Document of
The World Bank

FOR OFFICIAL USE ONLY

Report No. 53762-LAC

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

AND

INTERNATIONAL FINANCE CORPORATION

REGIONAL PARTNERSHIP STRATEGY FOR THE ORGANIZATION OF EASTERN CARIBBEAN STATES (OECS)

FOR THE PERIOD 2010-2014

May 3, 2010

Caribbean Country Management Unit
Latin America and Caribbean Region

International Finance Corporation
Latin America and Caribbean Region

CURRENCY EQUIVALENTS

Currency Unit: Eastern Caribbean Dollar (EC$) US$1.0 = EC$ 2.70

$ in the text refers to US$ unless otherwise stated.

FISCAL YEAR

Antigua and Barbuda, Grenada, St. Kitts and Nevis, St. Vincent and the Grenadines: January 1 – December 31

St. Lucia: April 1 – March 31

Dominica: July 1 – June 30

IBRD		IFC	
Vice President	Pamela Cox	Vice President	Thiery A. Tanoh
Country Director	Yvonne Tsikata	Regional Director	Vincent Gouarne
Task Team Leader	Rolande Pryce	Task Manager	Pierre Nadji

The World Bank Group appreciates the collaboration of the OECS governments and other stakeholders, including the Eastern Caribbean Central Bank and the OECS Secretariat, and the invaluable contributions of the following staff members: Joelle Dehasse Businger and Errol Graham (peer reviewers); task team leaders and colleagues who work on the OECS countries; Alan Carroll; Auguste Kouame; Catherine Gourdin; Christina Malmberg Calvo; David Warren; Eduardo Wallentin; James Smouse; Michelle Ottey; Pedro Andres Amo; Afef Haddad; Zafer Mustafaoglu; Jimmy Pannett; Vanessa Paul; Elisabeth Mekonnen and Anna Musakova, during the preparation of this Strategy.

OECS Regional Partnership Strategy FY10 -14
TABLE OF CONTENTS

TABLES

BOXES

FIGURES

STANDARD CAS ANNEXES

APPENDICES

ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities	IDB	International Development Bank
APL	Adaptable Program Loan	IDF	International Development Fund
BAICO	British American Company	IEG	Independent Evaluation Group
BIS	Beneficiary Identification System	IFC	International Finance Cooperation
BNPP	The Bank Netherlands Partnership Program	IFI	International Financial Institutions
CARCIP	Caribbean Regional Communications Infrastructure Program	IMF	International Monetary Fund
CARICOM	Caribbean Community	LAC	Latin America and the Caribbean
CARICAD	Caribbean Centre for Development Administration	MACC	Mainstreaming Adaptation to Climate Change
CARTAC	Caribbean Regional Technical Assistance Center	MDG	Millennium Development Goals
CAS	Country Assistance Strategy	M&E	Monitoring and Evaluation
CCRIF	Caribbean Catastrophe Risk Insurance Facility	MECOVI	Regional Program of Technical Assistance for Improving the Surveys of Living Conditions Project in Latin America and the Caribbean
CCCCC	Caribbean Community Climate Change Center	MSMEs	Micro, small and medium sized enterprises
CDB	Caribbean Development Bank	NBSAP	National Biodiversity Strategy and Action Plan
CDN$	Canadian Dollars	NCD	Non-communicable diseases
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women	NLTA	Non-lending technical assistance
CIDA	Canadian International Development Agency	NTRC	National Telecommunications Regulatory Commission
CLICO	Colonial Life Insurance Company	PAHO	Pan-American Health Organization
CPI	Corruption Perception Index	PCU	Project Coordination Unit
CPPR	Country Portfolio Performance Review	PMTCT	Prevention of Mother to Child Transmission of HIV
C&V	Crime & Violence	PPCR	Pilot Program for Climate Resilience
CSME	Caribbean Single Market Economy	PPIAF	Public-Private Infrastructure Advisory Facility
CSOs	Civil Society Organizations	PRGF	Poverty Reduction and Growth Facility
DEMPA	Debt Management Performance Assessment	PSIP	Public Sector Investment Program
DPL	Development Policy Loans	PPP	Public Private Partnership
DFID	Department for International Development	RPS	Regional Partnership Strategy
ECCB	Eastern Caribbean Central Bank	OAS	Organization of American States
ECCU	Eastern Caribbean Currency Union	OECD	Organization for Economic Cooperation and Development
ECTEL	Eastern Caribbean Telecommunications Authority	OECS	Organization of Eastern Caribbean States
EGRIP	E-Government for Regional Integration Project	OPAAL	Protected Areas and Associated Livelihoods
EPA	Economic Partnership Agreement	QAG	Quality Assurance Group
ESC	English Speaking Caribbean	SME	Small and Medium Enterprises
ESMAP	Energy Sector Management Assistance Programme	SPACC	Special Program on Adaptation to Climate Change
EU	European Union	RPS	Regional Partnership Strategy
FDI	Foreign Direct Investment	SDR	Special Drawing Rights
FIRST	Financial Sector Reform and Strengthening Initiative	SEMCAR	Supporting Economic Management in the Caribbean
FY	Fiscal Year	SIDS	Small Island Developing States
GPOBA	Global Partnership for Output-Based Aid	SLC	Survey of Living Conditions
GDP	Gross Domestic Product	SSNA	Social Safety Net Assessment
GEF	Global Environment Facility	SWAp	Sector -wide approach
GNI	Gross National Income	TFSCB	Trust Fund for Statistical Capacity Building
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome	UNDP	United Nations Development Program
HMIS	Health Management Information System	UNICEF	United Nations Children's Fund
IBRD	International Bank for Reconstruction and Development	UNIFEM	United Nations Development Fund for Women
ICR	Implementation Completion Report	UNODC	United Nations Office on Drugs and Crime
ICT	Information and communications technology	USAID	United States Agency for International Development
IDA	International Development Association	TAC	Technical Assistance Credit

