

CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND EIGHTY-EIGHTH MEETING OF THE BOARD OF DIRECTORS

TO BE HELD IN BARBADOS

DECEMBER 12, 2019

PAPER BD 80/13 Add.1

NOTIFICATION OF APPROVAL BY THE PRESIDENT
OF A VARIATION OF TERMS AND CONDITIONS:
AFRICAN CARIBBEAN PACIFIC-EUROPEAN UNION NATURAL DISASTER RISK
MANAGEMENT IN CARIFORUM MEMBER COUNTRIES: CONTRIBUTION AGREEMENT
WITH THE EUROPEAN UNION - REGIONAL

In accordance with the authority delegated by the Board of Directors (BOD) of the Caribbean Development Bank (CDB) at its One Hundred and Eighty-Fifth Meeting (Minutes 185.09), the President approved with respect to the grants approved by the BOD in Papers BD 5/17, BD 6/17, BD 8/17, BD 89/17 and BD 92/17 and notified to BOD in Paper BD 87/17 (together, the Original Grants), a variation of the terms of conditions of the Original Grants to include a provision to permit the payment, by CDB, from the resources provided under Contribution Agreement (FED/2014/346438) in respect of the African Caribbean Pacific (ACP)-European Union (EU) Natural Disaster Risk Management (NDRM) in CARIFORUM Member Countries Programme, of identifiable taxes, duties and charges, including VAT paid or not reclaimable by regional recipients.

2. It is a condition of the aforementioned authority that all decisions of the President be notified to the Board at the next convenient scheduled meeting.
3. The Board is therefore asked to note the approval by the President of the abovementioned decision.

MEMORANDUM

RECOMMENDATION AND APPROVAL BY THE PRESIDENT
OF A VARIATION OF TERMS AND CONDITIONS:
AFRICAN CARIBBEAN PACIFIC-EUROPEAN UNION NATURAL DISASTER RISK
MANAGEMENT IN CARIFORUM MEMBER COUNTRIES: CONTRIBUTION AGREEMENT
WITH THE EUROPEAN UNION - REGIONAL

TO: President

FROM: Chairman, Loans Committee

DATE: July 16, 2019

SUBJECT: Variation of Terms and Conditions: Approval for Payment of Taxes from Caribbean Development Bank Resources under African Caribbean Pacific-European Union-Caribbean Development Bank Natural Disaster Risk Management Grant Agreement

1. BACKGROUND

1.01. On December 12, 2013, at its Two Hundred and Fifty-Ninth Meeting, the Board of Directors (BOD) of the Caribbean Development Bank (CDB) considered Paper BD 80/13 and approved entry, by CDB, into an agreement with the European Union (EU) for CDB to execute projects within the African Caribbean Pacific (ACP)-EU Natural Disaster Risk Management (NDRM) Programme (the Programme) in the CARIFORUM countries. The Contribution Agreement (FED/2014/346438) between CDB and the EU was signed in July 2014.

1.02. Under the Programme, technical assistance (TA) grant financing has been approved to regional institutions including the Caribbean Disaster Emergency Management Agency (CDEMA), the Caribbean Institute for Meteorology and Hydrology (CIMH), the Caribbean Tourism Organization (CTO), and the University of the West Indies (UWI). At its Two Hundred and Seventy-Fifth Meeting held on March 16, 2017, BOD considered Paper BD 6/17 entitled “*Technical Assistance - Preparation of the State of the Caribbean Climate Report 2016: Information For Resilience Building – Regional*”(The Project) and approved a grant to UWI in an amount not exceeding the equivalent of four hundred and forty-five thousand and fifty-six euros (EUR445,056) from its Special Funds Resources (SFR) allocated from resources provided under the Contribution Agreement relating to the Programme to assist in preparing, producing and disseminating the “State of the Caribbean Climate 2016: Information for Resilience Building” Report and conducting three Climate Smart Series workshops in pilot Borrowing Member Countries (BMCs) (Bahamas, Antigua and Guyana) of CDB.

