-conscious of the critical importance of road infrastructure to the country's future economic growth and its capacity to attract private investment, and to the well-being and quality of life of residents and visitors.

Government has decided to pursue renewable energy as the solution to its dependence on fossil fuel as well as the cost associated with the ever-rising price of oil. The ramifications of recent high oil prices run right through the economy. Not only do consumers have to face a rising cost of living, but as the cost of manufacturing and services increase, the country is challenged to maintain its competitiveness and attractiveness to investment. Government's objectives for the energy sector continue to be the following: to keep the cost of energy down to a minimum, to encourage energy conservation and to diversify energy sources and reduce the reliance on fossil fuels. Dominica has huge potential in the area of geothermal energy. Development has proceeded since 2008, also with considerable support from France and the EU. Dominica could begin to supply domestic demand within two years, with the prospect of

also exporting geothermal energy to the neighbouring French islands of Martinique and Guadeloupe. The prospect of the availability of large amounts of relatively cheap energy will significantly increase the country's development possibilities and will contribute to a reduction in the cost of electricity supply to the residential population.

Dominica's Gender Policy aims to improve quality of life at all levels of society, and to contribute to gender awareness among policy makers, planners, implementers and the general public. It aims to "incorporate a gender perspective in all development planning" in a way that makes for the "gendering" of development planning and policy formulation and implementation, and to establish a system of gender mainstreaming into all sectors of government and society. The National Youth Policy (NYP) is a framework for youth development in the Commonwealth of Dominica. It seeks to ensure that all young persons are given equal opportunity to reach their full potential. The NYP addresses the major concerns and issues critical to young men and women. The policy provides guidelines for the development of youth programmes and initiatives by government and non-government organisations.

Government is seeking more consciously to integrate green principles into national economic management and planning, and marry environmental preservation and management into the country's strategy for achieving higher levels of sustained, transformative economic growth. Government is also seeking to ensure that the Nature Isle concept should take the lead in enshrining green principles as the guide to national planning, and to inform initiatives in all sectors. As regards Performance Indicators deliberations continue on the basis of recommendations of the EU-sponsored "Development of a Performance Assessment Framework (PAF) for Dominica's GSPS" (Ecorys, 2011).

Under the framework of Dominica's Low-Carbon Climate Resilient Strategy, the Government of Dominica is integrating green principles into national economic management and planning. With people being the country's most valuable resource, Dominica's Low-Carbon Climate Resilient Strategy is based on the principal objectives of: accessing appropriate low carbon and climate resilient technologies; building national capacity to support Dominica's continued transformation to a Green Economy; attracting a broader range of direct foreign investments in new green business opportunities; providing training to upgrade the skills of Dominica's workforce. Considerable export opportunities will be afforded the skilled labour force working in Dominica's Green Economy as neighbouring Caribbean countries begin to explore their own low-carbon climate resilient development options.

Key component activities under Dominica's Low-Carbon Climate Resilient Strategy, which are drawn from Dominica Medium-term Growth and Social Protection Strategy (GSPS), include: i) Low-Carbon Development Pathway; ii) Harnessing of solar energy resources; iii) Harnessing of wind energy resources; iv) Harnessing of hydro-power resources; v) Promotion of Green Communities in Support of Health/Wellness; vi) Reducing greenhouse gas emissions through improved connectivity and waste management; vii) Protection of carbon sinks; viii) Development of biofuels; ix) Sustainable financing for low carbon technologies and energy conservation; x) Development of low-carbon management services and technologies.

This European Development Fund (EDF) contribution is in line with the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action, the EU Code of Conduct, the Busan

Partnership for Effective Development Cooperation and, the most recent framework for action and follow-up measures stemming from the Rio+20.

1.1.2 Stakeholder analysis

The direct partners of the programme are the Prime Minister's Office, which coordinates the work of the Disaster Rehabilitation Advisory Team, the Ministries of Finance, Public Works and Energy. Indirect beneficiaries are the entire public administration as well as the communities which will benefit from rehabilitation activities financed by the programme (State Building Contract), including agricultural communities and stakeholders that will benefit from improved road infrastructure. A significant involvement of relevant Non-State Actors (NSAs) / civil society organisations (CSOs) in the policy dialogue is also envisaged. This engagement will in part be supported by the 11th EDF NSA financing.

1.1.3 Priority areas for support/problem analysis

The severe (social and economic) damage caused by Tropical Storm Erika has demonstrated all too clearly Dominica's vulnerability to extreme and unexpected weather events. An absolute priority for the government is to rapidly ensure the full reestablishment of basic services and transport connectivity and access. This will require a coordinated effort to ensure appropriate allocation of investments from both public and private sectors. It will also require greater efficiency in public spending; as such this action will also support GoCD's PFM reform efforts with respect to its PFM legislation, procurement and external audit. The Government should also take the "opportunity" afforded by the tragedy to implement reforms (to build resilience and achieve a sustainable growth path) and enhance enforcement and compliance with existing legislation.

The key challenge for the country is to set the right priorities, coordinate interventions and make the case for reforms and enhanced enforcement. Dominica should also seek to increase the operationalization of the resilience principles, policy scope and strategies outlined in the CARICOM endorsed Comprehensive Disaster Management Strategy (CDM) 2014, and the Regional Framework for Achieving Development Resilient to Climate (2009 and after).

Following Tropical Storm Erika, the EU funded a Rapid Damage and Impact Assessment (RDIA). The work of the RDIA was undertaken jointly by the Government of the Commonwealth of Dominica and the World Bank. Hence, Government fully supports the strategic visions of the report along with the immediate short term and long-term reconstruction strategies it has provided. In setting priorities for investments, Government will consider the following criteria which are based on international experience: potential for direct and widest humanitarian impact; restoration and rebuilding of critical infrastructure and services; potential to generate sustainable livelihoods; balance between public and private sector recovery; balance between physical infrastructure reconstruction and less visible recovery (such as capacity building and governance); pro-poor, pro-vulnerable, and gender-sensitive agendas. It is imperative that Government reviews and strengthens the capacity to plan, design and monitor large infrastructural works.

1.2 Other areas of assessment

1.2.1 Fundamental values

Dominica is a party to some of the main international human rights conventions, including International Covenant on Economic, Social and Cultural Rights (CESCR), Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and Convention on the Rights of the Child (CRC). Nevertheless it is considerably slow in fulfilling its reporting requirements. Dominica is also a State Party to the International Criminal Court (ICC) Statute.

The Government generally respects the human rights although there are a number of areas of concern, primarily: domestic violence against women and children, freedom of choice of sexuality, overcrowded prison, and the adverse conditions experienced by indigenous Kalinago (Carib).

The death penalty is still permitted by law, but it has not been applied for more than a decade. The judicial system of Dominica also suffers from a backlog of cases, not unlike other Small Island Developing States (SIDS) in the Caribbean region, which is still not addressed. In recent years Dominica has also started to support EU initiated resolutions on Human Rights at the UN.

1.2.2 Macroeconomic policy

Tropical Storm Erika caused infrastructure damage that has severely weakened productive capacity of key economic sectors, and public sector reconstruction costs have been estimated at about 65% of GDP. Therefore, to address the urgent balance of payment and fiscal need associated with the rehabilitation and reconstruction efforts, in November 2015 Dominica received a USD 8.7 million disbursement from the IMF under its Rapid Credit Facility.