EXECUTIVE SUMMARY

i. Owing to their small size and populations, the countries of the Organization of Eastern Caribbean States (OECS) face challenges of diseconomies of scale, especially in infrastructure, institutions, and markets. Their location also makes them vulnerable to periodic natural disasters and climate change phenomena, such as rising sea levels. While they enjoy the benefits of very open economies, they are at the same time vulnerable to external events and shocks such as the removal of trade preferences and the still unfolding impact of the recent global financial crisis. They have achieved middle income status, but several continue to face the challenges of youth unemployment, crime and public security, as well as weak institutions and economic management that have contributed to their high public debt and problematical business environment.

ii. This Regional Partnership Strategy covers the five-year period July 2009—June 2014. It is the basis for the World Bank Group's engagement with the countries of the Eastern Caribbean, sub-regional organizations and other development partners in pursuit of the following strategic objectives: (a) building resilience; and (b) enhancing competitiveness and stimulating growth over the medium term. To help build resilience, the Bank Group[1] will support interventions aimed at promoting fiscal and debt sustainability, protecting and improving human capital—particularly social safety nets, education and health—and strengthening climate resilience. To help enhance competitiveness and stimulate sustainable growth, it will focus its support on two critical areas: strengthening the countries' domestic financial sectors and improving access to quality services to create more competitive business environments. The Strategy will provide urgent remedial measures to address the crippling effects of the global and regional crises, while supporting key policy reforms that establish a platform for growth in the medium term.

iii. These strategic objectives and the Bank Group's planned program of support are fully consistent with the framework for medium- and long-term sub-regional development defined by OECS' Secretariat and by the countries themselves through a broad consultative process. The Strategy was prepared taking into account the OECS' Development Strategy, the Eastern Caribbean Currency Union (ECCU)'s Eight-Point Stabilization and Growth Programme, national strategy papers, and the Bank's own analytical work. It was widely discussed with and endorsed by the countries, by sub-regional and regional organizations, and by other development partners at in-country consultations during 2009 and the first quarter of 2010.