1.03. Grant Agreement GA178/REG between CDB and UWI in respect of the Project (the Grant Agreement) was signed on May 16, 2017 and the conditions precedent to first disbursement were satisfied on July 24, 2017. In compliance with the terms and conditions of the Grant Agreement, a financial report documenting project expenditure was submitted to CDB on June 19, 2019. The said documentation included payments for taxes incurred in St. Lucia, for goods and services for workshop-related activities.

1.04. At the March 16, 2017 Meeting, BOD also considered and approved grant resources from CDB's SFR allocated under the Programme to implement these two regional projects:

- (a) Paper BD 8/17: Technical Assistance- Supporting a Climate Smart and Sustainable Caribbean Tourism Industry.

CTO received an amount not exceeding the equivalent of four hundred and sixty thousand, one hundred and seventy-three euros (EUR460,173) to procure goods and services and fund consulting services to support regional capacity development through training, policy revision and operationalisation, awareness and promotion of best practices in disaster risk reduction and climate change adaptation. The Grant Agreement (GA 177/REG) was signed on April 19, 2017.

- (b) Paper BD 5/17: Technical Assistance- Enhancing Weather and Climate Early Warning System and Impacts-Based Forecasting Platforms in the Caribbean.

CIMH received an amount not exceeding the equivalent of four hundred and ninety-three thousand, three hundred and ninety-four euros (EUR493,394) to (i) expand and update weather and climate observation networks across the Caribbean to support real-time reporting into regional and national early warning systems; (ii) enhance pre and post-event monitoring and assessment; and (iii) enhance development and delivery of climate services to climate sensitive sectors. The Grant Agreement (GA 176/REG) was signed on April 12, 2017.

1.05 At its two Hundred and Seventy-Seventh Meeting held on July 20, 2017, BOD considered and approved grant resources from CDB's SFR allocated under the Programme to implement these two regional projects:

- (a) Paper BD 92/17: Technical Assistance- Expanded Weather and Climate Forecasting and Innovative Product and Service Development and Delivery in the Caribbean.

CIMH received an amount not exceeding the equivalent of seven hundred and seventy-three thousand and twenty-five euros (EUR773,025) to assist in undertaking a number of activities that aim to build institutional capacity and enhance national and regional resilience to climate variability and climate change, including (i) adequate training in numerical weather prediction models; (ii) assessment of CIMH's needs to serve as a regional marine forecasting centre and enhance operational marine forecasting in the Caribbean; (iii) development of weather and climate early warning systems for the public health sectors; (iv) enhancement of pre and post- event monitoring and assessment; and (v) development of capacity of young Caribbean professionals in climatology, hydrology, hydrometeorology and related disciplines. The Grant Agreement (GA 179/REG) was signed on July 21, 2017.

- (b) Paper BD 89/17: Technical Assistance - Implementation of the Model Safe School Programme in the Caribbean.

CDEMA received an amount not exceeding the equivalent of seven hundred and forty-five thousand, nine hundred and thirty-eight euros (EUR745,938) to assist with financing the implementation of the Model Safe School Programme (MSSP) in six BMCs of CDB: Antigua and Barbuda, Barbados, Dominica, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines (SVG). CDEMA has requested this TA grant from CDB to (i) convert

the paper-based MSSP toolkit to an electronic format that will allow for data collection, storage, analysis and reporting of risk data; (ii) elaborate and enhance the building condition assessment element of the MSSP tool-kit; and (iii) “scale up” the adoption of the MSSP toolkit with implementation of MSSP activities in the six BMCs. The Grant Agreement (GA 180/REG) was signed on July 21, 2017.

