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FIRST COUNTRY COOPERATION FRAMEWORK FOR MONTSERRAT (1997-1999)

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## INTRODUCTION

1. The first country cooperation framework (CCF)<sup>1</sup> for Montserrat, covering the period 1997-1999 was formulated by the Government of Montserrat and UNDP in close collaboration with the major donors and relevant United Nations agencies. The CCF is based on government policy statements that outline the thrust of the country's development priorities and strategies, as well as UNDP Executive Board decisions and the salient recommendations of United Nations international conferences on the environment, population and development, social development, women and human settlements. The themes for cooperation in this CCF are specifically linked to the objectives of the Government's Medium-term Economic Development Programme (1995-1998) and to the programme of action for the Regional Bureau for Latin America and the Caribbean, adopted in Mexico in March 1996.

2. It should be noted, however, that volcanic activity in the Soufriere Hills since July 1995 has severely curtailed government plans. The programmes proposed under this CCF must be viewed in the context of the current volcanic emergency, which has resulted in the evacuation of a significant portion of the population to the north of the island. The evacuated areas include the capital and commercial centre of the country, Plymouth, as well as the bulk of the agricultural lands that hitherto constituted the "bread basket" of the country. There has also been a drastic reduction in income from tourism, the major revenue earner. The economic nerve centres of the country have been crippled and future prospects will remain bleak as long as the crisis continues. This CCF should be seen as an emergency programme designed to support government efforts to cope with the crisis and to establish a framework for long-term rehabilitation and reconstruction of the economy.

### I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

3. With a population of 11,000 (1995), Montserrat is a small island developing country that shares with other Eastern Caribbean countries the constraints imposed by its size and the vulnerability of a small economy to fluctuations in the global economy. Its economic mainstay is tourism. Agricultural production and light manufacturing play small but important roles. Throughout the decade 1984-1994, Montserrat's economy maintained a positive but low rate of growth.

4. The island is vulnerable to volcanic eruptions which, as recent events demonstrate, can cause massive physical, economic and social disruption. The tourism industry has been hit hardest by the ongoing volcanic crisis. During the first half of 1996, visitors and returning residents totalled only 16,086 compared to the 24,706 recorded over the same period in 1995 - a 35 per cent decline. Out of those entering the country in 1996, only 11,464 were visitors, representing a decline of 42 per cent from the 19,987 who visited the island in 1995. Tourism earnings have fallen drastically, from \$14.5 million for the first six months of 1995 to \$5.9 million by the middle of 1996. Government efforts will need to be directed at measures to reinvigorate this important sector.

5. Over the years, Montserrat has made significant progress in social and economic development and built a relatively strong human resource base and strong foundations for achieving sustainable human development. Life expectancy at birth increased from 69 years in 1980 to 72 years today. Female life expectancy at birth is a few years higher. The adult literacy rate is currently 97 per cent. Child mortality is practically non-existent, largely due to the virtual disappearance of major infectious diseases as a result of successful expanded immunization and health care programmes. Access to secondary education is universal. It is estimated that 3-5 per cent of the labour force has had the benefit of tertiary education. The Montserrat Technical College produces an average of 60 graduates a year with skills in office arts, auto mechanics, carpentry/joinery, electrical engineering, plumbing, refrigeration and air conditioning.

#### Poverty and sustainable livelihoods

6. While acute poverty is not a critical problem in Montserrat, the Government has accorded a high priority to the development and maintenance of a social environment that facilitates wide popular participation in the country's development. For example, support services to the indigent are made available in a number of areas, including housing and income. Due to the impact of volcanic activity, however, poverty could become a problem for the country, and the Government will need to identify strategies to prevent this. Since 1995, unemployment has risen dramatically and in 1996 it hit approximately 20 per cent.

