

SUMMARY

Annual action programme 2018 in favour of Saint Kitts and Nevis

1. Identification

EDF allocation	EUR 5 200 000
Total cost	EUR 5 200 000 of EU contribution
Basic act	Council Regulation (EU) 2015/322 of 2 March 2015 on the implementation of the 11 th European Development Fund

2. Country background

This annual action programme covers Saint Kitts and Nevis, also known as the Federation of Saint Christopher and Nevis (SKN).

Data compiled by the Department of Statistics and projections made following the 2011 population census estimate the population of St. Kitts and Nevis to be about 54,000 (2016). Gross Domestic product (GDP) per capita in 2008, 2012 and 2014 were recorded to be USD15,644, USD15,433 and USD18,104 respectively. The GDP figures reveal estimated growth rates of 6.2% in 2013, 6.1% in 2014 and 5.1% in 2015, which was the strongest growth in the region; growth was estimated at 2.7% in 2016 and projected to continue to be positive in 2017-2018, despite the damages caused by the impact of Hurricanes Irma and Maria in September 2017. Inflation during 2015 was recorded at -2.8%, estimated at -1.1% in 2016 and projected at 1.2% in 2017¹. According to the International Monetary Fund, the gross domestic product (GDP) growth was mainly due to ongoing strong construction activities, with large real estate projects approved under the Citizenship-by-Investment (CBI) program (which accounts for about 50% of Government revenue), large public sector investment projects, and a recovery in tourism in combination with wholesale and retail sector growth. The higher than expected revenues allowed the introduction of a value-added tax (VAT) exemption for food items, a clearly pro-poor measure, which caused that the country even recorded a deflation of consumer prices in 2015, by about 2%.

Given the impacts that Hurricanes Irma and Maria had on the Water and Energy sector in September 2017, the government recognized that there is a need for a holistic approach to climate resilience. As a Small Island Developing State (SIDS), the Federation of St. Kitts and Nevis continues to grapple with the effects of climate change and environmental degradation which exposes their low resilience to natural hazards. Given the impact of the recent hurricanes, the government is taking steps to ensure that measures are put in place within the Water/Energy sector to ensure that basic needs such as water can be provided to the population, particularly to the most vulnerable in the society who are more severely impacted when these natural disasters hit the country.

¹ Source of Data: The Department of Statistics, Ministry of Sustainable Development, Government of St. Kitts and Nevis.

3. SUMMARY OF THE ACTION PROGRAMME

1) Background

Climate change and its consequences are key obstacles to sustainable development and the achievement of the Sustainable Development Goals. St. Kitts and Nevis is a Small Island Developing State, with low lying coastal zones, whose high vulnerability exacerbates already high and interlinked social, economic and environmental vulnerabilities of the country. Hence, resilience building is an overarching goal of the National Indicative Programme (NIP), guided by relevant EU and CARIFORUM policies.

Electricity is primarily produced in the country by small diesel fuelled generators, with only a very small percentage produced by solar and wind energy. Accordingly, the vulnerable position of the country is exacerbated given the very high dependency on imported fossil fuel. The need for energy reform in St. Kitts and Nevis is contextualised by the on-going economic transformation embarked upon by the Government, from an agriculture-based economy to a services-oriented economy – which determined the choice of the Energy Sector as the (only) NIP focal sector for the country.

The severe impact on the sector of the 2017 hurricanes triggered the decision to top up the existing amount for the SKN NIP with EUR 2.4 million from the EDF B Envelope.

2) Cooperation-related policy of beneficiary country

The vision of St. Kitts and Nevis as stated in the National Energy Policy is to "become an island nation with a sustainable energy sector where reliable, renewable, clean and affordable energy services are provided to all its citizens". The replacement of fossil fuel by renewable energy sources and the implementation of energy efficiency measures will be promoted in all sectors of the economy.

The main elements of the National Energy Policy are: 1) Sustainable, affordable and secure energy supplies through diversification of energy resources and energy efficiency and conservation; 2) Accelerated deployment of renewable and clean energy sources in all sectors and adoption of measures of energy efficiency in all sectors, with the objective of decreasing as much as possible the use of imported fossil fuels.

3) Coherence with the programming documents:

The programme foreseen under the Annual Action Programme 2018 will directly contribute to the development of the Energy Sector in St. Kitts and Nevis, the only focal sector identified in the NIP. To the EUR 2.8 million allocated initially in the NIP to the country, EUR 2.4 million have been added from the B Envelope, following the heavy impacts of Hurricanes Maria and Irma.

4) Identified actions (summary of action fiches) and expected results:

Annex I: 11th EDF St. Kitts and Nevis Energy and Energy Efficiency Sector Budget Support

This Action falls under the only focal Sector, *Renewable Energy/ Energy Efficiency*, of the National Indicative Programme.

The indicative implementation period is 36 months from the date of entry into force of the Financing Agreement.

The **overall objective** is to support St. Kitts and Nevis to establish a sustainable energy sector based on local renewable energy sources, thus directly contributed to the progressive achievement of SDG 7 – Ensure access to affordable, reliable, sustainable and modern energy for all.

The **specific objectives** are: 1) to increase integration of the renewable energy and energy efficiency in the public facilities and 2) to increase awareness of the business investors and the population on renewable energy and energy efficiency in St. Kitts and Nevis.

The **induced outputs** are:

1. Establishment of an Energy Unit;
2. Implementation of Energy Efficient Street Lightning;
3. Implementation of the underground electrical power supply to three pumping stations;
4. Improved policy dialogue with EU and Development Partners.

Annex II: Technical Cooperation Facility and Support Services to the National Authorising Officer (NAO) and the Non-State Actors (NSA) Advisory Panel to support or accompany the programming, preparation or implementation of the actions

This Action falls under the only focal Sector, *Renewable Energy/ Energy Efficiency*, of the National Indicative Programme.

The indicative implementation period is 48 months from the date of entry into force of the Financing Agreement.

The **overall objective** of the programme is to ensure the efficient and effective utilisation of EU development assistance in support of the implementation of the Government's development strategies and policies.

The **specific objectives** of the intervention will be: 1) To improve the technical capacities of the relevant line ministries to design and implement development programmes and projects (TCF), 2) To maintain and enhance the NAO's capacity to formulate, implement and monitor EU programmes, fulfil EU administrative requirements and visibility, coordinate donor activity, and facilitate dialogue between EU and relevant line ministries (Support to NAO) and 3) To strengthen institutional arrangements for dialogue between civil society and the Government and enhance capacities of NSAs to hold the local authorities accountable, participate in the decision making processes, and effectively influence and monitor national and regional (development) policies (Support to the NSA Advisory Panel).

The **expected outputs** are:

1. Enhanced policy dialogue in the focal sectors of the 11th EDF Bilateral programme through the Technical Cooperation Facility (TCF);
2. Strengthened capacities of NAO to effectively implement/manage actions under the 11th EDF;
3. Strengthened institutional arrangements for dialogue between civil society and the Government and enhanced capacities of NSAs to effectively influence and monitor national and regional (development) policies under the 11th EDF;
4. Strategic communication on EU development policy priorities.

5) Past EU assistance and lessons learnt.

Previous experience in the implementation of budget support programmes in the Caribbean and elsewhere highlighted the need to: (a) increase the predictability of disbursements; (b) have a coherent and results oriented performance assessment framework before launching the programme; (c) hold a budget support review that assesses the eligibility ahead of disbursement requests; (d) expand programme ownership to line ministries; (e) create strong coordination and monitoring mechanisms to ensure timely and adequate reporting and link to other donor activities; (f) have a strong public financial management reform plan; (g) have a well-developed technical assistance plan supporting performance indicators identified in the programme, and (h) hold a regular policy dialogue with relevant ministries on all eligibility criteria.

Other lessons from the 2007-2010 **Accompanying Measures for Sugar Protocol** (AMSP) programme were that the promotion of private sector initiatives offers the widest scope for economic growth in the country's post-sugar context.

In terms of support to the NAO, lessons from the ongoing EU funded programmes indicate the need to ensure that reporting lines and roles are clearly defined to reduce ambiguity in lines of communications, to continue to foster coordination, information sharing and participation among different stakeholders. In accordance with the European Consensus for Development and the objectives of the Paris Declaration on Aid Effectiveness and the Backbone Strategy on Technical Cooperation and Project Implementing Units, it is a priority to reinforce and coordinate technical cooperation activities with donors and stakeholders.

The principal lesson learnt regarding the TCF is that it needs to be a flexible instrument. Support for the NAO, capacity building and training, is important, but so is the ability to support, expand, fine tune and add value to the main policy instruments relevant to the EU programme in the country.

6) Complementary actions/donor coordination.

The Government of Saint Kitts and Nevis has embarked on an intensive renewable energy and energy conservation programme with support from the Republic of China (ROC), the Government of Cuba, the Organisation of American States (OAS), UNESCO, the Global Environment Facility (GEF) as the main financing mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), and the European Union (EU). Interventions in the energy sector are coordinated by the Energy Unit of the Ministry of Public Infrastructure, Post, Urban Development and Transport.

4. Communication and visibility

The guidelines in force with regard to visibility will be applicable to all the beneficiaries of EDF funds. See individual action documents for further information.

5. Cost and financing

Action	Amount (EUR)
Annex 1: 11 th EDF - St. Kitts and Nevis Energy and Energy Efficiency Sector Budget Support	5 000 000
Annex 2: Technical Cooperation Facility and Support Services to the National Authorising Officer (NAO) and the Non-State Actors (NSA) Advisory Panel to support or accompany the programming, preparation or implementation of actions	200 000
Total EU Contribution to the measure	5 200 000

The Committee is invited to give its opinion on the attached 2018 Annual Action Programme in favour of Saint Kitts and Nevis.



EN

Annex 1

of the Commission Decision on the financing of the 2018 annual action programme in favour of Saint Kitts and Nevis

Action Document for 11th EDF – St. Kitts and Nevis Energy and Energy Efficiency Sector Budget Support

1. Title/basic act/ CRIS number	11 th EDF - St. Kitts and Nevis Energy and Energy Efficiency Sector Budget Support / CRIS number: 2016 / 039-787, financed under the 11 th European Development Fund			
2. Zone benefiting from the action/location	Caribbean, St. Kitts and Nevis The action shall be carried out at the following location: St. Kitts and Nevis			
3. Programming document	11 th EDF – National Indicative Programme for St. Kitts and Nevis			
4. Sector of concentration/ thematic area	Renewable Energy / Energy Efficiency		DEV. Aid: YES	
5. Amounts concerned	Total estimated cost: EUR 5,000,000 (EUR 2,600,000 from A envelope and (EUR 2,400,000 from B envelope) Total amount of EDF contribution EUR 5,000,000 of which EUR 4,920,000 for budget support, EUR 40,000 for Evaluation, and EUR 40,000 for communication and visibility			
6. Aid modality(ies) and implementation modality(ies)	a) Budget Support b) Direct management Procurement of Services			
7 a) DAC code(s)	23110 Energy policy and administrative management			
b) Main Delivery Channel	European Development Fund_42003			
8. Markers (from CRIS DAC	General policy objective	Not targeted	Significant objective	Main objective

form)	Participation development/good governance	<input type="checkbox"/>	<input type="checkbox"/>	X
	Aid to environment	<input type="checkbox"/>	<input type="checkbox"/>	X
	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	<input type="checkbox"/>	<input type="checkbox"/>	X
	Climate change adaptation	<input type="checkbox"/>	X	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			
10. Sustainable Development Goals (SDGs)	Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all Goal 17: Revitalise the global partnership for sustainable development Goal 13: Take urgent action to combat climate change and its impacts			

SUMMARY

The proposed programme “*St. Kitts and Nevis Energy and Energy Efficiency Sector Budget Support*” aims at supporting the country in advancing towards energy self-sufficiency from local renewable energy sources, as defined in the 2014 Energy Policy. The objective is to develop a sustainable energy sector through the increased integration of renewable energy and energy efficiency technologies in public facilities and social housing programmes, and to increase awareness, education and training in relation to Renewable Energy and Energy Efficiency.

The main result to be delivered is: The Energy Sector Reform measures adopted that allow for the transition of the country towards renewable energy and improved energy efficiency.

The programme will have a duration of 36 months, with a financial allocation of up to EUR 5 million. It is directly related to **Focal Area 2** of the Caribbean Regional Indicative Programme (CRIP), which focuses on Climate Change, Disaster Management, Environment, and Sustainable Energy and to the priority sector identified under the National Indicative Programme (NIP) for Saint Kitts and Nevis for the period 2014-2020.

This programme will also support the government in its attempt to build resilience within the energy and water sectors, to ensure that the population has access to the basic needs of water and electricity when the country is severely impacted by exogenous shocks such as hurricanes. This need came to the forefront during the passing of Hurricanes Irma and Maria in September 2017. St. Kitts and Nevis, like all Small Island Developing States (SIDS) continues to grapple with the effects of climate change and environmental degradation which exposes their low resilience to natural disasters.