1.06 At the July 20, 2017 Meeting, BOD was also notified of the approval of a grant to CDEMA on the terms and conditions set out and referred to in Paper BD 87/17 entitled “*Technical Assistance: Enhanced Emergency Response and Procedures for the Caribbean Disaster Emergency Management Agency Participating States- Regional*”. CDEMA received an amount not exceeding the equivalent one hundred and twenty-seven thousand, six hundred and forty-four euros (EUR127,644) from CDB’s SFR allocated from the Programme to finance consultancy services to (a) review emergency response procedures and national shutdown strategies applied in Barbados, Saint Lucia, Haiti and the Bahamas prior to the impacts of Hurricane Matthew in 2016, and (b) conduct regional stakeholder consultations to develop and validate updated protocols and procedures for a national shutdown prior to hurricane impact. The Grant Agreement (GA 181/REG) was signed on July 21, 2017.

2. IMPLEMENTATION STATUS

2.01 Based on progress reports submitted by grant recipients and supervision missions by CDB, the implementation of regional project activities has been proceeding satisfactorily. UWI completed the draft Caribbean Climate Report and held two validation workshops on the report from March 7-8, 2019 in Jamaica, and from May 2-3, 2019 in Saint Lucia. The project is expected to be completed within the next four months with the finalisation of the Caribbean Climate Report and the delivery of three interactive Climate Smart Series Workshops in pilot BMCs. These workshops will target representatives of key climate sensitive sectors and aim to increase knowledge and awareness on climate change science and its impacts and to develop a multi-sectoral climate change adaptation road map of actions.

2.02 The TA with the CTO has substantially progressed. The Caribbean Sustainable Tourism Policy Framework (CSTPF) has been finalised. The CSTPF is a reference tool that can be used by tourism stakeholders across the Caribbean to foster competitiveness and sustainable growth in the sector. The CSTPF will be published and translated in French and Dutch in the third quarter (Q3) of 2019. The development of the Multi-Hazard Contingency Planning Manual for the tourism sector is expected to be finalised in Q3 of 2019. The draft report of the study to support the design and application of climate smart products and services for the use and benefit of the Caribbean tourism industry is being reviewed.

2.03 Project implementation by CIMH is satisfactory. CIMH has completed the installation of hydro-meteorological equipment in SVG (four locations), Guyana (two locations), Dominica (two locations), Grenada (three locations) and Saint Lucia (three locations). The stations will report in near real-time to the Caribbean Dewetra Platform to support impact-based forecasting and early warning activities. Dewetra is a geospatial platform that utilises hydrometeorological and climate information along with vulnerability information to support exposure mapping and impacts forecasting.

2.04 The institutional capacity of CIMH has been enhanced through a series of initiatives focusing on capacity building and knowledge transfer training on weather and climate early warning systems, and impacts-based forecasting platforms. Work is on-going to update the Dewetra Platform to improve flood forecasting. CIMH has commenced regional training on the use of the Dewetra Platform for representatives of national meteorological and hydrological services, and other relevant institutions in the Caribbean.

2.05 Under the TA with CIMH, the Rapid Analysis and Spatialisation of Risk (RASOR) platform has also been applied to assess flood impact in Holetown, Barbados and country-scale wind impact of Hurricane

Matthew in Haiti. The two case studies demonstrated that the RASOR platform can be useful for multi-hazard risk analysis in the Caribbean context, if sufficient input data on exposure and vulnerability is available. The RASOR platform performs multi-hazard risk analysis. RASOR uses a scenario-driven query system to allow users to simulate future scenarios based on existing and assumed conditions, to compare with historical scenarios, and to model multi-hazard risk both before and during an event.

2.06 The implementation of the MSSP with CDEMA has satisfactorily progressed. A gap analysis of the Building Condition Assessment Tool of the MSSP has been completed. This gap analysis along with field missions undertaken in six countries by the consultant, led to the preparation of a report with recommendations to enhance the Building Condition Assessment Tool. The application to convert the paper-based MSSP toolkit into an electronic format is being developed and tested. Consultancy work to develop Safe School Policies, conduct School Assessments and develop Costed Action Plans has advanced. Thirty-three schools have been assessed and stakeholder consultations to develop the Safe School Policies in Antigua and Barbuda, Dominica, Saint Lucia and St. Kitts and Nevis have been initiated. This consultancy is expected to be completed by the fourth quarter of 2019.