7. Some 5,300 people (59 per cent of the population) have been displaced. Of these, 4,000 have found accommodation with relatives, friends and in rented homes. Many persons who have rented homes are experiencing financial hardship due to prior financial obligations - including mortgages - and the generally high cost of housing in the safe zone. The remaining 1,300 were initially placed in shelters, such as schools and churches; this number is being reduced as more emergency housing becomes available. Government functions are presently being performed from private houses in the safe zone. Clearly the volcanic crisis, with its attendant emergency and long-term development needs, will require the Government to adopt a double-pronged strategy in order to address effectively both the emergency and the rehabilitation and reconstruction measures that the country will require during the CCF period. The Directional Plan of Action on the Eradication of Poverty in the Caribbean, endorsed at the Caribbean Ministerial Meeting on Poverty Eradication (October 1996) and in which the Government has expressed interest, should help to promote some of the national poverty reduction initiatives.

#### Environment and natural resources management

8. The policies of successive governments have been supportive of environmentally sustainable development. With the assistance of UNDP, the World Bank and the Montserrat National Trust (a local non-governmental organization (NGO)), a National Environmental Action Plan (NEAP) was prepared in 1994 and subsequently approved by the Executive Council. The NEAP sought to assess the key environmental problems facing Montserrat and to devise policies to manage its natural resources. It was produced as part of a regional initiative to

improve national environmental planning and regional donor coordination. Other important outputs were the National Physical Development Plan and the Montserrat Environmental Profile, which provides the country with an important policy tool for the determination and implementation of a comprehensive environmental strategy. The current crisis makes implementation of these environmental strategic planning frameworks even more urgent. Implementation will not be possible, however, until the situation stabilizes.

#### Government strategy

9. For countries such as Montserrat, issues of national development are becoming increasingly complex and demand efforts that are skilfully designed to promote the efficient use of scarce resources within the context of increased global competitiveness. Strategies should focus on exploiting the opportunities presented by the accelerated removal of global trade barriers and the rapid rate of innovation in communications technology. The Government's medium-term economic strategy has identified four broad objectives: human capital expansion; sports and cultural development; support services for the indigent; and community and youth development. The Government is hopeful that this focus on sustainable human development and poverty issues can be maintained, despite the serious challenge posed by the volcanic crisis. Given Montserrat's vulnerability, and taking into consideration the current state of affairs, it may be necessary to establish permanent social safety nets to ensure that problems arising from social dislocation do not become chronic.

## II. RESULTS AND LESSONS OF PAST COOPERATION

10. During the fifth cycle, a significant portion of external development cooperation with Montserrat was focused on management and preservation of the environment. Physical planning was a major component of the programme, which established a Physical Planning Unit with trained staff. The country benefited from a range of inputs from UNDP that placed it in a position comparable to that of most Organization of Eastern Caribbean States (OECS) countries in terms of the development and implementation of environment-related policies and programmes, and the strengthening of institutions to sustain them.

11. UNDP assistance was complemented by other donors, among them the British Government, Canadian Agency for International Development, Swedish International Development Agency, German Technical Cooperation Agency, World Bank, Organization of American States, European Union, and United Nations Centre for Human Settlements (UNCHS). The bulk of development assistance was directed towards solid and liquid waste management, watershed and coastal zone management, environmental education and awareness, disaster management and physical planning. Given the limitations of Montserrat's delicate resource base, concentration on environmental management was in keeping with the Government's strong commitment to the development of functional mechanisms for the maintenance, preservation and management of the environment.

12. Use of the national execution modality encountered difficulties due to lack of adequate national capacity and coordination among government departments. During the CCF period, training of personnel will precede selection of this

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modality. The use of United Nations Volunteers (UNV) specialists and short-term consultants through the technical cooperation among developing countries (TCDC) and transfer of knowledge through expatriate nationals (TOKTEN) mechanisms will be expanded or explored judging from the success achieved during the previous programme.

### III. PROPOSED STRATEGY AND THEMATIC AREAS

13. Due to the demands imposed by the current crisis in Montserrat, UNDP will concentrate on emergency interventions that will complement the actions of the Government, the United Kingdom, the Caribbean Community (CARICOM), United Nations agencies (especially the Pan-American Health Organization/World Health Organization (PAHO/WHO)) and other international and bilateral aid organizations. Activities under the CCF will be seen as an emergency programme designed to assist the Government in coping with the crisis while trying to ensure that long-term development efforts are not unduly compromised. UNDP will support the Government's resettlement programme and promote activities to reinvigorate the productive sectors, especially those relevant to the livelihoods of the most disadvantaged segments of the population. Emphasis will be placed on the provision of assistance to displaced persons, particularly those being sheltered in churches, schools, and other temporary accommodation in the safe zone. It is recognized that as part of a holistic response to the crisis situation, it is necessary for the strategy to encompass interventions beyond emergency activities to ensure that long-term development needs are taken into account. Beyond the initiatives aimed at shelter and other basic needs, the wider aspects of employment generation, income augmentation and entrepreneurial development through micro-enterprises will be integrated as key elements in the strategic mix.