In general, the sector budget support answers to the clear needs associated with the implementation of the energy sector reform agenda on the basis of the National Energy Policy, and will accelerate policy implementation by supplementing national resources. The design is based on disbursement of funds to the Federal Budget. These funds will be released as one fixed tranche of 70% in Year 1, in order to support the Government in responding to the most urgent needs in the aftermath of Hurricanes Irma and Maria, and a variable tranche of up to 30% in Year 3, associated to three (3) sector performance indicators 10% each, which show the progress of the country with respect to the implementation of the reform agenda. This design will contribute to consolidating the sector and also activating policy dialogue among the partners involved.

1. CONTEXT

1.1 Country / Sector context

Data compiled by the Department of Statistics and projections made following the 2011 Population and Housing Census estimate the population of St. Kitts and Nevis to be about 54,000 (2016). Gross Domestic product (GDP) per capita in 2008, 2012 and 2014 were recorded to be USD15,644, USD15,433 and USD18,104 respectively. The GDP figures reveal estimated growth rates of 6.2% in 2013, 6.1% in 2014 and 5.1% in 2015, which was the strongest growth in the region; growth was estimated at 2.7% in 2016 and projected to continue to be positive in 2017-2018, despite the damages caused by the impact of Hurricanes Irma and Maria in September 2017. Inflation during 2015 was recorded at -2.8%, estimated at -1.1% in 2016 and projected at 1.2% in 2017¹. According to the International Monetary Fund

¹ Source of Data: The Department of Statistics, Ministry of Sustainable Development, Government of Saint Kitts and Nevis.

(IMF), GDP growth was mainly due to ongoing strong construction activities, with large real estate projects approved under the Citizenship-by-Investment (CBI) program (which accounts for about 50% of Government revenue), large public sector investment projects, and a recovery in tourism in combination with wholesale and retail sector growth. The higher than expected revenues allowed the introduction of a value-added tax (VAT) exemption for food items, a clearly pro-poor measure, which caused that the country even recorded a deflation of consumer prices in 2015, by about 2%.

The Government of Saint Kitts and Nevis, with support from the IMF, embarked on a debt restructuring exercise which has brought the debt-to-GDP ratio to a sustainable level of 60% of GDP by 2017, back from more than 150% a few years ago, which had put the country in a fragile macroeconomic situation.

With respect to the energy sector, the country covers the major part of its primary energy requirements through imported fossil fuel products, with a smaller share coming from wind and PV. In an effort to facilitate the transformation process after the closure of the sugar industry, a National Adaptation Strategy (NAS) was formulated to outline the policy actions required to ensure the economic diversification and social development of the Federation. Having recognized that the NAS remains the primary document outlining the continued development of St. Kitts and Nevis, the Government has extended its implementation from the initial period of 2006-2013 to 2017. A vital element within this development agenda remains the diversification and sustainability of the energy sector which includes the integration of renewable energy and energy efficient technologies to enhance competitiveness and facilitate poverty reduction. A medium term development strategy will be developed as a follow up to the NAS which will further articulate the development trajectory in regard to renewable energy and energy efficiency.

Given the impacts that Hurricanes Irma and Maria had on the Water and Energy sector in September 2017, the government recognized that there is a need for a holistic approach to climate resilience. As a Small Island Developing State (SIDS), the Federation of St. Kitts and Nevis continues to grapple with the effects of climate change and environmental degradation which exposes their low resilience to natural hazards. The nexus between the water and energy sectors became more profound during these events as water is assessed via two main sources in the Federation: (1) springs which are channelled into surface water systems and (2) ground water accessed by twenty-six (26) shallow wells which are located across the country. Approximately 5% of the potable water used by the population is sourced from wells which require energy to facilitate the pumping of water into the supply network. During the most recent hurricanes (Irma and Maria), high winds caused fallen poles and downed power lines resulting in the interruption of electricity to power the pumps for the wells. Therefore, the Government of Saint Kitts and Nevis is taking steps to ensure that measures are put in places within the Water/Energy sector to ensure that basic needs such as water can be provided to the population, particularly to the most vulnerable in the society who are more severely impacted when these natural disasters impact the country.

In 2011, the country first elaborated its Energy Policy. In its revised version of 2014 (final version to date), which took up the essential elements for a sector reform and the embracing of renewable energies, the vision of the Government is defined as *“to become an island nation with a sustainable energy sector where reliable, renewable, clean and affordable*

energy services are provided to all its citizens, where energy efficiency and the replacement of fossil energy by renewable energy sources will be promoted in all sectors of the economy”. This policy outlines a comprehensive transition towards a sustainable energy balance where all stakeholders – the Government of St. Kitts and Nevis and the Nevis Island Administration (NIA), the two utilities (SKELEC and NEVLEC), NGOs, and citizens – participate and jointly mobilise the benefits. The policy is based on the principle that energy services must become cleaner, more reliable, and affordable.

The revised National Energy Policy has made provisions for private sector entities and individual households to generate renewable energy by utilising their own power plants, integrated in the two island grids. In addition, issues related to feed-in tariffs, net metering, and other areas to facilitate integration of private energy supply with the national grid have been addressed in the Electricity sector section of the national energy policy. The goal is for producers of energy to capitalise on transferring their excess energy into the national grid with the expectation of receiving credits or compensation. This initiative would engender an enabling environment for the increased utilization of renewable energy and local income generation which is in alignment with Government’s commitment towards creating incentives for the private sector to get involved in the areas of renewable energy and energy efficiency.

Further policies and legislation are in the process of being revised or adopted with a view to achieving cost savings and accomplishing the goal of developing a green economy in the medium to long term. Studies prepared by both the St Kitts Electricity Company Limited (SKELEC) and the Nevis Electric Company Limited (NEVLEC) suggest that the existing electricity networks would not tolerate a penetration of intermittent electricity (such as wind and PV) higher than 20%. But St. Kitts and Nevis are part of the volcanic Islands of the Antilles arc, which have a significant geothermal potential. The potential of available geothermal energy sources in both islands is very promising, and its development is a renewable energy source which can serve as base load.

In 2014 the EU funded a consultancy assignment under a framework contract to update the National Energy Policy and the St. Christopher (Energy Supply) Act 2011 and other related legislative framework such as a Net Metering Scheme in Nevis for adoption of alternative energy to build a more competitive private sector and improve energy security for households. An output of the assignment was a Final Report and Action Plan which outlined steps to be taken such as, the revision of the legal framework, the creation of an energy unit, a coordination committee between the two islands and the possible establishment of a national regulatory authority.

The EU-funded technical assistance (TA) emphasized the relevance of the interconnectivity between the two island grids in order to reduce risk in disaster management and to maximize the benefits in geothermal development. The Department of Sustainable Development from the Organization of American States (OAS) had already performed a first interconnection assessment in 2008, as part of a pre-feasibility study for an electrical connection between St. Kitts and Nevis. This study found that the electrical interconnection between St. Kitts and Nevis is justifiable and should ease the strained energy supply systems of both islands by adding extra capacity. In 2015, Deloitte and Black & Veatch did technical and financial assessment on the potential of the geothermal resource in St. Kitts and Nevis in which they have estimated that the interconnection would trigger annual savings of slightly over

USD 10 million per year over a 20 year period from a 10 MW (megawatt) geothermal power plant in Nevis. If a 30 MW geothermal facility, for which the geothermal potential on Nevis would also suffice, would be installed, savings of up to USD 85.5 million in Net Present Value (NVP) could be generated for the Federation.

1.1.1 Public Policy Assessment

The vision of St Kitts and Nevis as stated in the National Energy Policy is to **"become an island nation with a sustainable energy sector where reliable, renewable, clean and affordable energy services are provided to all its citizens."** The replacement of fossil fuel by renewable energy sources and the implementation of energy efficiency measures will be promoted in all sectors of the economy.

The main elements of the National Energy Policy are: 1) Sustainable, affordable and secure energy supplies through diversification of energy resources and energy efficiency and conservation; 2) Accelerated deployment of renewable and clean energy sources in all sectors and adoption of measures of energy efficiency in all sectors, with the objective of decreasing as much as possible the use of imported fossil fuels. Some of the main objectives highlighted in the National Energy Policy are the following:

- a) Efficient use of Energy and Energy conservation in all sectors;
- b) Replacement of the use of fossil fuels and its replacement by clean and renewable energy technologies in all other sectors consuming primary energy sources;
- c) Sustainable and Secure Energy supply in order to increase the participation of renewable energy sources and to decrease the consumption of fossil fuels.

One of the major goals of the government is to develop a sustainable energy sector through the increased integration of renewable energy and energy efficiency technologies in public facilities. The above mentioned National Energy Policy seeks to foster the development of an appropriate legal, institutional and economic framework, including management mechanisms, to stimulate sustainable energy reforms. In an effort to operationalise the National Energy Policy, the government has embarked on several negotiations with private developers, donors and government partners, and to date, renewable energy is being generated from solar (Airport and government HQ in St. Kitts) and wind (2.2 MW system by private developer in Nevis), and is in the preparatory stages with respect to geothermal. In addition, some Energy Efficiency initiatives have been undertaken. However, more Renewable Energy and Energy Efficiency actions, particular in the public sector will have to be done to ensure that the government continues down the path of reducing its dependence on fossil fuels.

The Federation of St. Kitts and Nevis has access to an abundance of renewable energy resources such as wind, geothermal and solar which provides an advantage to explore centralised and decentralised usage of renewable energy technologies. There have been a few projects in St. Kitts and Nevis where renewable energy technologies have been deployed. For example, at the Robert Llewellyn Bradshaw International Airport in St. Kitts, a 0.75MW solar plant has been constructed and is currently operated by the St. Christopher Air and Sea Ports Authority and a 0.5MW solar plant has been established in the Royal Basseterre Valley Protected Area which is connected to the grid of the St. Kitts Electricity Company (SKELEC)

Ltd. In Nevis, a 2.2 MW wind power plant which represents around 20% of the installed capacity of the island has been established and is operated by a private power producer.

The Government of St. Kitts and Nevis has realised that a program of actions within the Energy Policy is needed to achieve the goal of becoming an island nation with a sustainable energy sector. In order to achieve this vision, policy actions have been identified within the national energy policy, to promote:

1. Energy security and diversification of the energy matrix through, among others, the identification of all barriers (technical, financial, social, etc.) and constraints to the use of renewable energy in all sectors, and to identify solutions (including financial requirements, education and other measures);
2. The enhancement of institutional capacity, through among others, the establishment of an Energy Unit in the responsible ministry, ensure an institutional framework of cooperation and coordination of policies between the Government of St. Kitts and Nevis and strengthen management and financial capabilities of the electricity companies in St. Kitts and Nevis (SKELEC and NEVLEC);
3. Renewable energy, through the promotion of involvement from private sector and increased usage of renewable energy in the general public, supported by education and research in possibilities for development of renewable energy in St. Kitts and Nevis;
4. The electricity sector through, among others, the provision of an appropriate, complete and consistent legal framework governing the sector;
5. Energy efficiency and conservation through, among others, the provision of consumer guidelines and awareness campaigns, including the identification of actions and financial options stimulating the replacement of energy intensive equipment used in several areas including the transportation sector.

On October 15, 2008, an Economic Partnership Agreement (EPA) was signed between EU and Caribbean countries which makes specific reference to cooperation on eco-innovation and renewable energy/energy efficiency. In November 2012, the EU Council endorsed the Joint Caribbean-EU Partnership Strategy with the aim of intensifying cooperation, namely: regional integration, reconstruction of Haiti, climate change and natural disasters, crime and security, and joint action in multilateral fora.

The 11th EDF National Indicative Programme (NIP) with St. Kitts and Nevis, adopted in September 2014, is the main strategic programming document. The total indicative allocation of the NIP for the period 2014-2020 for Renewable Energy/Energy Efficiency is EUR 2.6 million. An additional EUR 2.4 million is being added from the 11th EDF reserves to pursue rehabilitative and resilience strengthening actions after the passing of Hurricanes Irma and Maria in September 2017.

1.1.2 Stakeholder analysis

The institutional framework of the energy sector in SKN is relatively robust. In April 2011, the St. Christopher (Electricity Supply) Act was passed which resulted in the transformation of the former Electricity Department (ED) within the then Ministry of Housing, Public Works, Utilities, Transport and Posts into a semi-autonomous utility. The St. Kitts Electricity Company (SKELEC) began its operations in August 2011. The divestment has reduced the

Government of Saint Kitts and Nevis's capital and recurrent costs and has resulted in an improvement in the efficiency of electricity generation and distribution. The Public Utilities Commission has "the power to regulate and oversee generally the overall use and supply of electricity in Saint Christopher [St. Kitts]."

The Nevis Electricity Company Limited (NEVLEC) started its operations in 2000 as a fully owned subsidiary of the Nevis Island Administration. In Nevis, the Geothermal Resources Advisory Committee, chaired by the Minister of Natural Resources, coordinates the renewable energy policy, according to the Nevis Geothermal Resources Development Ordinance (2008).

The two mentioned power supply systems in the Federation are currently operated independently and are not interconnected. SKELEC is headquartered in Basseterre, St. Kitts, and NEVLEC is headquartered in Charlestown, Nevis.

SKELEC is the sole electricity generator and distributor of electricity in St. Kitts. SKELEC owns a diesel power plant in Basseterre that comprises 7 x 3.9 MW, 1 x 7.9 MW and 1 x 3.5 MW diesel engines. The total installed name plate capacity of the power plant is 38.7 MW, whereas the available maximum capacity is 34.5 MW. The current maximum demand in St. Kitts is about 24 MW and the average annual growth is about 3%. However, due to the rapid growth in luxury hotels and resorts, such as the Kittitian Hill and Park Hyatt in Christophe Harbor, demand is expected to increase by another 12 MW to 18 MW in the next five years.