2.07 Consultancy work to enhance emergency response and procedures to potential hurricane impacts is underway. Stakeholder consultations have been conducted in targeted countries. This consultancy is expected to be completed by the fourth quarter of 2019.

3. VARIATION

3.01. CDB's General Provisions Applicable to Grant Agreements (Article III, Section 3.01(i)) provide that "*The Bank shall pay to the Beneficiary amounts required for financing the cost of the Project provided, however, that payments will not be made on account of expenditure for identifiable taxes imposed under the laws of the Project Country*". In keeping with this provision, tax-related expenditures incurred by grant recipients for Project activities have not been permitted to be financed with CDB resources. UWI has placed on hold the implementation of remaining Project activities and deliverables associated with workshops scheduled for Antigua and Barbuda, Bahamas and Guyana, on account of its inability to recover taxes from the countries and on-going financial difficulties limiting its ability to absorb these costs.

3.02. The General and Administrative Provisions of the ACP-EU-CDB NDRM Contribution Agreement (FED/2014/346438) permit the payment of such taxes as eligible direct costs "*...the following direct costs of the Organisation or its implementing partners may in particular be eligible: ...taxes, duties and charges, including VAT, actually paid and that the Organisation cannot reclaim (or, where applicable, its partners)...*" (Ref. Article 14.2). This provision was not reflected in the Grant Agreements between CDB and the regional grant beneficiaries, namely CDEMA, CIMH, CTO and UWI.

3.03. It is therefore proposed that the terms and conditions of the Grant Agreements with CDEMA (GA 180/REG and GA 181/REG), CIMH (GA 176/REG and GA 179/REG), CTO (GA 177/REG) and UWI (GA 178/REG) be amended to include a provision to permit the payment, by CDB, from the resources provided under the ACP-EU-CDB NDRM Contribution Agreement (FED/2014/346438), of identifiable taxes, duties and charges, including VAT paid or not reclaimable by these regional recipients.

4. JUSTIFICATION

4.01. The regional grant beneficiaries (CDEMA, CIMH, CTO and UWI) provide substantial in-kind contribution to projects through time, technical skills and expertise of staff, which is critical to the successful implementation of project activities. However, many are underfunded and cash strapped and like UWI have indicated their inability to meet payments of taxes or to recover such payments when project activities such as workshops are undertaken outside their countries of residence. This has delayed

implementation of the project activities by those regional grant beneficiaries. As a result, the terminal date for disbursement of the Programme has been extended.

4.02. If the payment of identifiable taxes, duties and charges, including VAT with respect to the procurement of goods and non-consulting services, is made as permitted under Article 14.2 of the Contribution Agreement, it will facilitate the continued implementation by CDEMA, CIMH, CTO and UWI of their respective projects and the successful completion of project initiatives within the operational implementation phase of the ACP-EU NDRM Contribution Agreement (FED/2014/346438) which ends on February 4, 2021.

5. LOANS COMMITTEE RECOMMENDATION

5.01. Loans Committee considered this proposal by Round Robin and agreed to recommend it for the approval of the President.

6. RECOMMENDATION

6.01 It is recommended that the President, pursuant to the authority delegated by BOD at its One Hundred and Eighty-Fifth Meeting held on May 10, 1999, approve with respect to the grants approved by BOD in Papers BD 5/17, BD 6/17, BD 8/17, BD 89/17 and BD 92/17 and notified to BOD in Paper BD 87/17 (together, the Original Grants), an amendment to the terms and conditions as follows:

the addition of the following sub-paragraph (c) at Section 11.01(1) of the terms and conditions of the Original Grants:

“(c) except as CDB may otherwise agree, Section 3.01(i) of the General Provisions Applicable to Grant Agreements, which prohibits payments to be made on account of expenditures for identifiable taxes imposed under the laws of the Project Country, shall not apply to the Grant.”

Signed: Monica La Bennett
Chairman, Loans Committee

September 11, 2019
Date

7. APPROVAL

7.01 The abovementioned variation of the terms and conditions is approved.

Approved: W^m Warren Smith
President

September 12, 2019
Date