In its April 2016 press release following its Article IV mission to Dominica, the IMF reported that the economy was indeed hit hard by Tropical Storm Erika, with output declining 3.9% in 2015. Since then tourism activities have largely normalised and tourist arrivals have shown some recovery, but recovery in other sectors, particularly agriculture and manufacturing, is likely to be more protracted; the storm severely affected crops and access to arable land, and resulted in the closure of the main industrial plant. Largely due to high non-performing loans, commercial bank credit to the private sector continues to decline, placing a drag on economic activity. On the other hand, falling oil prices has kept inflation low and slightly negative. The low oil import bill has also contained the 2015 current account balance at 9.4 percent of GDP, despite weaker exports of agriculture and tourism. Regarding the fiscal outturn, an increase in excise taxes, user fees and import duties has resulted in a surplus of 0.8 percent in FY 2015/16. However, the IMF views the underlying fiscal performance as somewhat weaker, as this outturn was also achieved from the collection of tax arrears (a one-off occurrence), higher revenues from the citizenship programme (subject to the uncertainty), and low capital expenditure.

The forecast for growth in 2016 is 1.3 percent as the economy slowly recovers from the storm and investment in reconstruction gathers momentum; this forecast however is dependent upon grant inflows occurring as expected. Thereafter growth should accelerate somewhat as the economy continues to recover towards potential, and should stabilise at 1.7 percent over the medium-term. It is expected that the current account balance will deteriorate as reconstruction

efforts intensify, but should then gradually improve with higher exports of agriculture, tourism and manufacturing.

Dominica has struggled with fiscal and external sustainability for a few years, and the impact of the storm has worsened the situation further. Fiscal policies will now have to accommodate an increase in reconstruction spending over the medium term, and underlying policies refocused from a supportive cyclical stance toward a medium-term consolidation objective. The authorities have committed to generating robust primary surpluses over the medium term to ensure downward debt dynamics. They will tackle pressures on current spending, broaden the revenue base, strengthen tax collection, further re-prioritise capital expenditures, and step up efforts to strengthen the fiscal policy framework to ensure the sustainability of the fiscal adjustment effort.

With regard to financial activities, the IMF has reported that the government has made substantial progress to revamp regulations, but significant risks continue to affect the sector. The recent passing of the new Banking Act and Eastern Caribbean Asset Management Company Act are important steps to mitigate these. Credit unions are in the process of consolidation, in agreement with the adoption of the regional initiatives to strengthen the regulatory and supervisory framework. Moreover, there has been significant progress in the Anti-Money Laundering/ Counter Financing Terrorism (AML/CFT) legislation. However, the high level of non-performing loans and low capitalisation across the financial industry pose risk to financial stability. Also, there is risk of losing correspondent banking relations, as is currently occurring in other countries in the region.

Structural reforms remain critical to support the fiscal effort as well as to improve competitiveness and private-sector growth prospects. According to the IMF, to further support private sector investment, the government should adopt measures to enhance the business climate; devise a strategy for diversification into a broader set of areas in addition to agriculture; remove impediments to backward linkages in agriculture and manufacturing; improve access to finance; increase the resilience of public infrastructure to natural disasters; improve and enforce construction and zoning codes; explore alternative sources to reduce the cost of electricity, including through developing the geothermal potential; and seek advice to improve education achievement and modernize labour regulations. Reforms to build resilience to potential future natural disasters should also be stepped up.

1.2.3 Public Financial Management (PFM)

In the context of the Reform Plan for the period 2011/12 to 2013/14, Dominica has made significant progress and met many of its objectives, in particular on some aspects of predictability and control of budget execution. The latest PEFA assessment, which the IMF/CARTAC drafted in February 2016 using the new 2016 PEFA methodology, shows improvement in arrears monitoring, revenue administration, predictability of in-year resource allocation, payroll controls, and in controls for non-salary expenditure.

IMF/CARTAC reports that overall the results of the PEFA show a public financial management system in Dominica that is strong but there are notable weaknesses in aspects of risk management (related to SOEs), external scrutiny and transparency. The budget process is evolving and many of the features of a strong multi-year approach are in place and reflected in the model budget calendar. Often unrealistic revenue forecasts and the inability of Ministries, Departments and Agencies (MDAs) to adhere to budget ceilings - perhaps due to

Cabinet engagement coming later in the process than originally planned - contribute to the budget being unrealistic and approved later than planned. Both of these outcomes place a strain on budget execution. However, the Accountant General Department (AGD) and revenue agencies have good control over the execution of the budget. On the expenditure side, quality cash plans and effective commitment control enable effective management of the release of the budget without accumulation of arrears. Nonetheless, it also requires the budget to be rearranged through supplementary warrants and often unplanned, across the board, cuts to allocations.

The PEFA report also states that good information on budget execution is readily available to decision makers and publishing the available data and analysis would greatly enhance transparency. A key lesson from the recent global financial crisis is that risks in the PE, SNG and social security sectors require careful management. Increasing visibility regarding the operations, finances, and thus risk, associated with the statutory bodies and SOEs is essential for managing such risks in Dominica. A performance management framework is being developed and is something that will be important, both to drive internal efficiency and to support accountability for results in a situation where the institutions of external oversight are weak.

Dominica made some progress in the establishment of the Central Procurement Unit and Board, and in drafting of procurement legislation. However, as shown by the findings of the PEFA, there must be a greater push by the government for procurement reform (PEFA rating remains at D). The legislation needs to be approved and to be made operational. Additionally, in 2014/15 there was limited auditing (which was only done to assure financial compliance), reflecting the need to strengthen capacity of the Internal Audit (IA) department.

Overall, the Government of Dominica has been committed to progress on PFM reforms and implementation of its PFM action plan, and has a strong track record in this regard. In addition, the basic elements of a PFM system are met. Based on a CARTAC study, Dominica's performance is above the regional average for two dimensions (Predictability & Control in Budget Execution, and Accounting, Recording & Reporting), at the average for one dimension (Policy Based Budgeting), and below average for three (Budget Credibility, Comprehensiveness & Transparency, and External Scrutiny and Audit). PFM issues that will be addressed over the long term will be outlined in the new PFM Reform Plan (expected to be finalised by CARTAC in August 2016 and approved by the Cabinet thereafter) and are likely to include the outdated PFM legislation and the risk posed by state-owned enterprises, the below-par procurement and internal auditing practices referred to above.

1.2.4 Transparency and oversight of the budget

For the last disbursement of the 10th EDF budget support operation, the entry point was assessed as being met, as the Government of Dominica published its budget for both fiscal years 2013/14 and 2014/15. The 2015/2016 budget was also published. The budget is available to the general public in printed form and on the Ministry of Finance's website.

Furthermore, the Budget Address, the General Auditor's reports are published on the Ministry of Finance website. Printed copies of budget documents are also made available. There is also a fair amount of fiscal information available to the public through e-publications disseminated in the ECCB website (in its quarterly Economic and Financial Review), as well as other regional institutions, such as the Caribbean Centre for Money and Finance.

In-year information on budget execution is sent by the Ministry of Finance to the ECCB and this fiscal information is reviewed in its quarterly publication.