NEVLEC is the sole electricity generator and distributor of electricity in Nevis. NEVLEC currently owns a diesel power plant at Prospect that consists of seven (7) diesel engines. The total installed name plate capacity of the power plant is about 13.9 MW, whereas the available maximum capacity is 12.9 MW. Additionally, there is also a wind farm with a rating of 2.2 MW operated by Winwatt (Nevis) Ltd that has been in service since August 2010. The windfarm has been providing approximately 1 MW of capacity on average. The peak load is currently at about 9MW, with demand increasing since the year 2010 by 2-3% per year.

A pre-feasibility study on the St. Kitts and Nevis electricity interconnection undertaken by the Energy and Climate Change Partners of the Americas (ECPA) concluded that, upon the production and sale of geothermal energy in Nevis, the cost of electricity in St. Kitts can be significantly reduced if the connection is established.

The National Energy Policy (NEP) seeks to foster the development of an appropriate legal, institutional and economic framework, including management mechanisms, to stimulate sustainable energy reforms. In an effort to operationalise the NEP, the Government has embarked on several negotiations with private developers, donors and government partners, and to date renewable energy is being generated from solar and wind, and is in the preparatory stages with respect to geothermal.

In 2007, the Government of Cuba was instrumental in donating energy efficient light bulbs to the Federation, which were distributed without cost to the general public. In 2011, Government installed 66 solar panels on the Government Headquarters building, which

currently supplies 30% (100 KW) of the electricity utilized by that facility. In 2012, efforts continued to diversify the sector through the installation of solar-powered street lights along a portion of the main road in the rural area and energy efficient lighting in the vicinity of the Basseterre Valley and Frigate Bay. In total, to date, the government has retrofitted 200 (3.33%) of the High Pressure Sodium (HPS) street lighting with energy efficiency lighting.

The Government has also demonstrated its commitment to energy reform by facilitating the establishment of the first solar panel manufacturing plant in the Organisation of Eastern Caribbean States (OECS) at the Southwell Industrial Park in St. Kitts in June 2013, and the launch of the region's first solar energy farm 0.75MW² at the Robert Llewellyn Bradshaw (RLB) International Airport in September 2013.

A 2.2 MW wind farm has been operating in Nevis since 2010, although not at the full nominal capacity, and in St. Kitts negotiations are underway with respect to the construction of a 5.4 MW wind farm at Bellevue, in a rural area on the East Coast. In addition, an increasing number of commercial operators and residential consumers are investing in renewable technologies such as solar panels and solar-powered water heaters, and employ energy efficient technologies. In 2013, the Sugar Industry Diversification Foundation (SIDF) committed itself to support this transformation of the sector by launching a programme to provide solar panels to a housing scheme with approximately 300 affordable houses. Energy audits in select public buildings will be pursued in 2018 on both St. Kitts and Nevis to inform future plans for retrofitting with renewable energy and energy efficient technology through the Sustainable Energy for the Eastern Caribbean (SEEC) Programme. An initiative to advance the change out of the remaining High Pressure Sodium (HPS) street lighting on both St. Kitts and Nevis will be pursued in 2018 using resources provided through the Climate Action Line of Credit (CALC).

The major issue with respect to renewable energy is the tapping of the geothermal power resources. Exploratory drilling in regard to geothermal development in Nevis has been completed and there are plans to advance the process to facilitate the supply to the NEVLEC grid. However, a 10 MW plant would exceed the energy needs on the island, and would offer the potential to also serve St. Kitts with renewable geothermal energy – if the interconnection as envisaged in the National Energy Policy (NEP) is established. In September 2015, the Government of St. Kitts and Nevis signed a letter of intent with the French company Teranov for the exploration of geothermal potential and development of a geothermal plant on the island of St. Kitts. Teranov would have done geothermal exploration exercises and found that there is potential in St. Kitts to develop at least 18 to 36 Megawatts of geothermal power. Since the passing of Hurricane Irma and Maria in September 2017, Teranov and the government have solidified its commitment towards this initiative of developing the geothermal resource.

1.1.3 Priority areas for support/problem analysis

The need for energy reform in St. Kitts and Nevis is contextualised by the on-going economic transformation embarked upon by the Government, from an agriculture-based to services-oriented economy, which focuses primarily on high-end tourism. The resultant increase in

² 1.3 MW according to the ST.Kitts & Nevis NIP 2014-2020

economic activity including foreign direct investment, commercial and residential development, and immigration, has significantly affected the demand for electricity.

In 2010, St. Kitts spent XCD 61 million (EUR 18.9 million) for the importation of petroleum and the relative share of energy expenditures in the national budget was 4.2% (as compared with 2.1% in the United Kingdom). Until 2005, the price for electricity was maintained relatively low, primarily through the provision of a Government subsidy. However, due to increases in the price of oil, the Government introduced a fuel surcharge in St. Kitts in October 2005. Nevis introduced the surcharge two months later. A revision of the electricity tariff took effect in January 2011 with the aim of bringing the base tariff in line with the cost of producing electricity. Oil prices have continued to increase since the implementation of the fuel surcharge, and as a result, retail prices for electricity have doubled from late 2005 to August 2012. In 2013, the Government intervened to bring relief to electricity consumers by subsidising the fuel surcharge with the assistance of the St. Kitts and Nevis Sugar Industry Diversification Foundation (SIDF) to an approximate annual cost of XCD 8 million. Electricity prices have been reported to average USD 0.21 / kWh, as against electricity tariffs in the USA (Florida) which are in the range of USD 0.05 – 0.08 / kWh.

In St. Kitts and Nevis, electricity is primarily produced by small diesel fuelled generators, with only a very small percentage produced by solar and wind energy. Accordingly, the vulnerable position of the country is exacerbated by the high dependency on imported fossil fuel for electricity generation as well as for transportation. In St. Kitts, fuel is imported under the PETROCARIBE Energy Cooperation Agreement with Venezuela which provides for petroleum derivatives being purchased at market prices, but payable through a credit from Petro-Caribe of up to 60% of the value of the imports at an interest rate of 1% over a period of 25 years. Nevis does not participate in the PETROCARIBE arrangement. High maintenance requirements and low reliability of small diesel gen-sets have historically resulted in electricity outages although these incidences have decreased in recent years. The government of St. Kitts and Nevis remains cognisant of the negative environmental impacts associated with diesel powered generation, especially for Small Island Developing States (SIDS). The government of St. Kitts and Nevis also recognises the importance of building resilience within the energy/water sector from natural disasters. This was brought to the forefront during the passing of Hurricanes Irma and Maria in September 2017 where 31% of the population experienced prolonged periods without water or electricity due to downed power lines resulting in the interruption of electricity to power the pumps for the wells.

In conclusion, the energy sector in St. Kitts and Nevis (SKN) is relatively well regulated, analysed and reported on. Sector related dialogue takes place in the framework of the Committee of Permanent Secretaries, the Investment Review Committee and various national development forums such as the Annual National Consultation on the economy, which included private sector representatives. Constraints of energy costs for economic development are well acknowledged by the government. Renewable Energy and Energy Efficiency is a priority sector for government and hence are deemed appropriate sectors for EU-SKN development co-operation for EDF 11th. The government also sees the need to build resilience within the energy sector to ensure that the population has access to the basic necessities such as electricity and potable water when impacted by natural disasters such as hurricanes.

1.2 Other areas of assessment

1.2.1 Fundamental Values

Saint Kitts and Nevis is a stable parliamentary democracy. General elections were held in February 2015 with a change from the St. Kitts-Nevis Labour Party to the Team Unity (a coalition of the Concerned Citizens Movement, Peoples Action Movement, and Peoples Labour Party). The administration remains committed to the Medium Term Fiscal and Development Strategies, Public Financial Management Action Plan and Human Resource Development Strategy. The country is socially stable and mechanisms are in place to consolidate the process. Saint Kitts and Nevis strongly adhere to the fundamental values of democracy, human rights, and the rule of law. Consequently, the precondition with respect to the acceptance of fundamental values is met for EU-funded Good Governance and Development Contracts.

1.2.2 Macroeconomic Policy

The Federation of Saint Kitts and Nevis is a small, open economy which is classified as a “high-income non-OECD” country, with a combined land mass of 269 sq. km, and an estimated population of 54,944 (2016)³. It is located in the North-Eastern part of the Eastern Caribbean island chain, and is prone to natural disasters, especially hurricanes. As a Small Island Developing State, it is also particularly vulnerable to the effects of global warming and climate change.

In 2005, the Government of Saint Kitts and Nevis ceased sugar production after more than 300 years of operation, as it was not competitive anymore with the reform of the EU sugar market. The industry had been run by the Government since 1975, accounting for 10% of the employment. Past efforts to keep the sugar sector alive resulted in a dramatically high level of indebtedness. During the last decades, tourism has become the main engine of development, with offshore finance and service industries as other important sources of income. The global downturn between 2009 and 2012 slowed down tourism receipts, remittances and real estate construction markedly, and GDP contracted by a cumulative 5.5% during these years. As a consequence, the fiscal position significantly deteriorated to a deficit of 7.6 percent of GDP, and by end-2010, public debt was one of the highest in the world at 159 percent of GDP.

However, since 2013, a steady economic recovery and growth has been recorded. St. Kitts and Nevis successfully completed an IMF Stand-By Arrangement (SBA) in July 2014, which supported a home-grown reform strategy that consisted substantial fiscal consolidation measures, and a major debt restructuring, among other actions; in October 2015 SKN completed the post-monitoring phase of the program. The economy improved significantly, allowing the authorities to make several early repayments to IMF. The 2017 IMF Article IV reported that St. Kitts and Nevis attained the strongest growth and fiscal performance in the Eastern Caribbean Currency Union (ECCU) region in recent years, with public debt set to meet the ECCU’s 60 percent of GDP target in 2018. The strong macroeconomic performance owes much to the robust Citizenship-by-Investment (CBI) inflows as well as overall prudent macroeconomic policies. However, CBI revenues fell significantly last year and are expected to

³ <http://data.worldbank.org/country/st-kitts-and-nevis>

fall further going forward. In this context, additional efforts are needed to secure the macroeconomic gains, while enhancing resilience to external shocks and ensuring sustainable, inclusive growth into the medium term.

The IMF made several recommendations for the macroeconomic policy framework, with which the authorities largely agreed. The IMF highlighted the need to strengthen the fiscal framework, with a view to reducing reliance on CBI inflows while strengthening fiscal sustainability. As such, the Fund advised the authorities to target a zero-underlying primary balance over the medium term by broadening the tax base and containing spending, especially on the public wage bill. The IMF stressed that the sale of lands under the debt-land swap should be completed urgently to limit fiscal and financial sector risks. Weak asset quality and potential financial sector risks from a CBI slowdown or withdrawal of correspondent banking relationships must be addressed by further progress in removing obstacles to NPL resolution, monitoring the real-estate market and ensuring adequate prudential oversight, and continued efforts for compliance with international standards. To boost inclusive growth, the IMF recommended further efforts to improve the business climate, address skill gaps, enhance diversification, and build resilience to natural disasters.

1.2.3 Public Financial Management (PFM)

Since 2008 the Government of Saint Kitts and Nevis has started implementing a PFM reform strategy which is monitored by a PFM Committee established within the Ministry of Finance. The PFM Action Plan 2012-2015 was considered a comprehensive reform strategy identifying the lead responsible stakeholder and a timeframe for achieving the reform action, which is still relevant. An update was carried out with support from the EU in 2015.

The priority of the Government of Saint Kitts and Nevis has continued to focus on fiscal consolidation, and the PFM reforms prioritised included: revenue enhancement through the introduction of reforms in both Inland Revenue and Customs Departments, cash management, debt management through the debt restructuring programme, strengthening oversight of public sector enterprises and non-financial sector and the corporatization of the Electricity Department. For a small administration, the Government has implemented an impressive range of fiscal reforms in such a short period. Some of the achievements were:

- Adoption of the cash-based International Public Sector Accounting Standards (IPSAS) for Government of Saint Kitts and Nevis financial statements.
- Better oversight of arrears, and these are no longer accumulating.
- There is improved recording of donor-funded projects and below-the-line accounts.
- Additional (but still limited) fiscal information posted on government websites.
- There is now also improved multi-year budgeting with 3-year MTEF (medium-term expenditure framework) in place and updated quarterly
- A Cash Management Committee is in place that keeps MDAs reliably informed about the availability of funds.
- To improve transparency of taxpayer obligations, the Inland Revenue Department created a website to make information more readily available, and tax filing and payment can now be done online.