14. The strategy will also focus on strengthening collaboration with United Nations agencies and seeking complementarities with their ongoing programmes, especially UNCHS, the United Nations Environment Programme, the United Nations Children's Fund (UNICEF), PAHO/WHO, the United Nations Development Fund for Women, Global Environment Facility (GEF)/Small Grants Programme and the United Nations Volunteer Programme. Linkages with the regional programme for Latin America and the Caribbean and the subregional programme for the Eastern Caribbean countries will be actively sought in order to complement regional initiatives, especially those being undertaken by CARICOM, and to mobilize additional resources for the proposed activities, thereby enhancing the overall impact of UNDP cooperation.

15. UNDP technical cooperation during the CCF period will concentrate on (a) poverty reduction and sustainable livelihoods and (b) environmental management. In keeping with the UNDP mandate, poverty reduction and sustainable livelihoods activities will be targeted at the poorest and will aim to create alternative sustainable livelihoods for those who have been displaced by volcanic activity.

A. Poverty reduction and sustainable livelihoods

16. The evacuation of more than five thousand people to the north of the island has displaced many small family businesses and entrepreneurs. These are a central feature of the economy of Montserrat. Their combined activity is normally responsible for significant currency flows within the economy and for a high proportion of the island's employment. There is an urgent need for targeted UNDP interventions to (a) assist the Government and relevant private sector organizations in the process of regrouping and reorganizing the vital mass of small business operators; (b) assist with the re-establishment of small businesses in the north, with attention paid to physical accommodation, location, marketing, rebuilding of client base and promoting viability of these micro-enterprises so that they can provide livelihoods for the population. The Government considers it a critical national priority to assist the population in finding employment and economic sustenance through medium-sized and micro-enterprise activities. To demonstrate its commitment, the Government has allocated \$36,000 for a small business credit scheme that will be implemented by the National Development Foundation (NDF), an NGO working in micro-enterprise development. UNDP assistance will be directed at strengthening this sector and will involve working through the NDF to channel support to the small business entrepreneurs. Assistance will also be directed at building the institutional capacity of the NDF itself.

17. More than 70 per cent of the agriculturally productive land in Montserrat has had to be abandoned since it is located in unsafe areas. An almost total rehabilitation of the agriculture sector is therefore required. A second thrust of the poverty reduction and sustainable livelihoods programme is to support the Government in revitalizing agriculture. The major elements of the planned activities will be (a) the identification of land; and (b) providing agricultural extension services, should the variation in topography and soil type between the south and the north require a shift from traditional crops. The most challenging issue will be land tenure. Whereas the Government owned a significant amount of land in the south and was able to lease it to farmers, approximately 98 per cent of the land in the north is privately owned. UNDP will identify entry points where it can reinforce government efforts to address this issue and will target its support to the most vulnerable and poor segments of the population. It is expected that a large part of the UNDP contribution to agricultural development will be concentrated on the process of bringing new and existing agricultural areas in the north to a state where they can be fully and most beneficially utilized. This may entail the establishment of systems for irrigation, agricultural engineering services, marketing, animal husbandry and fodder bank systems. Within this context, technical advice from the Food and Agriculture Organization of the United Nations will be sought.

18. At the end of the CCF period, it is expected that there will be a nucleus of thriving small businesses and a number of employment opportunities created through this support. The NDF will have been strengthened and become a viable entity able to effectively assist the small business sector. Support to the rehabilitation of the agricultural sector is expected to result in the start-up of agricultural production in the north, and a strengthened Ministry of Agriculture that can better provide extension services to the affected

population. The relevance of these success criteria will depend on the evolution of the volcanic crisis.