Nonetheless, as noted in the findings of the February 2016 PEFA assessment, budget comprehensiveness and transparency deteriorated, on account of budget documentation excluding some elements, namely macroeconomic forecasts, financial assets, tax expenditures and fiscal risks; in addition, certain fiscal information is not made accessible to the public in a timely manner. It is the Government's intention to address these issues in the new PFM law. There is also a need to identify medium-term objectives concerning the external auditing and legislative scrutiny in order to complement the monitoring of the reform efforts and facilitate the policy dialogue.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Public procurement management not sufficiently robust to handle increased influx of development partner funding	H	The Government of Dominica will do its utmost to improve public procurement management by enhancing its monitoring systems and indicators linked to this intervention also seek to improve the situation
Scope of rehabilitation works could grow with the discovery of hidden damages during construction.	M	Detailed inspections will be carried out at the pre-engineering stage to minimise the impacts of unanticipated damages.
Inadequate financial support to cover full cost of the planned interventions	M	Additional support could be made available from international partners
Weakness at the ministry level could result in poor quality control and works inspections.	L	Independent inspections/technical audits will be carried out. International partners will supply a team of relevant and requisite TA
The new infrastructure will subsequently receive adequate maintenance funding to protect the investment made.	M	The new infrastructure(new water service connections) will be included in government of Dominica Maintenance Plans.
Environmental and climate change risks. All models predict that the effects from climate will increase unless actions are taken to ‘turn down the heat’	L	Design, construction and rehabilitation to introduce strict environmental safeguards and climate proofing parameters. Risks (also including risks from natural disasters) will be integrated in a risk informed investment approach and due recognition will also be given to the Climate Risk Assessment approach.
Qualified contractors are available at an affordable price to effectively execute the works: this risk is considered to be low.	L	Widen the advertising coverage; adjust the selection criteria.
Assumptions		
All infrastructure work sites will be thoroughly investigated, including the required technical surveys		

and testing following the best international procedures; Qualified contractors are available at a reasonable cost; The budget foreseen is adequate to execute the identified works; Works will not be delayed by any future Natural Disasters

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The extensive damage to existing road and bridge infrastructure, indicate that formal regulations outlined in government policies should be applied to all infrastructure design with respect to service life and resilience to natural disasters. This will protect public investments and reduce the impact of future disasters. The following should be of paramount importance: (i) appropriate designs which will improve and mitigate the infrastructure's vulnerability to disasters, (ii) appropriate level of maintenance to ensure the infrastructure meets its intended life span and (iii) adequate maintenance to ensure that the infrastructure meets its intended life span.

Lessons have also been drawn from emergency interventions in neighbouring countries, where among other an evaluation carried out by the World Bank in St. Lucia following Hurricane Tomas in November 2010 indicated that risk reduction investments financed by the World Bank over the past decade held up well and served their purposes when faced with a 1-in-500-year rainfall event. Similar conclusions were reached in the evaluation of school infrastructure in Grenada following Hurricane Ivan in 2004. This and other evidence suggests that retrofitting, rehabilitation, and disaster risk mitigation investments pay off when faced with an adverse natural event.

3.2 Complementarity, synergy and donor coordination

No formal donor coordination framework exists in Dominica. The Ministry of Finance undertakes the role in a general manner. For the purpose of Tropical Storm Erika rehabilitation, the GoCD has established a Disaster Rehabilitation Advisory Team which is coordinated by the Prime Minister's Office. This team is complemented by a number of committees and sub-committees chaired by Ministers and Permanent Representatives respectively.

The Government of Dominica convened a "Development Partners Conference" in November 2015. This Conference indicated specific support from several international partners and presented an opportunity for the various potential donors to meet and discuss on possible coordination of actions. Furthermore, a number of pledges were made from among other the United Kingdom (GBP 20 million from the Caribbean Infrastructure Partnership) and the Caribbean Development Bank (USD 45.38 million in grants and loans).

Approximately EUR 82 million have been pledged to the GoCD from a wide range of international partners. Some of the pledges, however, still remain to be confirmed. Furthermore, app. EUR 55 million have been pledged in concessional loans, also with some pledges remaining to be confirmed. The details of the support can be seen in Appendix 1.

Synergies will be sought with the 10th EDF "ACP EU Natural Disaster Risk Management in the CARIFORUM Programme", 2014 - 2019, that is aiming at improving resilience of critical infrastructure in the transportation and water sectors in the Caribbean Region.

3.3 Cross-cutting issues

There are nine different social protection programmes in Dominica. Prior to Tropical Storm Erika challenges were highlighted regarding the need for additional cash to support the programmes, the lack of a CBR, and the lack of a gender and child responsive approach. These will be exacerbated in the aftermath of Tropical Storm Erika, as more persons will be in need of social protection. Social protection analysis and reform in the wake of Tropical Storm Erika to meet the needs of the population will be required. This should include an impact assessment on National Employment Programme support to ensure equal opportunities for women and men, a Gender Aware Beneficiary Analysis and a Costing and Budgeting Framework.

While steps have been taken to promote gender equality and women's empowerment in Dominica, significant challenges remain. Women, children and youth are among the most vulnerable groups. Poverty assessments indicate that more than half of Dominica's children and youth live in poor households (52.1%). Ownership rights and land titling variations among men and women could limit participation in the housing recovery programme and the benefits accruing from them.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective of the programme is to support the rehabilitation efforts of the Government of the Commonwealth of Dominica to re-establish the full functioning of basic services in critical areas and enhance ("build back better") resilience on a nationwide basis and improve public financial management.

For the purpose of this specific intervention, the primary focus will be on the rehabilitation of climate and disaster resilient water infrastructure and establishing an appropriate institutional framework for the energy sector. Concurrently, significant improvements are expected with regard to PFM, focussing on the legal framework, external audit, and public procurement management.

This **programme should prepare the ground for sector reforms** by supporting the formulation of national/sector development policies, consolidating the macroeconomic and PFM framework or ensuring a better phasing and smoothing transition from short to medium/long term partner country's objectives and commitments.

It is expected that the programme will contribute to an improved and more transparent public procurement system, improved performance of external audit, and a more modern legal framework for PFM.

4.2 Main activities

4.2.1 Budget support

- Transfer of a maximum of **EUR 8.8 million** if conditions are met
- Permanent dialogue on rehabilitation efforts, also including relevant civil society organisations and non-state actor groups.
- Permanent dialogue on PFM, budget transparency and control

- Sector dialogue on roads, public infrastructure and energy
- Analysis and monitoring of reforms in the above-mentioned areas

4.2.2 Complementary support

No specific EU complementary support is envisaged under this programme.

Macro-economic and PFM support will be provided by the IMF/CARTAC and possibly Canada. The CDB / UK-DFID / WB will be financing a substantial team of technical experts related to infrastructure rehabilitation. The EU will focus efforts on enhanced political dialogue (structured and permanent) as well as enhanced sector policy dialogue. Dialogue with Parliament and civil society will form an integral part of these efforts.

However, should the need arise, EU complementary support will be channelled via 11th EDF contributions to the NAO office, the TCF and support to Non State Actors.

4.3 Intervention logic

This budget support will support the efforts of the Government of Dominica to guarantee and re-establish basic needs and provide service delivery of essential state functions, thus setting the path for recovery and attainment of inclusive sustainable growth and where necessary governance improvements.

It is in light of these targets that the intervention sectors have been selected. The intervention logic has consisted of defining a robust set of indicators that strike an appropriate balance between process and results complemented by an enhanced policy dialogue to ensure the efficiency and impact of the EU financed programme.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country, referred to in Article 17 of Annex IV to the ACP-EU Partnership Agreement.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is twenty-four (24) months from the date of the entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute non-substantial amendment in the sense of Article 9(4) of Regulation (EU) No 322/2015.

5.3 Implementation of the budget support component

5.3.1 Rationale for the amounts allocated to budget support

The amount allocated for budget support component is EUR 8.8 million. This amount is based on an assessment of the needs of the Commonwealth of Dominica and the support currently indicated by other international partners. If needed, EU complementary support will be provided from the 11th EDF contributions to the NAO office, the TCF and support to Non State Actors.

5.3.2 Criteria for disbursement of budget support

a) The general conditions for disbursement of all tranches are as follows:

- Satisfactory progress in the implementation of the Dominica Medium Term Growth and Social Protection Strategy (to be revised) and the Low Carbon Climate Resilient Development Strategy and the continued credibility and relevance thereof;
- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the revised PFM action plan following the PEFA undertaken in Q1 2016
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

b) The specific conditions for disbursement that may be used for variable tranches (max. € 3.52 million) are the following: **establishment of permanent and disaster proof water connections, enhancing the energy institutional framework; steps taken to improve PFM.**

The chosen performance targets and indicators to be used for disbursements will apply for the duration of the programme. However, in duly justified circumstances, the Government of the Commonwealth of Dominica (GoCD) may submit a request to the Commission for the targets and indicators to be changed. The changes agreed to the targets and indicators may be authorised by exchange of letters between the two parties.