The latest PEFA⁴, which was sponsored by the EU, highlights areas for further improvement:

- *Investment Planning:*
 - The PEFA criteria look for a systematic approach to decision-making on public investment projects, with specific projects fitted within strategic plans for the development of each service, and each subject to economic analysis of the costs and benefits before being given the go-ahead. Current arrangements in St Kitts and Nevis do not meet either of these requirements.
- *Medium-term Fiscal Planning:*
 - There is as yet no overall reconciliation between the top-down view of prospectively available resources and a bottom-up consolidation of detailed costed plans for the year-by-year development of each public service.
- *Asset Management:*
 - Some gaps remain in the monitoring and reporting of public enterprises, while the systematic recording of all government-owned land and buildings has only just begun.
- *Procurement:*
 - During the course of the 2011-14 Stand-By Arrangement with the IMF, a new Procurement and Contract Act became law in 2012. However, no action has yet been taken to establish the machinery required to implement and enforce the new legislation (notably the Procurement Board which should supervise procurement by each Ministry), or to promulgate the Regulations needed to guide action throughout the government.
- *Internal Financial Control:*
 - Financial management and control throughout the government appear to be broadly consistent with the provisions of the Financial Administration Act (FAA) 2007, but the detailed Regulations which would codify current practice, although drafted some time ago, have not been promulgated.
- *External Audit:*
 - Despite the participation of auditors from the Audit Office stationed in both St Kitts and Nevis in training courses sponsored by CARICOM, there has been no progress since 2009 in the content and coverage of audit reports. No information has been provided in recent audit reports about the performance of systems (payment execution, procurement, etc.) or the incidence of errors. No recommendations have been made for improvements in the efficiency of service delivery or for the avoidance of errors and irregularities. The Audit Office currently has no staff with professional qualifications, and no experience in the audit of IT systems.

⁴ This was conducted using the "old" 2011 PEFA methodology, but an Annex is included that scores according to the upgraded 2016 PEFA methodology. The PEFA 2015 was not yet approved by government to date.

1.2.4 Transparency and oversight of the budget

The entry point for transparency of the budgeting process is considered as being met, as the budget estimates adopted by the National Assembly are available on the official website shortly after being approved (<http://www.mof.gov.kn/?q=publications>). The budget speeches and complete estimates can be found online, and can also be obtained in print from the Ministry of Finance.

Moreover, other relevant financial documents are also available on the website such as the Saint Kitts and Nevis Fiscal Data 2011-2016, the 2015-2017 Debt Management Strategy, the SLS Operating Policies and Procedures Guidelines (March 2014) and the Quarterly Debt Bulletin (March 2017).

Additionally, full details from the previous financial statements can be obtained from the integrated excel tables held by the Eastern Caribbean Central Bank (ECCB), to which all ECCU member countries have to regularly send their data.

While St. Kitts and Nevis currently meets the basic conditions for this eligibility criterion, there is still scope for improvement on the rest of fiscal information documents.

However, satisfactory progress has been made after the EU had raised a number of shortcomings in this area during regular bilateral meetings with the Government of Saint Kitts and Nevis. In particular, the following measures have been taken:

- The PFM Action Plan strongly addresses the question of Fiscal Transparency, and actions have started to be implemented at different levels;
- There is a more formal willingness of the Government of Saint Kitts and Nevis to request assistance on key matters such as transparent procurement and auditing functions;
- New financial documents are available on the website such as the Saint Kitts and Nevis Fiscal Data 2011-2016, the 2015-2017 Debt Management Strategy, the SLS Operating Policies and Procedures Guidelines (March 2014) and the Quarterly Debt Bulletin (March 2017)
- The IMF SBA was based on a home-grown programme proposed by the Government of Saint Kitts and Nevis.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Growing vulnerability to natural hazards such as hurricanes, floods and droughts and their implication on investment levels.	M	Support policy dialogue that focus on climate resilient solutions, and contribute to climate change adaptation and mitigation. Dissemination of best practices to be included in the analysis of strategic investments at sector level. Implementation of support packages to strengthened resilience including under the post-Irma and post-Maria response package and the Caribbean Indicative Regional Programme.
Coordination between the two islands with respect to information, planning, regulation on renewable energy and energy efficiency is still weak; the issue is complex and would require joint efforts at national and regional levels.	M	Improve the Federal and the region's energy information network by strengthening and expanding existing information systems, and in particular by setting up a coordination committee at Federal level. Seek complementarity with other supporting initiatives and strategic support to identified stakeholders.
The development of favourable sector policies has started with the official adoption of several documents and legislations, but the implementation of the respective policies is still slow.	M	The EU Delegation will raise this subject in the regular sector policy dialogue in a way which supports the country in implementing consistent sector policies. Moreover, the Delegation will be supporting a number of regional initiatives including a Natural Risk Reduction facility to be implemented by the Caribbean Disaster Emergency Management Agency (CDEMA) and with an envelope of EUR 14 million to strengthen the level of commitment to the implementation of these policies.
Lack of conducive financing environment to implement renewable energy and energy efficient projects	L	Support dialogue to promote investments and promote champion targets in the sector. Policy dialogue to support the government in creating a business environment that will attract investments. Establishment of a more conducive legislative and regulatory environment though the implementation of projects funded under the Caribbean Indicative Programme and other tools which de facto support the Caribbean Renewable Energy Road Map and Strategy.

Risks	Risk level (H/M/L)	Mitigating measures
Low capacity to address the renewable energy and energy efficiency sector	L	Support technical capacity among players in the renewable energy sector. A number of programmes have already been supported to strengthen this capacity including the regional programme TAPSEC (Technical Assistance Programme for Sustainable Energy in the Caribbean). Under this programme, one of the main areas of focus is "Information and Capacity Building" whereby the aim is to improve the region's energy information network as well as to strengthen the technical capacity among key players within the renewable energy and energy efficiency sector in the region.
Assumptions A stable political and financial climate at country level and at regional level in general, is actively promoting sustainable energy solutions, and secure investments. The two islands concentrate their efforts and allocate relevant resources to accelerate sustainable energy policies' adoption and their implementation for mutual benefit.		

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

3.1.1 *The Energy Sector in general*

In general, the volatility of the oil price is detrimental to economic planning and security. Renewable energy and energy efficiency provide opportunities to reduce this dependency on commodity markets.⁵ Countries can use the windfall of the current low oil prices to diversify their energy sectors, and to build resilience against future price shocks. When suitably designed, projects can positively contribute to such areas as environmental protection, as well as water and food security.

The catalytic role of the energy sector has become evident for wider social and economic development, enabling education, health and sustainable agriculture, and creating jobs: This recognizes that energy is not an end in itself, but rather that energy for productive uses is particularly important to enable local business innovation and to create more vibrant economies for communities and countries, while simultaneously providing social benefits.

⁵ Caribbean Sustainable Energy Roadmap (C-SERMS), Phase 1 (2013); CARICOM – Worldwatch Institute – IDB and Caribbean Renewable Energy Development Programme (CREDP), Final Evaluation (2011); CREDP/UNDP-GEF

Furthermore, the importance of energy data and information exchange, and the potential to improve coordination with countries and stakeholders to minimize duplication and enable the monitoring / evaluation of energy projects has to be recognised in order to achieve a fully integrated, low carbon and climate-resilient energy transition.

The limited potential to harness economies of scale, combined with the lack of experience with Renewable Energy (RE) and Energy Efficiency (EE) and the general macroeconomic circumstances in the respective countries, can typically weaken the business case of many potentially beneficial projects. Global experience has shown that a committed public engagement is critical for the stimulation of private investments within the sustainable energy sector.

3.1.2 Budget support

Previous experience in the implementation of budget support programmes in the Caribbean and elsewhere highlighted the need to: (a) increase the predictability of disbursements; (b) have a coherent and results oriented performance assessment framework before launching the programme; (c) hold a budget support review that assesses the eligibility ahead of disbursement requests; (d) expand programme ownership to line ministries; (e) create strong coordination and monitoring mechanisms to ensure timely and adequate reporting and link to other donor activities; (f) have a strong public financial management reform plan; (g) have a well-developed technical assistance plan supporting performance indicators identified in the programme, and (h) hold a regular policy dialogue with relevant ministries on all eligibility criteria.

Other lessons from the 2007-2010 AMSP programme were that the promotion of private sector initiatives offers the widest scope for economic growth in the country's post-sugar context.

3.2 Complementarity, synergy and donor coordination

The Government of Saint Kitts and Nevis has embarked on an intensive renewable energy and energy conservation programme with support from the Republic of China (ROC), the Government of Cuba, the Organisation of American States (OAS), UNESCO, the Global Environment Facility (GEF) as the main financing mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), and the European Union (EU). Interventions in the energy sector are coordinated by the Energy Unit of the Ministry of Public Infrastructure, Post, Urban Development and Transport. Details of international support are listed in Attachment of the NIP 2014-2020. The Government endeavours to strengthen its relationship with the German development agency (GIZ) and SIDS Dock in the context of the regional programmes of these organisations.

The U.S. government, State Department, has funded independent advisors for the Nevis Electric Company Limited (NEVLEC) and the Nevis Island Administration (NIA), under an ongoing support programme. They also provide TA for an integrative planning support project, which is focused on developing an Integrated Resource Plan (IRP), as well as providing revenue management and procurement guidance for the utilities in both islands,

with the expectation that this work will allow the government to compare various energy infrastructure investments, including the interconnection based on data and analysis.

Furthermore, the Government has plans to establish a National Energy Commission to function as a high-level advisory board in order to facilitate the effective planning and execution of energy sector reform objectives. The Government committed itself in the National Indicative Programme 2014-2020 to upgrade the Energy Unit with the addition of qualified staff capable of planning, executing, managing, monitoring and evaluating the aforementioned objectives.

3.3 Cross-cutting issues

Activities to be financed under 11th EDF will be executed in full compliance with the environmental policies, laws and regulations of the country. Investments will be guided by Government commitments under the St. Georges' Declaration of Principles for Environmental Sustainability in the OECS. The Development Control and Planning Board (DCPB) will ensure that an environmental impact assessment (EIA) is undertaken for each renewable energy intervention proposed by the public or private sector, in order to ascertain any negative consequences to the natural environment.

EU support will take into account the equal and non-discriminatory access to energy services as integral to the enjoyment of socio-economic rights. Gender equality, participation of the most marginalized in equitable service delivery will be thus paid special attention to.

A gender analysis will be conducted and gender sensitive indicators, if relevant, will be established during the project implementation phase. Presently, this action does not envisage use of a gender specific indicator. However, this action, through its broader support of the country's development agenda will address gender issues through ensuring balanced gender participation in policy dialogue, with civil society, and capacity building through workshops, courses, and related activities.

The EU – St. Kitts and Nevis programme will contribute to achieving the EU proposal to make 20% of the EU overall budget for 2014-2020 “climate relevant”.

Additionally, it is envisaged that, through a broad based sector approach/involvement to the implementation of the initiatives outlined above, there will be a buy-in by all stakeholders. This will ensure sustainability of the project.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results

The overall objective is to support Saint Kitts and Nevis to establish a sustainable energy sector based on local renewable energy sources.

The contribution to the Overall Objective will be monitored using outputs related to: (i) the renewable energy production as a share in the total energy production; (ii) the number of people having access to the climate-resilient water supply; (iii) the level of reduction of greenhouse gases.

The specific objectives are as follows:

Specific Objective 1: Increased integration of the renewable energy and energy efficiency (REEE) in the public facilities

Specific Objective 2: Increased awareness of the businesses/investors and the population on renewable energy and energy efficiency (REEE) in Saint Kitts and Nevis

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG 7 – Ensure access to affordable, reliable, sustainable and modern energy for all, but also promotes progress towards Goal(s) 17 - Revitalise the global partnership for sustainable development and 13 – Take urgent action to combat climate change and its impacts. This does not imply a commitment by the country benefiting from this programme.

4.2 Main activities

4.2.1 Budget support

The budget support modality will allow engaging with the Government of Saint Kitts and Nevis in a regular and structured policy dialogue around conditions and government reforms in the energy sector. The dialogue will support the implementation of the reform agenda in the energy sector to promote the transition to renewable energies and a more efficient use of the energy generated and distributed. This policy process will be accompanied by innovative solutions aiming at raising the awareness of citizens, changing behaviours, and involving private sector and civil society towards more energy efficiency and increased consciousness in the use of energy supply.

The programme will also support private sector development by strengthening the areas in which the country has most outstanding economic growth opportunities. In line with the NAS and the Energy Policy priorities, the current programme will support long-term efforts for a private sector participation in the sector. In particular, the programme will support specific economic investments and energy reforms which have potential to positively impact business opportunities.

4.2.2 Complementary support

No specific EU complementary support is envisaged, but Evaluation and Communication and visibility are foreseen.

4.3 Intervention logic

The Budget Support Programme is strongly aligned with the country's efforts and plans to promote sustainable economic development and faster economic growth through a linked series of policy initiatives and specific investments in the energy sector.

An active policy dialogue between the EU and the concerned government institutions will help monitor and follow up on the progress in implementing the Energy Policy and will ensure that the government continues on its path towards reducing its dependence on fossil

fuels. The Financial support through the EDF will enable the government of St. Kitts and Nevis to prioritise the development of the Energy Sector, particularly in the public sphere where Renewable Energy and Energy Efficiency technologies will be deployed in order to reduce government energy-related expenditure.

The achievement of the induced outputs listed in the Logical Framework, e.g. the establishment of the Energy Unit, will allow for the government to enhance institutional capacity in terms of identifying the conditions necessary to provide an enabling environment for the Sector. The Energy Unit will also provide advice and assist the government in reviewing the National Energy Policy which sets the framework for the Energy Sector.