#### B. Environmental management

19. The major environmental challenges centre around the impact and implications of a significant influx of population and relocated commercial activities into an ecologically fragile area with inadequate social and physical infrastructure. Problems have already begun to emerge with solid and liquid waste disposal, land use and land tenure, and the provision of social services. UNDP will support the Government's capacity to plan and manage the relocation and resettlement exercise, while focusing particularly on the needs of vulnerable groups. Environmental management is critical to all sectors of activity since environmental concerns have become many times more acute than in pre-crisis times. While key service installations and major infrastructure need to be established in the north, land limitations further restrict site choices, creating greater pressure for environmental compromise. UNDP inputs under this thematic area will both complement and supplement the Government's initiatives to resettle the social and commercial capital, with due regard to the environmental and social considerations that are critical in any pursuit of sustainable human development. Activities will build upon previous UNDP support to the development of national physical and land use planning.

#### IV. MANAGEMENT ARRANGEMENTS

##### Execution and implementation

20. The Government is committed to the national execution modality, despite limited capacities and resources within its respective departments. The Government recognizes that national execution reinforces national ownership and is cost effective, as the benefits go beyond the scope of the programme or project objectives. The NDF has been identified as a valuable development partner in the country. UNDP will collaborate with the NDF, especially in the area of micro-business development.

21. Given the thrust of the programme, United Nations agencies such as FAO, UNCHS, UNICEF and PAHO/WHO are expected to play an important role in the implementation and execution of the programme. It is envisaged that UNVs will be mobilized in such specialized areas as civil engineering, economic planning, small business development, physical planning and agricultural extension. Regional expertise will be mobilized through TCDC programmes and exchanges.

##### Monitoring and review

22. The CCF will be subject to periodic reviews, including systematic annual reviews to be held between UNDP, executing agents and the Government, to ensure that the objectives and programme areas remain relevant to national needs and development priorities. There will be a triennial review at the end of the CCF period. This will include all concerned government counterparts, donors, NGOs

and other interested parties. Project tripartite reviews and monitoring visits will also be undertaken by UNDP.

#### Resource mobilization

23. The very limited resources being made available by UNDP under target for resource assignment from the core (TRAC) lines 1.1.1 and 1.1.2 are essentially catalytic in scope as they are insufficient to meet the costs of implementing the CCF. Resource mobilization, therefore, will be critical and will consist of the following elements:

(a) UNDP will collaborate with the Government in the preparation of sound proposals for funding under TRAC line 1.1.3 (resources for development in countries in special situations) in view of the current emergency;

(b) UNDP will actively identify specific opportunities for accessing UNDP-administered global funds, such as the GEF Small Grants Programme and Capacity 21;

(c) Through the resident coordinator system, UNDP will work closely with the Government to coordinate other donor inputs at the outset of the CCF and to encourage joint programming. Efforts will be made to mobilize third-party cost-sharing through the design and formulation of programmes and projects that can be jointly funded by key partners assisting Montserrat cope with the emergency.

24. The resource mobilization target table annexed reflects the total core and non-core resources that are expected to be available to support the UNDP programme from 1997 through 1999.

#### Notes

<sup>1</sup> Due to the onset of volcanic activity in the Soufriere Hills, Montserrat has been on a heightened state of alert since July 1995. Indications are that the population might have fallen below 8,500 as a result of migration due to the crisis. This country cooperation framework supposes that the situation will not worsen. Should volcanic activity escalate or should a mass evacuation become necessary, the country would need substantial emergency assistance and the programme elaborated in the document and the objectives identified under the Government's medium-term economic development strategy would need to be reviewed and revised accordingly. Montserrat's graduation to net contributor country would also need to be monitored carefully.



Annex

RESOURCE MOBILIZATION TARGET TABLE FOR MONTSERRAT (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	(151)	
TRAC 1.1.1	66	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other Resources	165	Special Programme Resources
SPPD/STS	-	
Subtotal	80 <sup>a</sup>	
NON-CORE FUNDS		
Government cost-sharing	-	
Sustainable development funds	31	GEF
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	31	
GRAND TOTAL	111 <sup>a</sup>	

<sup>a</sup> Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: GEF = Global Environment Facility; IPF = indicative planning figure; SPPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignment from the core.

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