In case of a significant deterioration of fundamental values, budget support disbursements may be formally suspended, temporarily suspended, reduced or cancelled, in accordance with the relevant provisions of the financing agreement.

5.3.3 Budget support details

The budget support will be provided in two tranches. The first fixed tranche will be 60% of the available amount, i.e. EUR 5.28 million. The second variable tranche will be 40% of the available amount, ie EUR 3.52 million and is linked to the attainment of mutually agreed indicators (Annex I).

Budget support is provided as direct untargeted budget support to the national Treasury. The crediting of the euro transfers disbursed into Eastern Caribbean Dollars (XCD) will be undertaken at the appropriate exchange rates in line with the relevant provisions of the financing agreement.

It is foreseen to utilise the fixed and variable tranches according to the following calendar:

Fixed tranche:

2016: 60%

Variable tranche:

2017: up to 40%

5.4 Implementation modalities for an action under project modality

5.4.1.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Evaluation	Services	One (1)	4 th quarter of 2017

5.5 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 22(1)(b) of Annex IV to the ACP-EU Partnership Agreement on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.6 Indicative budget

Budget	EU Contribution (Amount in EUR)	Third party contribution (Amount in EUR)
Budget support Sector Reform Contract	8 800 000	N.A.
Evaluation	100 000	
Total	8 900 000	N.A.

5.7 Organisational set-up and responsibilities

The position of Chief Development Planner was recently upgraded with special focus on improving the performance of the Public Sector Investment Programme (PSIP) and to strengthen implementation and monitoring of the Growth and Protection Strategy (GSPS). The GSPS provides the broad frame. Where sector strategies and plans exist, the GSPS is to a large extent informed by these. In other cases the GSPS will guide policy formulation and preparation of strategies and plans at the sector level.

The Ministry of Finance has responsibility for laying out the overall macro-economic and fiscal framework and outlining its annual fiscal plans and policies, and monitoring their implementation. Line ministries, through their departments and agencies, are responsible for implementing and reporting on their strategies, programmes and annual work plans.

Steps have been taken to improve the management and efficiency of the PSIP and make a greater effort to accelerate the process from project conceptualisation to execution. To this end, the monitoring system was strengthened to place greater emphasis on outputs, outcomes and impacts. The Ministry of Finance will keep under review the implementation and monitoring of the PSIP with the intention to improve the efficiency and effectiveness of the programme. The Committee of Permanent Secretaries constitutes the inter-ministerial monitoring mechanism for the Public Sector Investment Programme. Meetings are convened monthly which are coordinated by the Ministry of Finance.

5.8 Performance monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the list of result indicators. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation.

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.9 Evaluation

Having regard to the nature of the action, a mid-term evaluation will not be carried out for this action. However, a final evaluation will be undertaken via independent consultants contracted by the Commission. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that this is the first State Building Contract in the Anglophone Caribbean following a natural disaster event.

The Commission shall inform the implementing partner at least three (3) months in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Indicatively, one contract for evaluation services shall be concluded under a framework contract in mid-2018.

5.10 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

5.11 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation and supported with the budget indicated in section 0 above.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements.

The Communication and Visibility Manual for European Union External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

A Communication and Visibility contract is intended to be contracted by the NAO office under the support measures of the TCF.

List of Appendices

Appendix 1 – Indicative logframe matrix /Indicative list of results indicators

Appendix 2 - Indicative List of Support from International Partners

Appendix 3 – Letter from DOWASCO

APPENDIX 1 – INDICATIVE LOGFRAME MATRIX /INDICATIVE LIST OF RESULTS INDICATORS

The inputs, the expected direct and induced outputs and all the indicators, targets and baselines included in the list of result indicators are indicative and may be updated during the implementation of the action without an amendment to the financing decision. The table with the indicative list of result indicators will evolve during the lifetime of the action: new columns will be added for intermediary targets (milestones), when it is relevant and for reporting purpose on the achievement of results as measured by indicators. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (incl. reference year)	Targets (incl. reference year)	Sources and means of verification
Overall objective: Impact	The overall objective of the programme is to support the rehabilitation efforts of the Government of the Commonwealth of Dominica to re-establish the full functioning of basic services in critical areas and enhance ("build back better") resilience on a nationwide basis and improve public financial management.	1. GDP growth rate (** EU RF L1 #3) 2. % of population with access / connection to drinking water 3. Number of households with access to alternative energy sources (as a result of geothermal energy development)	1. -3.9% (2015) 2. % in 2015 or 2016 3.# of households in 2015 or 2016	2. 1.3 %(2016) 2. % in 2016 or 2017 or 2018 3. # of households in 2017 or 2018	Fiscal data (Budget Estimates)

<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Specific objective(s): Outcome(s)</p>	<p>For the purpose of this specific intervention, the primary focus will be on the rehabilitation of climate and disaster resilient water infrastructure and establishing an appropriate institutional framework for the energy sector. Concurrently, significant improvements are expected PFM, focussing on the legal framework, accountability for public service delivery and public procurement management?).</p>	<p>1) the number of total water connections of households</p> <p>2.-PEFA results (** EU RF L2 #14)</p>	<p>1. As at July 2015, there were 22,071 connections</p> <p>2. PEFA 2016 Report, PEFA PI-24.1 (Procurement Monitoring) - Score D PEFA PI-24.2 (Procurement Methods) - Score D+ PEFA PI-30.2 (Submission of audit reports to the legislature) - Score D</p>	<p>1. Increase in the number of total water connections by 800 by July 2017 – to a total of 22,871</p> <p>2. Improved PEFA Scores: PEFA PI-24.1 - at least Score C PEFA PI-24.2 - at least Score C PEFA PI-30.2 - at least Score C</p>	<p>1. DOWASCO Annual Report and Customer Database</p> <p>2.1. PFM Action Plan implementation report. 2.2. Comfort letter from CARTAC assessing improvements in PFM legislation, public procurement management, and external audit.</p>
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Specific objective(s): Outcome(s)</p>		<p>3. The status of exploitation of the geothermal facility by the newly established Renewable Energy department</p>	<p>3. Not exploited by 2016</p>	<p>3. Exploitation plan is adopted by 2017 and exploitation starts in 2018</p>	

Induced Outputs Improved partner's public policies, public sector spending and public sector delivery	1. Re-establishment of access to basic services: water	1.1. The status of implementation of the water infrastructure rehabilitation plan 1.2. The status of detailed design/cost estimates and feasibility studies	1,1, Water infrastructure is rehabilitated partially and is not climate proof 1.2. Performed partially in 2015	1.1. X km of water infrastructure or Water Areas are rehabilitated and climate proof 1.2. Finalised by the end of 2016 or by 2017?	1.1.. DOWASCO / works contractors reports on rehabilitation works 1.2. DOWASCO Works Contracts, Certificates of completion and random checks by EU Delegation staff
Induced Outputs	2. Institutional framework for geothermal energy enhanced	2.1. Status of institutional framework for geothermal development and status on the geothermal resource development law 2.2 Status of a functional unit	2.1. No Institutional framework developed for geothermal; no geothermal resource development law developed 2.2 There is no dedicated unit specifically assigned to energy development. In 2016	2.1. Institutional framework for geothermal developed; geothermal resource development law created. 2.2 The new unit will be composed of at least 4 staff by mid-2017	2.1.Monthly PSIP Report from unit. 2.2 GoCD reports, staff contracts, Physical presence of unit staff in assigned office area.