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, impact and visibility 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 36 months from the date of 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 the budget support component is EUR 4,920,000. The amount is based on the allocation defined under the National Indicative Programme (NIP) for St. Kitts and Nevis for the period of 2014-2020 as well as additional funding made available from the B envelope to aid the country in its recovery efforts after the passing of hurricanes Irma and Maria in 2017.

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 energy sector reform agenda and continued credibility and relevance thereof;

- Implementation of a credible stability-oriented macroeconomic policy;
- Satisfactory progress in the implementation of the PFM reform programme;
- Satisfactory progress with regard to the public availability of timely, comprehensive and sound budgetary information.

The Government of Saint Kitts and Nevis will present a comprehensive progress report on the implementation of the sector reform agenda well before the annual policy dialogue meeting for the confirmation of the earmarked payments for the tranches under the Sector Reform Contract. In this report, the milestones achieved during the current reporting period in line with the Energy Policy for SKN should be reported on, and concrete milestones which are indicatively to be achieved during the forthcoming reporting period should be proposed. In addition, milestones achieved during the reporting period for reconstruction/resilience building within the energy/water sector from natural disasters should be reported on, and concrete milestones which are to be achieved during the forthcoming reporting period should be proposed.

b) The specific conditions for disbursement that may be used for variable tranches are the following:

- The first tranche will be provided as a fixed tranche of 70% of the total amount upon signature of the Financing Agreement, without any additional criteria or indicators, on the basis of submission of budget support application and relevant documents to meet the general conditions e.g. 2014 Revised National Energy Policy.
- The variable tranche of 30% due at the end of year 3 is composed of the three Performance Assessment Indicators:
 - One (1) Energy Unit established in St. Kitts and Nevis.
 - 90% of the streetlights in St. Kitts replaced by Energy Efficient lighting.
 - The installation of underground electrical power supply to three (3) pumping stations.

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 NAO Office in SKN 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.

In case of unexpected events beyond the control of the Executive, such as natural disasters, neutralisation of one or several indicators affected can be accepted. The amounts relating to the neutralised indicators will be redistributed amongst the remaining indicators on a pro-rata basis. The Government of Saint Kitts and Nevis must request and justify neutralisation to the European Union.

5.3.3 Budget support details

A fixed tranche of 70% of the total amount will be provided during the first year after signature of the financing agreement. A variable tranche of 30% of the amount will be provided based three performance assessment indicators, in year 3.

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

5.4 Implementation modalities for an action under project modality

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures⁶

5.4.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Communication and Visibility	Services	One (1)	3rd quarter 2019
Evaluation	Services	One (1)	2 nd quarter of 2021

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.

⁶ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.6 Indicative budget

Budget	EU Contribution (Amount in EUR)	Third party contribution
1) Budget support	4,920,000	N.A.
2) Direct management		
2.1 Communication and visibility	40,000	
2.2 Evaluation	40,000	
Total	5,000,000	N.A.

5.7 Organisational set-up and responsibilities

The overall responsibility for the implementation of the programme lies with the National Authorising Officer, who will collaborate with the Ministry of Public Infrastructure, Post Urban Development and Transport to ensure that the general conditions for disbursement of all tranches are met. In addition, the Ministry of Public Infrastructure, Post Urban Development and Transport will report on the progress made with respect to the concrete milestones which will be achieved in the Energy Sector during the duration of this programme.

5.8 Performance monitoring

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 logical framework matrix (for project modality). 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).

The assessment of performance indicators will be subsequently conducted by the European Commission staff on the basis of disbursement requests and proof of verification submitted by the Government.

This operation may be subject to review in light of the implications of the Commission's revised policy on budget support.

5.9 Evaluation

Having regard to the nature of the action, a final evaluation might be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that a system for monitoring and evaluation would for the first time be developed in the sector.

The Commission shall inform the implementing partner at least one month 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-2021.

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 5.6 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.

Indicatively, one contract for communication and visibility shall be concluded under a framework contract in the 3rd quarter 2019.

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.

6 APPENDIX - INDICATIVE LIST OF RESULT INDICATORS (FOR BUDGET SUPPORT)⁷

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	To support SKN to establish a sustainable energy sector based on local renewable energy sources.	<p>OO 1: the number of people having access to climate-resilient water supply; (** EU RF Level 1 #22)</p> <p>OO 2: the level of reduction of greenhouse gases. (** EU RF Level 1 #21)</p>	<p>OO 1: Zero (0) (2018)</p> <p>OO 2: 0.001 CO2 Giga-grams (2018)</p>	<p>OO 1: 12,500 persons (2020)</p> <p>OO 2: 0.001 CO2 Giga-grams (2020)</p>	<p>OO 1 – OO 2: Information available in records of the Water Services Department</p> <p>OO 2 Information provided in the Third National Communication and records from the Department of Environment</p>

⁷ Mark indicators aligned with the relevant programming document mark with '*' and indicators aligned to the EU Results Framework with '**'.

Specific Objective(s): Outcome(s)	Specific Objective 1: Increasing integration of the renewable energy and energy efficiency (REEE) in the public facilities	SO 1.1. the number of public facilities with REEE technologies/practices applied (* EU EDF11 NIP for SKN)	SO.1.1: One (1)	SO.1.1. Two (2) (2020)	SO 1.1/2 NAO reporting, Energy statistics; Updates on the policy implementation
	Specific Objective 2: Increased awareness of the businesses/investors and the population on renewable energy and energy efficiency (REEE) in Saint Kitts and Nevis	SO 2.1. The number of requests to the SKN government (respective unit for REEE) and SKELEC/NEVLEC (* EU EDF11 NIP for SKN) SO 2.2. The status of the regulatory framework for REEE private investments	SO 2.1. Zero (0) (2018) SO 2.2. No regulatory framework for REEE for private sector investment established	SO 2.1. Three (3) (2020) SO 2.2. Technical Assistance sought by 2020 to facilitate the strengthening of the regulatory framework	Update on Policy implementation SO 2.2. Updates on the Policy implementation

Induced outputs	IO 1. Establishment of Energy Unit	IO 1. Status of establishment of the Energy Unit in St. Kitts and Nevis. (** EU RF Level 2 ##11 and 12)	IO 1. No Energy Unit established (2017)	IO 1. One (1) Energy Unit established (2020)	IO 1. NAO Office in St. Kitts and Nevis (progress reports) and sources of verification
	IO 2. Implementation of Energy Efficient Street Lighting	IO 2. Status of the installation of the Energy Efficient street lights	IO 2. 3.3% Energy Efficiency street lights installed on St. Kitts (2017)	IO 2. 90% of existing street lights on St. Kitts to be replaced with EE lighting (2020)	IO 2. NAO Office in St. Kitts and Nevis (progress reports) and sources of verification
	IO 3. Implementation of underground electrical power supply to three (3) pumping stations	IO 3. The status of installation of underground electrical power supply to three (3) pumping stations	IO 3. No underground electrical power supply for three (3) pumping stations installed (2017)	IO 3. Underground Electrical Power supply installed to power three (3) pumping stations	IO 3. NAO Office in St. Kitts and Nevis (progress reports) and sources of verification.

Direct Outputs	D01. Improved policy dialogue with the EU and Development Partners	DO1.1 Number of policy dialogue sessions between the EU Delegation and key institutions in SKN	DO1.1. No policy dialogue (2018)	DO1.1 Two (2) (2020)	Minutes of the policy dialogue meetings between EU – SKN, Programme reporting
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ANNEX 2

of the Commission Decision on the financing of the 2018 annual action programme in favour of Saint Kitts and Nevis

Action Document for the Technical Cooperation Facility and Support Services to the National Authorising Officer and the Non-State Actors Advisory Panel to support or accompany the programming, preparation or implementation of actions

1. Title/basic act/ CRIS number	Technical Cooperation Facility and Support Services to the National Authorising Officer (NAO) and the Non-State Actors (NSA) Advisory Panel to support or accompany the programming, preparation or implementation of actions CRIS number: FED/2015/039-262 financed under the European Development Fund			
2. Zone benefiting from the action/location	Caribbean, Saint Kitts and Nevis			
3. Programming document	11 th EDF National Indicative Programme (2014 – 2020) for co-operation between Saint Kitts and Nevis and the European Union			
4. Sector of concentration/ thematic area	Renewable Energy/ Energy Efficiency	DEV. Aid: YES		
5. Amounts concerned	Total estimated cost: EUR 200,000 Total amount of EDF contribution EUR 200,000			
6. Aid modality(ies) and implementation modality(ies)	Project Modality Indirect Management with Saint Kitts and Nevis Direct Management – procurement of (audit and evaluation) services			
7 a) DAC code(s)	23210/ 23183 (TCF) – 15110 (NAO) – 15150 (NSA)			
b) Main Delivery Channel	10000 Public Sector Institution 12000 Recipient Government			
8. Markers (from CRIS DAC form)	General policy objective	Not targeted	Significant objective	Main objective
	Participation development/good	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

	governance			
	Aid to environment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women In Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Main objective
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. Global Public Goods and Challenges (GPGC) thematic flagships	n/a			
10. Sustainable Development Goals (SDGs)	Goal 17: Revitalise the global partnership for sustainable development Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all Goal 13: Take urgent action to combat climate change and its impacts			

SUMMARY

The overall objective of the Technical Cooperation Facility and Support Services to the National Authorising Officer (NAO) and the Non-State Actors (NSA) Advisory Panel programme is to ensure the efficient and effective utilisation of EU development assistance in support of the implementation of Saint Kitts and Nevis' development strategies and policies as the current and future portfolio of the NAO features a number of EU-funded programmes that are key to the country's development.

The support to the NAO will facilitate the NAO in the performance of his functions as per Article 35 Annex IV of the Cotonou Agreement. This component will support the operations of, and improve the institutional capacity within, the Office of the NAO for the efficient planning, implementation and monitoring of development projects and programmes financed by the EU under the National Indicative Programme (NIP) and other EDF/EU funds. It will also improve awareness among key actors in the country of general development and of EU policies in these areas. An indicative amount of maximum EUR 75,000 is foreseen for support to the National Authorising Officer.

The support to the Non-State Actors (NSA) Advisory Panel will foster structured civil society participation in the national development agenda and the partnership with the EU in order to ensure that civil society perspectives are reflected and, as a result, achieve a broader based support for projects and programmes in the country. This will be done by strengthening institutional arrangements for dialogue between NSAs and the Government while enhancing capacities of NSAs to hold the local authorities accountable and effectively influence and

monitor national and regional policies. An indicative amount of maximum EUR 25,000 is foreseen for the support to the Non-State Actors (NSA) Advisory Panel.

Another important component is the Technical Cooperation Facility (TCF) for the provision of technical assistance to the focal sector (renewable energy/ energy efficiency) and other areas of common interest. The TCF will be used to provide short- and long-term technical assistance, policy advice and studies as needed in the programming, preparation or implementation of actions, as well as for audits and evaluation if not covered under the respective FAs. An indicative amount of maximum EUR 75,000 is foreseen for the TCF.

1 CONTEXT

1.1 Sector/Country/Regional context/Thematic area

Saint Kitts and Nevis is a small, high-income country of approximately 55,600 inhabitants (World Bank, 2015) that is listed by the United Nations as a Small Island Developing State (SIDS). Despite economic progress, investments and an improvement in public finances, the country remains vulnerable to external economic and social shocks and it is confronted with a high level of inequality and violence in society. Subsequent to the closure of the sugar industry in 2005, the historical mainstay of the economy, the key challenges now facing the economy include putting land and labour released from the sugar sector to more productive uses, addressing the debt burden and vulnerability to external shocks, particularly natural disasters and shifts in tourism demand. The gross domestic product (GDP) figures reveal estimated growth rates of 2.9% in 2016, 3.5% in 2017 and 3.4% in 2018 (World Bank, Global Economic Prospects - Forecasts). Continued GDP growth, even though slowed down by international context and regional weather events, was mainly due to ongoing strong construction activities, with large real estate projects approved under the Citizenship-by-Investment programme (which accounts for about 50% of Government revenue), large public sector investment projects, and a recovery in tourism in combination with wholesale and retail sector growth. The Government of Saint Kitts and Nevis, with support from the International Monetary Fund (IMF), has embarked on a debt restructuring exercise which is expected to bring the debt-to-GDP ratio to a sustainable level of 60% of GDP by 2017 (IMF World Economic Outlook 2016, last update), back from more than 150% a few years ago, which had put the country in a fragile macroeconomic situation. The country has the second highest per capita income (USD 15,690, WB 2016 Atlas method) in the Eastern Caribbean region and ranks third in the region in the UN Human Development Index (HDI 2016; rank 74). Saint Kitts and Nevis had exceeded the high-income threshold for three consecutive years at the time of the last review in November 2014 and was therefore removed from the OECD's Development Assistance Committee (DAC) List of official development assistance (ODA) Recipients.

The Country Poverty Assessment Saint Kitts and Nevis 2007/08 for the Caribbean Development Bank (Survey of Living Conditions), which is the latest data available on poverty, revealed a national poverty rate of 21.8 percent of individuals (across St. Kitts and Nevis). The data by island reveal that the situation is worse in St. Kitts than in Nevis: the headcount index for St. Kitts is 23.7% and the level of extreme poverty or indigence is 1.4%, while in Nevis the headcount is 15.9% and the level of indigence is zero. There has been a persistence of the phenomenon of the working poor which suggests a challenge to the country

in creating sectors that provide better paying employment, and/or in improving the position of its work-force in the international division of labour. Nearly half of the poor within the labour market (50 percent of males and 47.3 percent of females) had no form of educational certification.