iv. The planned program of support will entail new commitments totaling up to about $120 million on IBRD terms and up to about $73 million of IDA financing during FYs10-14.[2] Both numbers are indicative and subject to individual country allocations under IDA 16 as well as IBRD's lending capacity. While each project will be tailored to the individual needs of each country, the Bank will encourage coordination and the grouping of similar operations under one regional program or umbrella in order to foster enhanced sub-regional cooperation and also to maximize scarce specialized resources. In parallel, IFC will continue to support private sector activities through investment and advisory services targeted at financial markets, infrastructure, the investment climate as well as growth sectors and tourism.

v. The main risks to successful implementation of the Strategy include: (a) possible natural disasters and other unforeseen exogenous shocks that could further exacerbate individual

[1] The term "Bank Group" in this document refers to IBRD/IDA together with the IFC; while "Bank" refers to IBRD/IDA or both.

[2] This does not include regional IDA which the RPS has been designed to take maximum advantage of in order to augment the relatively small national IDA envelopes.

countries' vulnerabilities, leading *inter alia* to fiscal slippages; (b) OECS authorities' inability or unwillingness collectively to restore fiscal and debt sustainability; (c) insufficient political will for closer regional coordination and integration; and (d) weak project implementation capacity at both national and sub-regional levels.

vi. The Strategy and program seek to manage these risks through continued and/or increased support for fiscal and debt sustainability, disaster risk mitigation, an improved business climate to increase competitiveness and promote economic diversification, and a focus on capacity building at both national and regional levels. Additional efforts will also be made to ensure that Bank-supported activities are grounded in national and/or regional strategies.

I. OVERVIEW

1. The setting for this Regional Partnership Strategy ("RPS" or "Strategy") is the worsened economic environment caused by the recent global economic recession which reduced growth in the United States and the United Kingdom—the two main sources of tourists for countries of the Organization of Eastern Caribbean States (OECS)[3]—decreased remittances and foreign direct investment, and exacerbated internal structural weaknesses, such as supervision of the financial system. On the positive side, OECS governments viewed the crisis as an opportunity to tackle some of their more significant sub-regional challenges in an effort to build resilience, enhance competitiveness, and stimulate sustainable growth in the medium term.

2. The Strategy also takes into account OECS countries' peculiar characteristics and common development needs. First, owing to their small size and population, they face challenges of diseconomies of scale, especially in infrastructure, institutions, and markets. Second, their location makes them vulnerable to frequent natural disasters, especially hurricanes, and climate change phenomena such as rising sea levels. For example, historical data indicate that the probability of a hurricane in any given year is about 18% for the Eastern Caribbean Currency Union (ECCU)[4] region.[5] Third, while they enjoy the benefits of very open economies, they are at the same time vulnerable to external events and shocks such as the removal of trade preferences and the still unfolding impact of the recent global financial crisis. Fourth, they have achieved middle income status, but some continue to face the challenges of youth unemployment, crime and public security, as well as weak institutions and economic management that have contributed to their high public debt and difficult business environment. Finally, the recent creation of an economic union, expected to become effective shortly, has also influenced the Strategy's design.

3. The document is organized as follows: Section II reviews the OECS region's political, social and economic context (including issues relating to gender) and governance; Section III analyzes its key development challenges and priorities; Section IV, after reviewing the lessons learned from previous Bank involvement, outlines the proposed Strategy for the next five years, FY10-14; and Section V assesses the risks and describes how the Bank Group plans to manage them.

II. REGIONAL CONTEXT

A. Economic Cooperation and Integration

4. **The OECS was formed in 1981 in an attempt to address some of the political and economic limitations posed by its member countries' small size and population.** Since then, their common features and interests have provided a firm foundation upon which a supra-national architecture has been built to help create a stable environment for the sub-region's socio-economic advancement.[6] OECS' achievements to date in terms of deepening regional integration

[3] While the OECS comprises six independent countries and three British Overseas Territories, this Strategy covers only the six independent countries, namely: Antigua and Barbuda; Dominica; Grenada; St. Kitts and Nevis; St. Lucia; and St. Vincent and the Grenadines. Excepting St. Vincent and the Grenadines which did not join IFC, all are members of the World Bank Group.

[4] The ECCU consists of the OECS member countries as defined in footnote 3.

[5] IMF Staff Report for the ECCU, 2009.