Induced Outputs	3. Modern Legal framework for PFM	3.1. The Status of Modern PFM Law	3.1. The Law on PFM is not adopted or is not in line with current international best practices and CARTAC recommendations.	3.1. The Law is approved by the Cabinet by June 2017 and is in line with the 10 key criteria listed in the Annex 1: Indicative list of results indicators below and in the FA.	3.1.1 Dominica's Official Gazette 3.1.2 Comfort letter issued by CARTAC assessing how many of the 10 features are complied with
		3.2. Status of the Public Financial Management Action Plan	3.2. The PFM Action Plan is being developed by CARTAC and is scheduled to be completed and submitted to GoCD for endorsement in August 2016.	3.2. The PFM Action Plan is endorsed by the Cabinet in 2016.	3.2.1. Letter of submission of the draft to GoCD and or the Parliament. 3.2.1. Dominica's Official Gazette

Induced Outputs	<p>4. Improved and transparent Public Procurement Management</p>	<p>4.1. The status of the database on procurement contracts and operations</p> <p>4.2. The status of the database and records on contract award methods.</p>	<p>4.1. No centralized database exists for tracking the procurement and methodology for the purchase of goods, services, and works, whether through contract or direct purchase. (ref PEFA PI-24.1 Score D)</p> <p>4.2. There is no database, central repository, or departmental systems for tracking competitive methods applied. (ref PEFA PI-24.2 Score D+)</p>	<p>4.1. A database is established and the Central Procurement Unit (CPU) manages full records on contracts concluded during FY2016/17, including data on what has been procured, the procurement method, value of procurement and who has been awarded contracts.</p> <p>4.2 A centralised procurement database is established with tenders, bids and awards, allowing tracking of procurement method applied, as described in Annex 1: Indicative list of results indicators below</p>	<p>4.1.1. Database for procurement monitoring housed at Central Procurement Unit.</p> <p>4.1.2. Report from Technical Assistance consultancy hired by NAO from EDF 11 TCF funds.</p> <p>4.1.3. GoCD Semi-annual update of PFM Action Plan.</p> <p>4.2.1. Database for procurement monitoring housed at Central Procurement Unit.</p> <p>4.2.2. Report from Technical Assistance consultancy hired by NAO from EDF 11 TCF funds.</p> <p>4.2.3. GoCD Semi-annual update of PFM Action Plan.</p>
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Induced Outputs	<p>5. Improved performance of External Audit</p>	<p>5.1. Status of Audited financial statements for prior outstanding FYs (2012/13 and 2013/14)</p> <p>5.2. The status of submission of regular audit reports.</p>	<p>5.1 Audited financial statements for prior outstanding FYs (2012/13 – 2014/15) are at various stages of readiness and have not yet been tabled in Parliament. (Ref: PEFA 2016 Report, PI 30.2)</p> <p>5.2 Audits are not regularly performed and reports not regularly submitted.</p>	<p>5.1 Audited financial statements for prior outstanding FYs 2012/13 and 2013/14 tabled in Parliament by June 30th 2017.</p> <p>5.2 Audits are regularly performed and submitted to the Assembly not later than mid-acceding year for the consecutive FYs of 2015-2016 and 2016-2017.</p>	<p>5.1.1. PFM Action Plan and Quarterly report. 5.1.2. Copy of formal letter from Director of Audit to the Clerk of the House of Assembly. 5.1.3. Copy of Order Paper listing documents to be tabled at the sitting of Hour of Parliament.</p> <p>5.2.1. PFM Action Plan and Quarterly report. 5.2.2. Copy of formal letter from Director of Audit to the Clerk of the House of Assembly. 5.2.3. Copy of Order Paper listing documents to be tabled at the sitting of Hour of Parliament.</p>
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Direct outputs	Improved policy dialogue with the EU and Development Partners	<p>1. Status of Financing Agreements for SBC, NAO-TCF <mention other FAs important for rehabilitation and growth in 2016-2017></p> <p>2. Status of MoUs</p> <p>3.,Joint policy papers</p>	<p>1. Not signed in 2015</p> <p>2. Not signed in 2015</p> <p>3. Road-Map is not developed in 2015</p>	<p>1. All FAs signed by end 2016</p> <p>2. Signed by end 2016</p> <p>3. Road-Map is developed in early 2017?</p>	
Direct outputs	Continued dialogue, coordination and monitoring mechanisms for rehabilitation and policy dialogue	<p>4. The status of Steering <committee, mechanism> and schedule</p> <p>5. Status of the EU Delegation monitoring schedules</p>	<p>4. Did not exist in 2015</p> <p>5. Was not in place in 2015</p>	<p>4. Agreed between EU, GoCD another development partners</p> <p>5. Agreed for 2016 and 2017</p>	<p>4. MoUs between the GoCD and EUD and other partners</p> <p>5. Schedule of monitoring agreed with the EUD</p>
	Improved capability and capacity of GoCD through other and complementary support	<p>6. The status of NAO TCF (for sector expertise)</p> <p>7. The status of other development partners TA facilities for rehabilitation</p>	<p>6.NAO does not possess resources for sector expertise</p> <p>7.</p>	<p>6.NAO possess resources for sector expertise in renewable energy, etc</p> <p>7.</p>	<p>6. NAO support FA TA contracts signed</p>

Direct outputs	An expenditure management schedule is adopted	<p>8. The status of expenditure plan for rehabilitation re the consolidated spending</p> <p>9. The status of expenditure plan for rehabilitation and development for other available budgets / funds</p>	<p>8. Not compiled in 2015?</p> <p>9. Not compiled in 2015?</p>	<p>8. Finalised and approved by mid-2016?</p> <p>9. Finalised and approved by mid-2016?</p>	
Direct outputs	Increased budget for rehabilitation	<p>10. The volume of rehabilitation budget consolidated on treasury accounts (disaggregated by EU, development partners and the GoCD)</p> <p>11. The volume of budget related to BS operations available out of treasury accounts (any single or multiple donor trust funds, facilities for discretionary spending jointly with the GoCD)</p>	<p>10. X amount in 2016</p> <p>10. X amount in 2016</p>	<p>10. Y amount in 2017</p> <p>11. Y amount in 2017</p>	

Appendix 2 - Indicative List of Support from International Partners

PROJECTS TO BE FINANCED	AGENCIES/COUNTRIES	TYPE OF ASSISTANCE	AMOUNT (EURO)	AMOUNT (XCD)	STATUS OF FINANCING
IDA 17	World Bank	concessional loan	18,852,750	XCD 56,700,000	GoCD to request
Projects to be identified	IMF	concessional loan	7,810,425	XCD 23,490,000	Approved and funds received
Variation to Layou project		concessional loan	1,885,275	XCD 5,670,000	approved by CDB Board
Reconstruction loan for Roseau Valley and Layou		concessional loan	26,932,500	XCD 81,000,000	approved by CDB Board
Upgrade of health centres	PAHO	grant	-		approved and being implemented by the Minsitry of Health
	FAO	grant	269,325	XCD 810,000	Funds administered directly by FAO. Programme implemented by the Ministry of Agriculture
Technical assistance support to Min of Finance, support to Min of Public Works	Caribbean Development Bank (CDB)	grant	-		2 Engineers to be provided to the Ministry of Public Works. Selection on the way. Support for Min. of Finance being discussed
technical assistance on housing and relocation	United Nations Development Programme	grant	-		approved and in effect
Loubiere to Bagatelle Road	Government of the United Kingdom	grant	31,920,000	XCD 96,000,000	Final amount to be confirmed by CDB
Pointe Michel to Soufriere	Government of India	grant	13,466,250	XCD 40,500,000	Formal request to be made; amt approved in principle
	Government of Turkey	grant	35,910	XCD 108,000	funds transmitted to GOCD account
Airport fencing and lighting	Government of Trinidad and Tobago	grant	681,625	XCD 2,050,000	approved by Govt of TT and material received
Airport taxiway and other airside work, river dredging and river defence	Government of Venezuela	grant	28,728,000	XCD 86,400,000	announcement made by Venezuela
E.O Leblanc Highway	Government of China	grant	-		approval granted by Govt of China
Housing infrastructure (relocation programme)	Government of Mexico	grant	4,488,750	XCD 13,500,000	approved by Govt of Mexico
Economic and social development programme ; provision of Japanese disaster reduction equipment	Government of Japan	grant	1,524,845	XCD 4,586,000	Agreement to be signed in January
Douglas Charles Airport equipment	Government of Republic of Korea	grant	89,775	XCD 270,000	funds transferred to GOCD Account
Technical assistance (provision of engineers)	Government of Italy	grant	1,077,300	XCD 3,240,000	Funds approved but to be administered by the World Bank
		GRANTS	82,281,780	247,464,000	
		LOANS	55,480,950	166,860,000	
		TOTAL	137,762,730	414,324,000	