For the 11th EDF NIP St. Kitts and Nevis has chosen Renewable Energy/ Energy Efficiency as focal sector. Currently, electricity is primarily produced by small diesel fuelled generators in the country, with only a very small percentage produced by solar and wind energy. Accordingly, the vulnerable position of the country is exacerbated given the very high dependency on imported fossil fuel for electricity generation as well as for transportation. In 2010, St. Kitts spent XCD 61 million for the importation of petroleum and the relative share of energy expenditures in the household budget was 4.2% (as compared with 2.1% in the United Kingdom). Electricity prices have doubled from late 2005 to 2012 and have been reported to average USD 0.21 / kWh. As a comparison, electricity prices in the USA (Florida) are in the range of USD 0.05 – 0.08 / kWh. Significant challenges in terms of infrastructure persist. The power supply systems in the Federation are currently operated independently and are not interconnected. The St. Kitts Electricity Company (SKELEC) is headquartered in Basseterre, St. Kitts and the Nevis Electricity Company Limited (NEVLEC) is headquartered in Charlestown, Nevis. A pre-feasibility study on the St. Kitts and Nevis electricity interconnection in 2008 concluded that upon the production and sale of geothermal energy in Nevis, the cost of electricity can be significantly reduced in St. Kitts if the connection is established. An EU-funded consultancy in 2014 emphasised the relevance of the interconnectivity between the two island grids in order to reduce risk in disaster management and to maximise the benefits in geothermal development. The implementation of additional renewable energy initiatives requires extensive planning particularly with respect to grid capacity.

1.1.1 Public Policy Assessment and EU Policy Framework

The Government formulated the National Adaptation Strategy (NAS) for the period 2006-2013 to outline the strategies for economic diversification and social development. The Government, having recognised that the NAS remains the primary document which underpins the continued development of St. Kitts and Nevis over the next five years, has extended the implementation period to 2017. The development of alternative energy sources was integrated as a vital component in the NAS. In this regard, the Government of Saint Kitts and Nevis prepared a draft National Energy Policy (NEP) in 2011, with funding from the EU and other development partners, which identified the target of 60% generation of energy from renewable sources by the year 2020. The NEP underscores that the Federation aims to become the smallest ‘green’ nation in the Western Hemisphere with a sustainable energy sector providing reliable, renewable, clean and affordable energy services to all its citizens. The need for energy reform in St. Kitts and Nevis is contextualised by the on-going economic transformation embarked upon by the Government, from an agriculture-based to services-oriented economy, which focuses primarily on high-end tourism. The resultant increase in economic activity including foreign direct investment, commercial and residential development, and immigration, has significantly affected the demand for electricity.

The institutional framework of the energy sector is quite robust. In April 2011, the St. Kitts Electricity Services Act was passed which resulted in the corporatisation of the former Electricity Department (ED), within the Ministry of Housing, Public Works, Utilities, Transport and Posts into a semi-autonomous utility. The St. Kitts Electricity Company (SKELEC) began its operations in August 2011. The divestment has reduced the Government of Saint Kitts and Nevis's capital and recurrent costs and has resulted in an improvement in the efficiency of electricity generation and distribution. The Public Utilities Commission has "the power to regulate and oversee generally the overall use and supply of electricity in Saint Christopher [St. Kitts]." The Government will upgrade the Energy Unit with the addition of qualified staff capable of planning, executing, managing, monitoring and evaluating the aforementioned objectives.

In 2014 the EU funded a consultancy assignment to update the National Energy Policy and the St. Christopher (Energy Supply) Act 2011 and other related legislative framework for adoption of alternative energy, to build a more competitive private sector and improve energy security for households. An output of the assignment was a Final Report and Action Plan which outlined steps to be taken such as, the revision of the legal framework, creation of an energy unit, coordination committee between the two islands and the possible establishment of a national regulatory authority. The recommended amendments of the Energy Policy and the electricity acts have in the meanwhile been done.

In conclusion, the energy sector in SKN is relatively well regulated, analysed and reported on. Sector related dialogue takes place in the framework of the Committee of Permanent Secretaries, the Investment Review Committee and various national development forums such as the annual National Consultation on the economy, which includes private sector representatives. Renewable energy and energy efficiency is a priority sector for the Government and hence is deemed an appropriate sector for development cooperation between the EU and St. Kitts and Nevis under the 11th EDF – the development of which will ultimately be facilitated by this action. Concentrating investments in sustainable energy is among the priorities of the EU "Agenda for Change", and the areas of environment, climate change and energy also figure high on the Commission's Communication on Policy Coherence for Development. Inter alia through impact assessment tools and consultations with the partner country during policy formulation, the action will contribute to promote and strengthen Policy Coherence for Development in the context of the Global Partnership for Development under SDG # 17 and in support of the partner country's own policies in compliance with international obligations. Additionally, renewable energy/ energy efficiency also addresses climate change and low-carbon development. Hence, the EU-SKN programme will contribute to achieving the sustainable energy and environment and climate change-related EU Global Public Goods and Challenges (GPGC) thematic flagships. 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 beneficiaries of this Programme will include the Office of the NAO as well as the line ministries and departments of the Government of St. Kitts and Nevis. It would also assist

the Government, through the NAO's management of the separate 11th EDF NSA programme, in its efforts to consult with NSAs, and provide a forum where discussion and consensus can be held on issues of national priority.

Prime beneficiaries will be the public and private sector agencies actively involved in the execution of EU-funded programmes through programming, identification, formulation and implementation, particularly in the focal sector chosen for the 11th EDF. This will include but not be limited to the Ministry of Finance, the Ministry of Sustainable Development, the Ministry of National Security, the Ministry of Public Infrastructure, Post, Urban Development and Transport, the Public Utilities, the Geothermal Resources Advisory Committee and the Ministry of Natural Resources in the Nevis Island Administration, the St. Kitts Electricity Company (SKELEC), the Nevis Electricity Company Limited (NEVLEC), as well as non-state actors and the general public benefiting from better development strategies and policies. In order to reinforce some of the progress made from investments under the 10th EDF, the previously targeted sectors (Safety and Security) also stand to benefit.

Additionally, the capacity of NSAs will be strengthened to allow them play a role in policy making and implementation. NSA Panels comprise some 8-13 organisations¹ representative of the full civil society spectrum² and have provisions in place to ensure rotation in membership. Membership will reflect, but not be limited to the focal sector of the 11th EDF NIP.

1.1.3 *Priority areas for support/problem analysis*

The 11th EDF intervention will help Saint Kitts and Nevis in implementing its national energy strategy, in order to progress in developing a green economy and delivering better services. The EU has a long experience of working with institutions in Saint Kitts and Nevis, both using project-based as well as budget support. Experience has shown that there are continuous needs for complementary technical assistance aiming at evaluation of policies implementation, support for policy development of new programme formulation, specific capacity building related to new political orientations and complementary activities in the focal sector.

This project aims at supporting the programming, preparation or implementation of actions under the 11th EDF. It will support all stages of the project cycle and will address specific needs to enhance policy dialogue in strategic areas. Specifically, the project will focus on providing technical support to adequately formulate, implement and manage the overall 11th EDF programme; facilitate the creation of sector cooperation and governance systems in

¹ The figure is taken from the Memoranda of Understanding (MoUs) that were concluded between the Delegation and the respective Governments: According to these, the Panels shall consist of a minimum of eight and a maximum of thirteen Non State Actor (NSA) organisations, but in practise the maximum number has been slightly exceeded. When the composition of the Panels in the different countries was checked, It was discovered that membership figures ranged between 9 and 16. There are seven Panels in total – one for each country.

² Non State Actors are by definition independent from the state and voluntary based entities upon which they come together to act and promote common interests; i.e. trade unions, employers organisations, chambers of commerce, non-governmental organisations (NGOs), community based organisations (CBOs), faith based organisations (FBOs), business organisations, gender groups and local authorities, etc.

the areas supported by the 11th EDF; assess the institutional capacity constraints; better address the incorporation of the crosscutting issues and performance monitoring; and develop and implement an effective communication and visibility strategy, of the EU's contribution to the development of Saint Kitts and Nevis.

Furthermore, this programme aims to provide support to the NAO to execute the main stages of the project cycle and ensure the effective implementation of the National Indicative Programme (NIP) and other EU programmes in favour of the country's development strategy. These services will be provided by consultants and/or individual experts recruited by the NAO in accordance with EDF procedures, with the exception of audits and evaluations which will be implemented by the European Commission (EC). It should be noted that the staff of the Office of the NAO are fully remunerated directly by the Government of Saint Kitts and Nevis and supported in delivery of their tasks by colleagues within other technical ministries. Therefore no salaries or top ups are foreseen under the current proposal.

Moreover, by facilitating short- and long-term TA and studies, on an ad hoc basis, the TCF will be a flexible instrument that will strengthen capacities in the relevant government ministries, while also responding quickly to technical needs as they arise during project implementation. It is expected that the TCF will be used to address capacity issues in economic, social and environmental dimensions of national development. TA will be engaged to assist with specific tasks related to: identification, preparation and assistance with tender procedures and with evaluation and monitoring or audit for EU projects/programmes where this has not been provided for in the project itself, or the project has already been closed.

Last but not least, this programme will further professionalise NSA Panels, structure civil society participation in the national development agenda and promote a conducive environment for CSOs in general. The Eastern Caribbean is characterised by an emerging civil society movement. Since 2005 – in line with the Cotonou Agreement's requirements of involving NSAs in political dialogue and cooperation policies and programmes – NSA Advisory Panels have been set up, with assistance of the EU, in Barbados and the Eastern Caribbean Countries, including Saint Kitts and Nevis. Although there is a willingness on the part of policy makers to include Civil Society Organisations (CSOs) in the decision-making process, human, technical and financial capacity issues affect CSOs at the national and regional levels, resulting in difficulties to take a proactive attitude, give effective advice to policy making, and demand a free flow of information from decision-makers. NSA panels have yet to evolve into platforms or continuous dialogue fora for CSO networks, umbrella organisations, governments and relevant decision makers to allow for a more structured exchange between civil society and policy makers, as well as a follow-up mechanism – and therefore need continued support.

2 RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
Inadequate financial support to cover full cost of the intervention in order to realise full benefits. Sources of additional funding to support the results of the programme may not be forthcoming. [NAO]	L	Implement methods to improve efficiency and reduce cost of Office operations.
Programme delays due to inadequate support, information or resources provided by line ministries and Nevis island administration; conflicts between ministries. [TCF & NAO]	M	Ministry of Public Infrastructure, Post, Urban Development and Transport to provide support to the Office of the NAO in ministerial coordination during project implementation; Energy Unit upgraded and made operational in initial project phase to act as a key coordination support department.
Capacity constraints within key technical agencies. Inadequate financial support to cover full cost of the intervention, given the limited capacity within key technical agencies and the scale of work to be done in reconstruction. [TCF]	M	It will be a requirement that all contracts financed from the TCF show a clear capacity building emphasis – either through short term training or exchange visits. Complementary support in focal sector programme to provide additional TA as necessary. Government to coordinate and direct TA from other donors accordingly.
Government does not fully assume donor coordination and information dissemination role and is unable to deliver policy changes, across a wide range of sectors, simultaneously. [TCF & NAO]	M	Such risk is mitigated through capacity building, close monitoring of policy implementation and continued dialogue with the authorities.
Enabling space not provided for civil society to interact with Government of Saint Kitts and Nevis and/or weak capacity of CSOs to adequately do so. [NSA]	M	The NSA component of this programme is designed to mitigate such risk through capacity building and institutionalised, systematic consultations.
Assumptions		
Government will maintain its provision of rent-free premises, and payment of water,		

electricity, VAT and other taxes, for the Office of the NAO. [NAO]
The Office of the NAO is able to retain suitably qualified, dedicated and motivated staff; and acquire the appropriate information, materials and equipment. [NAO]
All contracts financed from the TCF show a clear capacity building emphasis – either through short term training or exchange visits. [TCF]
The Government will maintain most of its efforts at capacity building in relevant ministries. [TCF & NAO]
Continued spirit of volunteerism among NSAs. [NSA]
Absence of monopolistic power structures within civil society. [NSA]
Departments collaborate to achieve results. [TCF, NAO & NSA]
Communication amongst all stakeholders is timely and effective. [TCF, NAO & NSA]

3 LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

3.1 Lessons learnt

The Office of the NAO has successfully played a very important role as interlocutor between the Government of Saint Kitts and Nevis and the European Union, particularly the EU Delegation to Barbados, the Eastern Caribbean States, the Organisation of Eastern Caribbean States (OECS) and CARICOM/CARIFORUM. Lessons from the ongoing EU funded programmes indicate the need to ensure that reporting lines and roles are clearly defined to reduce ambiguity in lines of communications, to continue to foster coordination, information sharing and participation among different stakeholders. In accordance with the European Consensus for Development and the objectives of the Paris Declaration on Aid Effectiveness and the Backbone Strategy on Technical Cooperation and Project Implementing Units, it is a priority to reinforce and coordinate technical cooperation activities with donors and stakeholders.