Annex 1: Indicative list of result indicators

For the disbursement of the variable tranche of max. EUR 3.52 million in 2017

The following “weighting” has been agreed

- Water: 1 indicator: 20% or EUR 0.704 million
- Geothermal: 1 indicator: 20% or EUR 0.704 million
- PFM: 3 indicators: each 20% combined EUR 2.112 million

Indicator	1. Re-establishment of access to basic services: water
Context / Objective	<p>Prior to Tropical Storm Erika, DOWASCO was supplying 98.5% of the population with treated piped water. This is based on the number of persons living within the coverage area of DOWASCO’s water networks, determined by looking at 2011 census figures. While a few houses may not have water connections, living within 100 ft or less of a public standpipe is considered access.</p> <p>Temporary restoration of the water systems began the day following T.S. Erika and the areas north of Portsmouth and the Town of Portsmouth were the first to be restored (all from small original intakes) followed by the areas of Point Michel and Loubiere served by the Snug Corner intake. Works also promptly commenced to restore the Water Area 1 system, which serves Roseau and environs, and water was restored in other communities which had not been significantly impacted. Subsequently, restoration works commenced in the areas of Pichelin / Grandbay, Wesley/Woodford Hill / Marigot, Giraudel, Wotten Waven – Trafalgar, Portsmouth and the West Coast, and Bagatelle, with contractor assistance.</p> <p>These restorations are still temporary and it must be noted that the systems are very vulnerable to even mild weather conditions. Further damage was incurred on multiple systems as a result of the remnants of Tropical Storm Grace and a few other tropical waves which affected Dominica post Erika. Such damage includes blocking of intakes such as in Water Area 1, loss of temporarily place supply piping and makeshift intakes such as in La Plaine and large landslides at and above the intakes, such as in Wotten Waven, which required reverting to older sources which were previously decommissioned.</p> <p>Most of DOWASCO’s water systems will require further ongoing attention while long-term solutions are being planned and implemented.</p> <p>The timing for rehabilitation depends heavily on the availability of funding.</p> <p>Post rehabilitation, the population associated with the coverage area for the rehabilitation works will be compiled and overall coverage recalculated. Locations have already been targeted for expanding connections (examples</p>

	<p>include Penrice, Sylvannia and Layout Park, amongst others).</p> <p>System production was approximately 10 million gal/day. Sewage was largely managed on an individual basis with homeowners and businesses providing septic systems. There are a few wastewater treatment plants but the majority of collected waste is directly discharged.</p> <p>Combined, the system supports 22,071 service connections and 515 standpipes. The vast majority of the services areas are serviced by a single intake system. The two exceptions are WA1, the Roseau area, which is serviced by 3 sources and WA30, Grand Bay which accesses 2 intakes. Raw water quality is generally excellent and owing to the emphasis on maintaining forest resources, Dominica is regionally recognised for its water resources.</p> <p>The total damages and losses to the water sector were estimated to be XCD 45 221 590 (USD 16 811 000). It cannot be overemphasised that these figures are expected to climb as the 2016 Hurricane Season progresses, given the network is fragile and vulnerable.</p> <p>The vulnerability here mainly refers to potential impacts during the upcoming Hurricane Season which commences in June 2016. However, some of the more vulnerable temporary intakes and supply pipelines (such as at La Plaine) have suffered repeated damage since TS Erika and during many instances of heavy rainfall, which has necessitated ongoing replacement of the temporary intakes and pipes. Therefore, Operations and Maintenance costs have been higher post-Erika, due to reduced efficiency of the temporary structures. In light of this, losses are being tracked by the Finance Department with a special TS Erika expenditure code.</p> <p>Preliminary Cost Estimates for more permanent solutions have been previously prepared and submitted, and prior to implementation of these solutions, feasibility studies including comprehensive Climate Resilience considerations must be undertaken, in addition to detailed designs, proper cost / benefit analysis of options, and identification and securing of requisite financing. Approximately XCD 5.6 million is required to cover the cost of financial losses and temporary restoration measures being implemented by DOWASCO, while the preliminary cost estimate for rehabilitation of all systems while building a greater level of climate resilience is in excess of XCD 37 million.</p>
Description	Increase in the number of total permanent and climate proof water connections by 800 by July 2017 – to a total of 22,871.
Baseline	As at July 2015, there were 22,071 connections.
Sources of verification	DOWASCO Works Contracts, Certificates of completion and random spt checks by EU Delegation staff
Availability	DOWASCO
Responsible Service	Ministry of Housing, Lands, and Water Resource Management and DOWASCO
Value	20% or EUR 0.704 million
Weighting	1: Fully met – i.e. 800 permanent and climate proof connections established

	<p>0.5: Partially met – i.e. between permanent and climate proof 400 and 800 connections</p> <p>0: Not met – i.e. less than permanent and climate proof 400 connections</p>
Dialogue and accompanying measures	Quarterly meetings with Delegation staff to monitor progress – complemented by missions. Meetings at the local level to track progress of ongoing projects.
Indicator	2. Institutional framework for geothermal energy enhanced
	<p>Due to the importance of the energy sector to Dominica's sustainable development, the Government of Dominica will develop a transparent and legal framework that enables the right investment and regulatory climate for developers in energy projects and technologies. Specifically, the Government will develop a geothermal resource development law to ensure the sustainable and regulated development of the industry.</p> <p>At the institutional level, a Project Management Unit has been responsible for coordinating the geothermal development programme. As we now move from the exploratory drilling phase to the production stage, a functional unit will be established.</p> <p>The unit will be responsible for:</p> <ul style="list-style-type: none"> • Ensuring the full re-establishment and enhancement (climate and disaster proofing) of the existing energy infrastructure of the country • Continuing to promote investments in the development of Dominica's geothermal resources; • Ensuring that the interest and benefit of the State and other stakeholders in the geothermal enterprise is maintained and sustained; • Ensuring that the geothermal resource is being used with appropriate efficiency to maintain the long term viability of the resource; • Ensuring that the geothermal resource is being utilised in a safe and environmentally and socially appropriate manner; and • Assisting in monitoring all safety and reliability issues for the sustainability of the resource and the operation of geothermal plants <p>With the support of AfD, the Government secured a grant from the European Union's Caribbean Investment facility (CIF) aimed at providing all expertise in the development of the Roseau Valley Resource as well as future geothermal resource development. The main objective of the resulting consultancy is to assist the GoCD in establishing the office and supporting its team during the initial years.</p> <p>The previous Project Management Unit had a narrow mandate, consisting mainly of preparation for and supervision of drilling and testing. The proposed department, however, will have a much broader mandate aimed first at supervising the industrial development of the reservoir pursuant to the GoCD's strategy and its operation. In the longer term, the department will broaden its activity to encompass the development from other potential geothermal fields according to the Geothermal Resource Development Law.</p> <p>Capacity strengthening will be both qualitative (skills) and quantitative (human</p>

	resources and equipment). The first task will be the definition of capacities and supervising the actual establishment of the unit. Two contracts for consultancy services have been approved for Financial Management and Legal Management.
Description	Establishment of a functional unit by July 2017. The unit will comprise of at least 4 persons – Project Coordinator, Project Officer, Community Liaison Officer and Accountant/Administrative Officer.
Baseline	There is no dedicated unit specifically assigned to energy development.
Sources of verification	GoCD reports, staff contracts, physical presence of unit staff in assigned office area.
Availability	Website of the Ministry with responsibility for energy (Ministry of Trade, Energy and Employment).
Responsible Service	Ministry of Trade, Energy and Employment
Value	20% or EUR 0.704 million
Weighting	1: Fully met – i.e. the whole team has been recruited as in place 0.5: Partially met – i.e. the co-coordinator and only two other staff recruited 0: Not met – i.e. any other recruitment constellation
Dialogue and accompanying measures	Quarterly meetings with Delegation staff to monitor progress – complemented by missions. Meetings at the local level to track progress of ongoing projects.
Indicator 3	Modern Legal framework for PFM
Context Objective	<p>A more modern or up-to-date legal framework for PFM is needed to facilitate reforms that will bring Dominica in line with international best practices, as outlined in the 2016 PEFA Framework. CARTAC has been assisting in drafting this new legislation and it is an advanced stage.</p> <p>Regarding the current legal framework in Dominica for PFM, the 2016 PEFA assessment stated the following:</p> <p>Chapter V of the 1978 Constitution provides for the financial operations of the Government of Dominica. This chapter provides for payments into and withdrawals from the Consolidated Fund; the authorization of expenditure from the Consolidated Fund by the appropriation law for establishing the annual budget; provision for Supplementary Estimates and Appropriations, and Contingencies Fund; and salaries of statutory officials (offices of the President, member of the Public Service Board of appeal, the Director of Public Prosecutions, the Director of Audit, the Parliamentary Commissioner and Deputy and the Chief Elections Officer). Section 88 is concerned with all debt payments covering interest and principal. Section 83 is concerned with the audit of public accounts and Office of the Director of (External) Audit, its independence and the mechanism by which audit reports are transmitted to the House of Assembly. Section 89 relates to the Director of Audit and the process of appointment and removal. Chapter VI is concerned with the operations of the Public Service with Part 1 establishing a Public Service Commission.</p> <p>The Finance and Audit Act (chapter 63.01) of 1965 as amended was</p>

repealed and replaced in 1994 by the Finance (Administration) Act. Statutory Rules and Regulations applying to the Act are those of 1976 (SRO 37). The Act provides for the control and management of public finance including the Consolidated Fund, maintenance and publication of accounts, authorization of expenditure, payments by warrant, bank accounts, investment, public debt, deposits, write-off, surcharges, statutory bodies and miscellaneous provisions for regulations. The Act has two schedules dealing with Special Funds and Trust Funds. Corporations and town councils are regulated by individual acts.

There is an Audit Act (no 5 of 1994). This act relates solely to the Office of the Director of (External) Audit. Public procurement is legislated under the Public Procurement and Contract Administration Act 11 of 2012.

The revenue raising departments have laws relating to individual tax handles. C&E dealing with taxes on imports (Act 20 of 2010) and supporting rules and ordinances; Inland Revenue covering Income Tax (Act 67.01 - 1990 Revision), Excise Tax (Act no 8 of 2005) and Value Added Tax (Act no 7 of 2005). There is also legislation on other taxes such as Travel Tax (2003) and a range of licenses such as drivers, liquor, professional, motor vehicles.

The government is in the process of strengthening its PFM legislative basis. Amendments are being drafted to the Procurement Act and a draft of a new PFM Act and supporting regulations has also been developed.

The new PFM Act, when adopted will bring the legislative framework for PFM in line with international best practice. The legislation has benefited from the recent new legislation in Grenada which has provided a regional benchmark for a modern PFM Act consistent with good practices as espoused in PEFA 2016.

In particular, key features of the new legislation include *(these will be used for measurement of this indicator):*

- i. **Broader coverage of public accounts:** The PFM Act broadens the coverage of its provisions from the central government to the entire non-financial public sector.
- ii. **Strengthened budget discipline.** All spending above budget will now be subject to ex-ante parliamentary approval through supplementary budgets, which will be limited to two per fiscal year and will only be issued in the second half of the year.
- iii. **Stronger oversight of statutory bodies and state-owned enterprises.** The PFM Act will make a clear distinction between “statutory bodies” and “state-owned enterprises” and tailors the governance, oversight, and monitoring regimes to reflect the specific sources of fiscal risk that they pose. The MoF has already released *performance management guidelines* to SOEs/SBs for initial comment.
- iv. **Strengthened cash management.** In line with the Government’s existing efforts to move toward a Treasury Single Account, the new PFM legislation requires consolidation of all government banking transactions under a Treasury Single Account and prohibits the opening

of new accounts.

- v. **Introduction of internal control and audit provisions.** The new legislation requires that a central entity provides and maintains an internal control and audit system for all government entities.
- vi. **A strengthened medium-term budget framework:** The medium-term fiscal framework must include macroeconomic and fiscal forecasts covering all subsectors of the economy for the current year and two consecutive years. These forecasts must be consistent with the declared medium-term economic and fiscal objectives.
- vii. **A comprehensive budget preparation framework.** The new legislation will require that budget estimates are consistent with the medium-term budget framework. Aggregate budget ceilings estimated for the second year will be the starting point for preparation of the budget for the following year. Moreover, the legislation requires that detailed information, including performance under the previous year's budget, be provided in the budget.
- viii. **A requirement for a mid-year budget review.** A mid-year budget review report must be submitted to Cabinet no later than 2 months from the end of the half year. The mid-year budget review must be subsequently submitted to Parliament with any supplementary budget.
- ix. **A requirement for fiscal impact analysis of all draft legislation.** This will help ensure that approved budget ceilings are not breached when new legislation is contemplated and comes into effect.
- x. **A sanction regime for noncompliance with the PFM Act.** The Act introduces a sanctions regime for both institutions and persons in violation of the PFM Act, with personal sanctions providing for administrative and criminal sanctions.

There are many driving factors behind the new PFM law and regulations.

- **Government leadership and ownership.** The FS provides leadership across government, exhibiting a strong commitment to the reform program. The FS ensures that there is political engagement through the Prime Minister (who is also Minister of Finance). Sufficient resources are allocated to PFM roles to gain sustainable benefit from TA that is delivered.
- **Coordination across government is undertaken through meetings of Permanent Secretaries.** There are briefings on PFM Reform activities including the annual update of the PFM action Plan. The new draft PFM legislation and regulations was coordinated across all MDAs.
- **Sustainable reform process.** The 2016 PEFA using the 2016 PEFA methodology has been undertaken to inform a new PFM Reform Action Plan while taking stock of achievements to date. This will trigger CARTAC support where CARTAC has competences as it is the main provider of PFM technical assistance. Areas requiring support, outside of CARTAC, such as External Audit will have been highlighted in the PEFA.