The principle lesson learnt regarding the TCF is that it needs to be a flexible instrument. Support for the NAO, capacity building and training, is important, but so is the ability to support, expand, fine tune and add value to the main policy instruments relevant to the EU programme in the country. As project implementation unfolds, oftentimes complementary needs arise for specific evaluation, studies, events, trainings and other capacity-building activities. If this flexibility can even go outside, but always relevant to, the main lines of intervention, it becomes even more useful. By providing opportunities for capacity building and specialised assistance to targeted agencies, the TCF also contributes to sustainability.

Implementation of other projects has also demonstrated the need for closer alignment of all projects with government development policies as well as the need to accept the input received from civil society actors and adhere to concerns expressed in stakeholder consultations in order to achieve, as a result, a broader based support for projects and programmes in the country. This suggests the need for an approach which engenders coherence between donor interventions guided by objectives which are driven by reform priorities identified at the sector level as well as by full civil society buy-in, while efficiently managing transaction costs.

A number of Results-Oriented-Monitoring (ROM) reports on several TCF, NAO and NSA support programmes implemented in different countries and regions, have highlighted an inadequate use of the logical framework as a project management tool. The main areas of

improvement are the identification of SMART indicators and the periodic review of the Logframe matrix itself with the purpose to assure in a timely manner the intervention logic is still relevant, effective and efficient.

3.2 Complementarity, synergy and donor coordination

The development cooperation portfolio between the EU and Saint Kitts and Nevis has grown significantly in recent years and the EU has ranked N° 1 in terms of the volume of aid provided to the country out of 23 donors (65% of Official Development Assistance in 2010). The current and future portfolio of the Government of Saint Kitts and Nevis with funding from the European Union (EU) includes the following key development programmes:

- The Accompanying Measures for Sugar Protocol Countries (AMSP; approx. EUR 25 million for 2011-13), which was allocated through multi-sector budget support to: stimulate macroeconomic reforms; reduce vulnerability; encourage and facilitate investment; improve competitiveness in the production and export of goods and services; enhance social policies to protect the most vulnerable; and to ensure an environmentally sustainable development agenda;
- The 10th EDF Safety and Security Improvement Programme (under which an allocation of EUR 5.6 million was provided) consisting of a number of projects aimed at capacity building of human resources and upgrading infrastructure and equipment of the security forces of the country, some of which are running until 2017;
- The EUR 2.6 million 11th EDF Renewable Energy and Energy Efficiency Programme (supporting the installation of renewable energy and energy efficiency systems and encouraging energy efficiency and conservation particularly in the public sector).

The Office of the NAO will also be involved in the project cycle management of the 11th EDF Caribbean Regional Indicative Programme, which will focus on Regional Economic Cooperation and Integration; Climate Change, Environment, Disaster Management and Sustainable Energy; and Crime and Security.

By enhancing the capacity of the NAO and providing technical support as needed (through the TCF) as well as ensuring the adequate reflection of civil society perspectives, this Action will support the implementation of these programmes. This Action will also complement the activities of other donors/agencies that are aiding in these sectors (e.g. the Government of Taiwan, the Government of Cuba, the Organisation of American States in renewable energy and energy conservation). The Action will benefit from CSO country allocations under the DCI-funded Civil Society Organisations Thematic Programme that will contribute to strengthen a basis of more professional and representative CSOs, thus providing NSA Panels with a solid constituency from which to draw their members for policy dialogue.

Interventions in the energy sector are coordinated by the Ministry of Public Infrastructure, Post, Urban Development and Transport. It is expected that an Energy Unit comprising specialised staff will be established within the Ministry to assume this responsibility. The Government of Saint Kitts and Nevis is currently soliciting technical assistance in this regard.

3.3 Cross-cutting issues

Of the cross cutting issues, as listed in the European Consensus on Development, environmental sustainability, good governance, democracy, gender equality and the promotion of human rights will be targeted by the action. They are objectives in themselves and vital factors in strengthening the impact and sustainability of cooperation.

Climate Change and its consequences are key obstacles to sustainable development in a Small Island Developing State (SIDS) with low-lying coastal zones. The EU - SKN programme will contribute to achieving the EU proposal to make 20% of the EU overall budget for 2014-2020 “climate relevant”. The net positive impact of energy reform interventions on the environment is documented in the National Energy Policy as well as several donor analyses on energy reform. Activities to be financed will be executed in full compliance with the environmental policies, laws and regulations of Saint Kitts and Nevis and investments will be guided by Government commitments under the St. Georges’ Declaration of Principles for Environmental Sustainability in the OECS. The Development Control and Planning Board (DCPB) will ensure that an environmental impact assessment (EIA) is undertaken for each renewable energy intervention proposed by the public or private sector, in order to ascertain any negative consequences to the natural environment.

EU support will take into account the equal and non-discriminatory access to energy services as integral to the enjoyment of socio-economic rights. Special attention will thus be paid to gender equality and participation of the most marginalised in equitable service delivery.

Enhanced consultative and participatory processes and involvement of civil society in sector dialogue will contribute to better governance and the promotion of human rights.

All proposed intervention areas will provide support to the attainment of the goals and objectives of the National Adaptation Strategy, and will be implemented in response to continued challenges and direct effects on Small Island Developing States (SIDS) like Saint Kitts and Nevis, which are aggravated by the impact of climate change. The activities contribute to sustainable development, by making meaningful contributions to capacity building at various levels in the private and public sector, which assists the government in meeting its social development and poverty reduction goals.

4 DESCRIPTION OF THE ACTION

4.1 Objectives/results and options

The overall objective of the programme is to ensure the efficient and effective utilisation of EU development assistance in support of the implementation of the Government's development strategies and policies.

The specific objectives of the intervention will be:

1. To improve the technical capacities of the relevant line ministries to design and implement development programmes and projects (TCF);
2. To maintain and enhance the NAO's capacity to formulate, implement and monitor EU programmes, fulfil EU administrative requirements and visibility, coordinate donor activity, and facilitate dialogue between EU and relevant line ministries (Support to NAO).

3. To strengthen institutional arrangements for dialogue between civil society and the Government and enhance capacities of NSAs to hold the local authorities accountable, participate in the decision making processes, and effectively influence and monitor national and regional (development) policies (Support to the NSA Advisory Panel).

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 17 - Revitalise the global partnership for sustainable development, but also promotes progress towards Goal(s) 7 – Ensure access to affordable, reliable, sustainable and modern energy for all and 13 – Take urgent action to combat climate change and its impacts. This does not imply a commitment by the country benefiting from this programme.

4.2 Main activities

The project will focus on achieving the following expected results:

4.2.1. Result 1: Enhanced policy dialogue in the focal sectors of the 11th EDF Bilateral programme through the Technical Cooperation Facility (TCF)

This will be achieved through the provision of policy advice and expertise of technical consultants that will assess the existing capacities, policy framework and support with other donors.

The main activities would include:

- Complementary technical assistance for the line ministries;
- Capacity development and expert advice: workshops, seminars, etc. on the main issues regarding development cooperation, EU policies and strategies, planning, monitoring and evaluation, effective management, implementation and effective partner coordination;
- Studies and workshops to support implementation of public reforms.

4.2.2. Result 2: Strengthened capacities of NAO to effectively implement/manage actions under the 11th EDF

This will be achieved through the provision of technical expertise to facilitate capacity building activities for stakeholders in areas identified, so as to enable them to more effectively manage programmes/projects.

The main activities would include:

- Technical expertise to design and facilitate capacity development activities;
- Support for implementation, monitoring and evaluation of programmes and projects under the 11th EDF;
- Support for identification and formulation of future programmes and projects;
- Feasibility studies, studies, legal support;

- Trainings in project cycle management and EU procedures;
- Audits and evaluations of projects that do not have funds earmarked for such activities.

4.2.3. Result 3: Strengthened institutional arrangements for dialogue between civil society and the Government and enhanced capacities of NSAs to effectively influence and monitor national and regional (development) policies under the 11th EDF

This will mainly be achieved through facilitation of institutional arrangements/platforms for dialogue between NSAs and the Government, administrative support and capacity building measures.

The main activities would include:

- Capacity building of CSOs through training on ICT, proposal drafting, project cycle and financial management;
- Consultation meetings and debates, inter alia, relating to Social Contracts, Civil Society Bills and the Economic Partnership Agreement;
- Facilitation of the participation of NSA representatives attending local/regional conferences/seminars/meetings on development, or other issues of national importance;
- Active participation of the NSA Panel members in the design of the national country strategies and/or development of Alternative Growth and Poverty Reduction Strategies;

4.2.4. Result 4: Strategic communication on EU development policy priorities

This result will be achieved by improving the communication on the EU's policies, programmes and overall contribution to the country's development. The Communication and Visibility Strategy will encompass all the relevant activities to ensure a stronger, more coherent promotion of the EU and its cooperation.

The main activities would include:

- Conduct a communications audit and develop a comprehensive communication strategy and implementation plan;
- Visibility events around key issues of EU policies directed to major stakeholders;
- Targeted communication around key issues including media and opinion leaders.

4.3 Intervention logic

The TCF and the support to NAO aim to provide a rapid response tool to mobilise resources, whether expertise, logistical support or other further NIP objectives:

- The development of proper communication and visibility tools;

- Cross cutting themes such as gender, environment, climate change and inclusion of civil society;
- Institutional strengthening of actors / in sectors relevant to the main areas of intervention;
- Involvement in the regional integration processes (CARIFORUM);
- Other relevant and complementary areas of development with the NIP 2014-2020, the CRIP 2014-2020 and the National Development Strategy;
- Capacity built in the NAO office and in other line ministries with a part to play in the NIP and the Caribbean;
- Community buy-in and broad based support for projects and programmes;
- Value added to EU policy instruments such as the NIP, the Regional Indicative Programme and also the Barbados National Development Strategy.

A preliminary logframe matrix is provided in appendix.

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 48 months from the date of 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 a non-substantial amendment in the sense of Article 9(4) of the Annex to Regulation (EU) No 322/2015.

5.3 Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³.

³ www.sanctionsmap.eu Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

5.3.1 Procurement (direct management)

Subject in generic terms, if possible	Type (works, supplies, services)	Indicative number of contracts	Indicative trimester of launch of the procedure
Audits and evaluations	Services	2	3rd TT 2018/2020

5.3.2 Indirect management with Saint Kitts and Nevis

A part of this action with the objective of ensuring the efficient and effective utilisation of EU development assistance in support of the implementation of Saint Kitts and Nevis' development strategies and policies, may be implemented in indirect management with Saint Kitts and Nevis in accordance with Article 58(1)(c) of the Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015 according to the following modalities:

The partner country will act as the contracting authority for the procurement and grant procedures. The Commission will control ex ante all the procurement procedures except in cases where programme estimates are applied, under which the Commission applies ex ante control for procurement contracts above EUR 100,000 (or lower, based on a risk assessment) and may apply ex post control for procurement contracts up to that threshold. The Commission will control ex ante the grant procedures for all grant contracts.

Payments are executed by the Commission except in cases where programmes estimates are applied, under which payments are executed by the partner country for ordinary operating costs, direct labour and contracts below EUR 300,000 for procurement and for grants.

The financial contribution covers the ordinary operating costs incurred under the programme estimates.

In accordance with Article 190(2)(b) of Regulation (EU, Euratom) No 966/2012 and Article 262(3) of Delegated Regulation (EU) No 1268/2012 applicable by virtue of Article 36 of the Regulation (EU) 323/2015 and Article 19c(1) of Annex IV to the ACP-EU Partnership Agreement, the partner country shall apply procurement rules of Chapter 3 of Title IV of Part Two of Regulation (EU, Euratom) No 966/2012. These rules, as well as rules on grant procedures in accordance with Article 193 of Regulation (EU, Euratom) No 966/2012 applicable by virtue of Article 17 of the Regulation (EU) No 323/2015, will be laid down in the financing agreement concluded with the partner country.

5.4 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.

5.5 Indicative budget

	EU contribution (amount in EUR)	Indicative third party contribution, in currency identified
1. Result 1: <i>Technical Cooperation Facility</i> – Enhanced policy dialogue in the focal sectors of the 11th EDF Bilateral programme through the Technical Cooperation Facility (Indirect Management)	75,000	0
2. Result 2: <i>Support to NAO</i> – to effectively implement/manage actions under the 11 th EDF (except for audits and evaluations) (Indirect Management)	75,000	0
3. Result 3: <i>Support to NSA Advisory Panels</i> – to enhance capacities of NSAs to effectively influence and monitor national and regional (development) policies under the 11 th EDF (Indirect Management)	25,000	0
4. Result 4: <i>Strategic communication on EU development policy priorities</i> (Indirect management)	7,500	0
5. <i>Audits and evaluations</i> – (Direct management)	10,000	0
6. <i>Contingencies</i>	7,500	0
Totals	200,000	0

5.6 Organisational set-up and responsibilities

The contracting authority for the project shall be the relevant representative of the beneficiary – the National Authorising Officer.