	<ul style="list-style-type: none"> • Transparency of the PFM program. Agencies such as the EC, World Bank and the IMF are peer reviewers of the PEFA and have an interest in the analysis of strengths and weakness and the resultant updating of the PFM Reform Action Plan. The publishing of the PEFA will provide easy access both internally and externally to Dominica
Description	<p>Modern PFM Law approved by Cabinet on or before June 30th 2017</p> <p>For the measurement of this indicator the features of a modern PFM law will be the ten (10) features listed above.</p>
Baseline	<p>Legislation in place for PFM is not in line with current international best practices, some having been passed as far back as 1994.</p> <p>Development of the new PFM Act has been brought to an advanced stage with assistance from CARTAC, but is still in draft format.</p>
Sources of verification	Dominica's Official Gazette and a "Comfort Letter" issued by CARTAC assessing how many of the ten (10) features have been included and addressed adequately in the Law.
Availability	Dominica's Official Gazette
Responsible Service	Ministry of Finance
Value	20% or EUR 0.704 million
Weighting	<p>1: Fully met – the new PFM Act has included and addressed adequately all 10 of the features listed above</p> <p>0.5 Partially met – the new PFM Act has included and addressed adequately 8 or 9 of the features listed above</p> <p>0: Not met – the new PFM Act has 7 or less of the features listed above.</p>
Dialogue and accompanying measures	Quarterly meetings with Delegation staff to monitor progress – complemented by missions. If required EU funds from EDF 11 support measures can be mobilised to support attainment of this indicator. Semi-annual update of Action Plan.
Indicator 4	Public Procurement Management
Context / Objective	<p>A sound public procurement system is essential for the efficient delivery of public services. This indicator is a measure of the extent to which public procurement is monitored and is done on a competitive basis to achieve value for money.</p> <p>Dominica has embarked on procurement reforms and the EU has been assisting these efforts. Under the 10th EDF budget support programme, there was a Programme Estimate (EUR 310 000) for PFM & Visibility; some of these funds provided TA to help develop the procurement regulations and build capacity within the Central Procurement Unit (CPU).</p> <p>As outlined in the 2016 PEFA assessment, the Government passed new procurement legislation in 2012, but it has not been fully implemented and revisions are currently in process. The Procurement Law became active on</p>

	<p>January 1, 2015. The law establishes a system for a decentralized competitive, transparent procurement processes while allowing policy, oversight, and monitoring to occur through the Central Procurement Unit (CPU) and Central Procurement Board. Regulations have not yet been finalised or implemented to date, and compliance is lacking.</p> <p>In the interim, monitoring of active procurements is performed by CPU, Internal Audit and External Auditor. However, no centralized mechanism exists for tracking the procurement and methodology for the purchase of goods, services, and works, whether through contract or direct purchase.</p> <p>Amendments are being made to the Procurement Bill, Regulations, procedures manual and standard bidding documents. These amendments include the implementation of an IT strategy with a focus on supporting procurement planning, communication of tender opportunities, contracts awards, annual reports, and automated methodology to support and maintain the required statistics for reporting and related documentation.</p> <p>Contracts are usually awarded through competitive methods. The 2016 PEFA assessment reported that during meetings with Public Works, Education, and Health, discussions indicate most procurement is performed by securing three tenders or quotes, with high dollar purchases being advertised and purchases using ‘sole sources’ are approved based on justification. However no tracking mechanism has been established to support the claims. There is no database, central repository, or departmental systems for tracking competitive methods applied.</p>
Description	<p>(i) A database is maintained by the Central Procurement Unit (CPU) for contracts concluded during FY2016/17 (including data on what has been procured, the procurement method, value of procurement and who has been awarded contracts). AND</p> <p>(ii) For all contracts awarded, the database and CPU records provide evidence on whether or not the contracts have been awarded through competitive methods. Such evidence should include a) a list of all bidders and their bid prices, or list of suppliers approached, b) name of successful bidder, or which supplier was selected, c) reasons for the procurement decision, d) details on prices of selected bidder/supplier, e) reports on the acceptance of work done or receipt of goods ordered.</p>
Baseline (FY 2014/2015)	<p>No centralised mechanism exists for tracking the procurement and methodology for the purchase of goods, services, and works, whether through contract or direct purchase. (ref PEFA PI-24.1 Score D) There is no database, central repository, or departmental systems for tracking competitive methods applied. (ref PEFA PI-24.2 Score D+)</p>
Sources of verification	<p>Database for procurement monitoring housed at Central Procurement Unit. Report from Technical Assistance consultancy hired by NAO from EDF 11 TCF funds. GoCD Semi-annual update of Action Plan. There must be a correlation between published Contract Award notices A (which are publicly available) and all contract tender procedures included in the database. Similarly, any contract tender procedure included in the document must be</p>

	supported by all relevant hard copy documents.
Availability	CPU reports and internal records. Contract Award notices published on CPU web site
Responsible Service	Ministry of Finance
Value	20% or EUR 0.704 million
Weighting	1: Fully met – (i) and (ii) above are met 0.5: Partially met – Only (i) above is met 0: Not met – (i) above is not met
Dialogue and accompanying measures	Quarterly meetings with Delegation staff to monitor progress – complemented by missions. If required EU funds from EDF 11 support measures can be mobilised to support attainment of this indicator. Semi-annual update of Action Plan.
Indicator 5	External Audit
Context / Objective	<p>The central government financial reports are consistently submitted for audit within three months of the end of the year. However, the audit of financial reports for the last two completed fiscal years has not been completed and the audit report for 2012-13 has not been submitted to the Minister (or Assembly) and has not been made available to view.</p> <p>The audit report for FY 2010-11 was given an Audit Certificate by the Director of Audit dated March 25, 2013. It was transmitted to the Minister of Finance for tabling in the House of Assembly on November 11 2013. It was tabled in the House in March 2014.</p> <p>The audit report for FY 2011-12 was given an Audit Certificate by the Director of Audit dated June 24, 2012¹. It was transmitted to the Minister of Finance for tabling in the House of Assembly on January 3 2015. It was tabled in the House in May 2015. The audit report for FY 2012/13 has been completed, but has not been submitted in any form to the Minister of Finance. At the time of the PEFA assessment, the audit department reported that the audit report for FY 2013-14 was 75 percent completed. The audit report for 2014-15 has not started.</p>
Description	Audited financial statements for two prior outstanding FYs (2012/13 and 2013/2014) tabled in Parliament by June 30 th 2017
Baseline (FY 2014/2015)	The audit report for FY2011/12 was tabled in House of Assembly in May 2015. Reports for subsequent FYs are at various stages of readiness and have not yet been tabled. (Ref: PEFA 2016 Report, PI 30.2)
Sources of verification	PFM Action Plan and Quarterly report. Copy of formal letter from Director of Audit to the Clerk of the House of Assembly. Copy of Order Paper listing documents to be tabled at the sitting of Hour of Parliament.
Availability	
Responsible Service	Ministry of Finance, Office of the Director of Audit

¹ This is the date on the Audit Certificate but must be incorrect. The subsequent letter for transmittal to the House states that the accounts were certified on December 24 2013.

Value	20% or EUR 0.704 million
Weighting	1: Two (2) audit reports tabled 0.5: One (1) audit reports tabled 0: No audit reports tabled
Dialogue and accompanying measures	Quarterly meetings with Delegation staff to monitor progress – complemented by missions. If required EU funds from EDF 11 support measures can be mobilised to support attainment of this indicator. Semi-annual update of Action Plan for PFM. Regular meetings at the local level to discuss PFM progress.

Note on PFM Indicators

The recent PEFA Assessment (February 2016) provides an update of progress in PFM in Dominica since the last PEFA in 2010 and establishes a new PEFA baseline using the 2016 PEFA methodology. The 2016 PEFA report was used to help establish the baseline for the indicators above.

As a necessary follow up step to the PEFA Assessment, a Public Financial Management Action Plan is to be developed by August 2016. As with the previous Action Plan which was used extensively during the 10th EDF Programme to monitor updates/progress, this Action Plan will include the following:

- Specific references to PEFA Report
- Actions to be undertaken
- Priority level
- Key performance Indicators
- Timeframes
- Responsibility
- Development partners
- Costs