The overall responsibility for the implementation of the programme lies with the National Authorising Officer, who may request the Commission to implement technical assistance contracts on his/her behalf under Article 19 C4 of Annex IV to the Revised Cotonou Agreement (Decision No.3 of the ACP–EC Council of Ministers to adopt amendments to Annex IV to the revised Cotonou Agreement). Activities could be implemented through framework contracts for amounts under EUR 300 000, through service contracts or through Programme Estimates.

5.7 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 logframe matrix (for project modality). 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).

5.8 Evaluation

Having regard to the nature of the action, a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

It will be carried out for accountability and learning purposes at various levels (including for policy revision).

The Commission shall inform the implementing partner at least one month 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 the 3rd quarter of 2022.

5.9 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.

Indicatively, one contract for audit services shall be concluded, under a framework contract in the 3rd quarter of 2022.

5.10 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 5.5 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.

Communication and visibility activities will be implemented by the National Authorising Officer during each year of the implementation period. They will have an overall budget allocation of EUR 7,500, and will be indicatively executed through three (3) direct agreements (single tenders) and payment against invoices.

APPENDIX - INDICATIVE LOGFRAME MATRIX (FOR PROJECT MODALITY)

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Overall objective: Impact	Overall objective of the programme is to ensure the efficient and effective utilisation of EU development assistance in support of the implementation of the Government's development strategies and policies.	<ul style="list-style-type: none"> New National Development Strategy implemented. 	<ul style="list-style-type: none"> The current National Adaptation Strategy will expire in December 2017 	<ul style="list-style-type: none"> New National Development Strategy approved by June 2019 One (1) Progress Report prepared by December 2020; 	<ul style="list-style-type: none"> National Development Strategy Progress Report; 	<ul style="list-style-type: none"> Macro-economic stability; Adverse weather events have a limited impact; Continued support from the door community;
Specific objective(s): Outcome(s)	1. To improve the technical capacities of the relevant line ministries to design and implement development programmes and projects;	<ul style="list-style-type: none"> The percentage disbursement of funds under the 11th EDF; 	<ul style="list-style-type: none"> % Disbursed under the 11th EDF: <ul style="list-style-type: none"> 0% at February 2018 	<ul style="list-style-type: none"> % Disbursed under the 11th EDF: <ul style="list-style-type: none"> 40% by 2019; 80% by 2021; 	<ul style="list-style-type: none"> Transfer Receipt and official communication from Results-Oriented-Monitoring Progress Report 	<ul style="list-style-type: none"> There are no significant changes in the policies, programmes and organisation of the GOVERNMENT OF SAINT KITTS AND NEVIS related to and impacting on the work of the NAO Office

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	2. To maintain and enhance the NAO's capacity to formulate, implement and monitor EU programmes, fulfil EU administrative requirements and visibility, coordinate donor activity, and facilitate dialogue between EU and relevant line ministries.	<ul style="list-style-type: none"> Number of Environmental and Social Impact Assessments undertaken for energy projects in St. Kitts and Nevis 	<ul style="list-style-type: none"> No. of Environmental and Social Impact Assessments undertaken for energy projects in St. Kitts and Nevis; <ul style="list-style-type: none"> 0 at February 2017 	<ul style="list-style-type: none"> No. of Environmental and Social Impact Assessments undertaken for energy projects in St. Kitts and Nevis; <ul style="list-style-type: none"> 1 by 2021 	<ul style="list-style-type: none"> Environmental and Social Impact Assessments 	<ul style="list-style-type: none"> Economic and social partners will fulfil their obligations and responsibilities
	3. To strengthen institutional arrangements for dialogue between civil society and the Government and enhance capacities of NSAs to hold the local authorities accountable, participate in the decision making processes, and effectively influence and monitor national and regional (development) policies.	<ul style="list-style-type: none"> Number of Strategies/Social Contracts/Bills influenced / Alternative Strategies drafted 	<ul style="list-style-type: none"> No. of Strategies/Social Contracts/Bills influenced / Alternative Strategies drafted <ul style="list-style-type: none"> 0 at February 2017 	<ul style="list-style-type: none"> No. of Strategies/Social Contracts/Bills influenced / Alternative Strategies drafted <ul style="list-style-type: none"> 1 by 2021 	<ul style="list-style-type: none"> National Development Strategy Social Contracts Civil Society Bills Alternative Growth and Poverty Reduction Strategy 	<ul style="list-style-type: none"> Enabling space provided for civil society to interact with the Government of Saint. Kitts and Nevis and minimum capacity of CSOs to do so Continued spirit of volunteerism among NSAs & absence of monopolistic power structures within civil society
	4. To improve the communication on the EU's policies, programmes and overall contribution to the country's development.	<ul style="list-style-type: none"> Development of Communication and Visibility Strategy 	<ul style="list-style-type: none"> No formal Communication and Visibility Strategy 	<ul style="list-style-type: none"> Approved Communication and Visibility Strategy by 2019 	<ul style="list-style-type: none"> Approved Communication and Visibility Strategy 	<ul style="list-style-type: none"> Government committed to development and implementation of strategy

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
Outputs	1. Enhanced policy dialogue in the focal sectors of the 11 th EDF Bilateral programme through the Technical Cooperation Facility (TCF)	<ul style="list-style-type: none"> Number of donor coordination or policy dialogues with key stakeholders organised 	<ul style="list-style-type: none"> No. of donor coordination or policy dialogues with key stakeholders organised o 0 at February 2018 	<ul style="list-style-type: none"> No. of donor coordination or policy dialogues with key stakeholders organised o 1 by December 2019 o 1 additional by December 2020 	<ul style="list-style-type: none"> Minutes of Meetings 	<ul style="list-style-type: none"> Key stakeholders will attend and actively participate in the meetings
	2. Support to NAO to effectively implement/manage actions under the 11 th EDF	<ul style="list-style-type: none"> The percentage disbursement of funds under the 11th EDF; 	<ul style="list-style-type: none"> % Disbursed under the 11th EDF: o 0% at February 2018 	<ul style="list-style-type: none"> % Disbursed under the 11th EDF: o 40% by 2019; o 80% by 2021; 	<ul style="list-style-type: none"> Transfer Receipt and official communication from the Government of Saint. Kitts and Nevis 	<ul style="list-style-type: none"> There are no significant changes in the policies, programmes and organisation of the Government of Saint. Kitts and Nevis related to and impacting on the work of the NAO Office
	3. Support to NSA Advisory Panel to enhance capacities of NSAs to effectively influence and monitor national and regional (development) policies under the 11 th EDF	<ul style="list-style-type: none"> Number of policy dialogues with civil society stakeholders organised 	<ul style="list-style-type: none"> Number of policy dialogues with civil society stakeholders organised o 0 at February 2018 	<ul style="list-style-type: none"> Number of policy dialogues with civil society stakeholders organised o 2 by December 2019 o 2 additional by December 2020 	<ul style="list-style-type: none"> Minutes of Meetings 	<ul style="list-style-type: none"> Key stakeholders will attend and actively participate in the meetings

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	4. Strategic communication on EU development policy priorities	<ul style="list-style-type: none"> Development of Communication and Visibility Strategy 	<ul style="list-style-type: none"> No formal Communication and Visibility Strategy 	<ul style="list-style-type: none"> Approved Communication and Visibility Strategy 	<ul style="list-style-type: none"> Approved Communication and Visibility Strategy 	<ul style="list-style-type: none"> Government committed to development and implementation of strategy
Activities	1. Complementary technical assistance for the line ministries	<ul style="list-style-type: none"> Number of contracts for the provision of Technical Assistance for Government officers and NSAs. 	<ul style="list-style-type: none"> Number of contracts for technical assistance 	<ul style="list-style-type: none"> Number of Contracts for TA – <ul style="list-style-type: none"> 1 by December 2019 1 additional by December 2020 	<ul style="list-style-type: none"> Information in CRIS/ABAC/AR ES Reports by the NAO's Office and benefitting Line Ministries. 	<ul style="list-style-type: none"> The Government of Saint. Kitts and Nevis commits to relevant policy areas and to counterpart support Other funding agencies will provide the Government of Saint. Kitts and Nevis complementary funding, especially in key sectors
	2. Capacity development and expert advice: workshops, seminars, etc. on the main issues regarding development cooperation, EU policies and strategies, planning, monitoring and evaluation, effective management and implementation and effective partner coordination	<ul style="list-style-type: none"> Number of officers from line ministries trained 	<ul style="list-style-type: none"> No. of officers from line ministries trained <ul style="list-style-type: none"> 0 at February 2018 	<ul style="list-style-type: none"> Number of officers of Line Ministries trained <ul style="list-style-type: none"> 3 by December 2019 2 additional by December 2020 	<ul style="list-style-type: none"> Training Reports Workshop documents 	<ul style="list-style-type: none"> Training opportunities are available in specific areas

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	3. Studies and workshops to support implementation of public reforms.	<ul style="list-style-type: none"> Number of studies, reviews, audits or evaluations conducted; 	<ul style="list-style-type: none"> No. of studies, reviews, audits or evaluations conducted. <ul style="list-style-type: none"> 0 at February 2018 	<ul style="list-style-type: none"> No. of studies, reviews, audits or evaluations conducted <ul style="list-style-type: none"> 2 by December 2020 	<ul style="list-style-type: none"> Annual Reports and project/programme implementation reports Information from CRIS/ ABAC/ ARES Budget Support Review minutes Evaluation and Audit Reports. Studies 	
	4. Technical expertise to design and facilitate capacity development activities, including Trainings in project cycle management and EU procedures	<ul style="list-style-type: none"> Number of NAO staff trained in project cycle management and EU procedures. 	<ul style="list-style-type: none"> No. of officers trained in project cycle management and EU procedures. <ul style="list-style-type: none"> 0 at February 2018 	<ul style="list-style-type: none"> No. of officers trained in project cycle management and EU procedures. <ul style="list-style-type: none"> 2 by December 2020 	<ul style="list-style-type: none"> Training Reports Workshop documents 	<ul style="list-style-type: none"> Training opportunities are available in specific areas
	5. Support for identification, monitoring and evaluation of programmes and projects under the 11 th EDF including feasibility studies, studies, legal support	<ul style="list-style-type: none"> Number of feasibility studies, studies, or contracts for legal support executed 	<ul style="list-style-type: none"> No. of feasibility studies, studies, or contracts for legal support executed <ul style="list-style-type: none"> 0 at February 2018 	<ul style="list-style-type: none"> No. of feasibility studies, studies, or contracts for legal support executed <ul style="list-style-type: none"> 1 by December 2020 	<ul style="list-style-type: none"> Studies Reports 	

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	6. Capacity building of CSOs in ICT, proposal drafting, project cycle and financial management; facilitation of consultation meetings, debates and NSA Panel members' participation in local/regional conferences/seminars	<ul style="list-style-type: none"> • Number of civil society representatives trained in ICT, proposal drafting, project cycle and financial management • Number of NSAs participating in local/regional conferences/seminars/meetings • Number of consultation meetings and debates 	<ul style="list-style-type: none"> • No. of NSAs trained in ICT, proposal drafting, project cycle and financial management <ul style="list-style-type: none"> ○ 0 at February 2018 • Number of NSAs participating in local/regional conferences/seminars/meetings <ul style="list-style-type: none"> ○ 0 at February 2018 • Number of consultation meetings and debates <ul style="list-style-type: none"> ○ 0 at February 2018 	<ul style="list-style-type: none"> • No. of NSAs trained in ICT, proposal drafting, project cycle and financial management <ul style="list-style-type: none"> ○ 2 by December 2019 ○ 2 additional by December 2020 • Number of NSAs participating in local/regional conferences/seminars/meetings <ul style="list-style-type: none"> ○ 1 by December 2019 ○ 1 additional by December 2020 • Number of consultation meetings and debates <ul style="list-style-type: none"> ○ 3 by December 2019 ○ 3 additional by December 2020 	<ul style="list-style-type: none"> • Training Reports • Workshop documents • Meeting minutes 	<ul style="list-style-type: none"> • Training opportunities are available in specific areas • Key stakeholders will attend and actively participate in the meetings
	7. Audits and evaluations of projects that do not have funds earmarked for such activities	<ul style="list-style-type: none"> • Number of audits and evaluations conducted 	<ul style="list-style-type: none"> • No. of audits or evaluations conducted <ul style="list-style-type: none"> ○ 0 at February 2018 	<ul style="list-style-type: none"> • No. of audits or evaluations conducted: <ul style="list-style-type: none"> ○ At least 1 by December 2019 	<ul style="list-style-type: none"> • Annual Reports and project/programme implementation reports • Audit/Evaluation 	

	Results chain	Indicators	Baselines (2017)	Targets (incl. reference year)	Sources and means of verification	Assumptions
	8. Conduct communications audit and develop a comprehensive communication strategy and implementation plan; including visibility events around key issues of EU policies directed to major stakeholders; and targeted communication around key issues including media and opinion leaders	<ul style="list-style-type: none"> Number of visibility activities undertaken after signature of TCF/NAD Financing Agreement 	<ul style="list-style-type: none"> No. of visibility activities undertaken after signature of TCF/NAD Financing Agreement <ul style="list-style-type: none"> 0 at February 2018 	<ul style="list-style-type: none"> No. of visibility activities undertaken after signature of TCF/NAD Financing Agreement <ul style="list-style-type: none"> 1 by December 2019 2 additional by December 2020 	<ul style="list-style-type: none"> Reports Visibility materials 	