[6] For the purpose of this Strategy, "sub-region" refers to the OECS' six independent countries.

include: (a) a comprehensive approach to economic and functional cooperation (foreign, defense and security policies) as set out in the Treaty of Basseterre (1981)[7]; (b) a common currency and central bank—the Eastern Caribbean Central Bank (ECCB); (c) an integrated legal system; (d) collective regulation of banking and securities, telecommunications—*e.g.* the Eastern Caribbean Telecommunications Authority (ECTEL)— and civil aviation—*e.g.* the Eastern Caribbean Civil Aviation Authority (ECCAA); and (e) coordinated approaches to critical shared sectors such as education, health, agriculture, tourism, export development, the environment, and maritime matters.[8]

5. **Despite the severe economic downturn, the OECS continues to pursue ambitious goals for further economic and political integration**. To this end, a treaty establishing the OECS Economic Union was initialed by heads of government on December 29, 2009 and is expected to be signed on June 18, 2010. Its most significant feature is the transfer of legislative competence from national parliaments to the OECS Authority—the principal organ within the Economic Union comprising Heads of State—in five agreed areas: the common market and customs union; monetary policy; trade policy; maritime jurisdiction and boundaries; and civil aviation. In practice, this means that legislation approved by the Authority will apply automatically in each member country. While there is some debate among regional scholars about the constitutional ramifications of these provisions in each country, the OECS Secretariat has confirmed what is written in the Treaty, namely that its implementation will not require constitutional amendments.

6. **OECS countries, as members of the ECCU share a common central bank.** The ECCB is headquartered in St. Kitts and Nevis and manages the Eastern Caribbean dollar, a common currency for the OECS and two dependent territories, Anguilla and Montserrat, which has been pegged to the US dollar since 1976 at EC$2.7 per US$1. Exchange rate stability has helped foster a highly monetized and stable financial system. Unlike monetary policy, which is coordinated by the ECCB, fiscal policy is handled separately by each government. While the currency union has worked well, inadequate coordination of fiscal policies has constrained the development of a sound macroeconomic framework conducive to growth, low unemployment and debt sustainability. In this latter context, the ECCB has stipulated that each member should attain a debt-to-GDP ratio of 60% by 2020.

B. Political Context

7. **OECS members boast open democracies characterized by political stability with high participation in elections.** They retain the British parliamentary system inherited at independence as well as civil services that, relative to their small size, are large, bureaucratic and burdensome. Prime Minister Denzil Douglas was re-elected on January 25, 2010 for a fourth consecutive term, winning six out of eight seats from St. Kitts in the eleven seat national assembly. Prime Minister Skerrit of Dominica was re-elected in December 2009 with 18 of 21 seats. In July 2008, Tillman Thomas was elected as Grenada's Prime Minister by an 11 to 4 majority. Prime Minister Spencer of Antigua and Barbuda was re-elected in March 2009. St. Vincent and the Grenadines (current Prime Minister Ralph Gonsalves) and St. Lucia (current Prime Minister Stephenson King) must hold elections by December 2010 and 2011 respectively.

[7] The Treaty of Basseterre also established the OECS Secretariat.
[8] While these issues are addressed mainly at the national level, efforts are made to coordinate approaches regionally so as to optimize benefits.

Presently, four of the six Prime Ministers, including those of Dominica, St. Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines are also their countries' Ministers of Finance.

C. Governance

8. **OECS members adhere to a fully functioning democratic constitutional framework.** Their public administrations are characterized by well established organizational structures and institutional rules and regulations, respect for the rule of law, and a high degree of judicial independence. World Governance Indicators (2008) place OECS countries within the 50-90th percentile worldwide. In Transparency International's 2009 Corruption Perceptions Index (CPI), St. Lucia ranked 22nd of 180 countries, St. Vincent and the Grenadines 31st and Dominica 34th (other OECS countries were not surveyed).[9] In striving to improve the performance of their public sectors, OECS countries' reform strategies focus on incremental strengthening and modernization, improving the quality of service delivery, and responding to citizens' demands.

D. Social Context

9. **OECS countries achieved important social milestones as a result of strong growth during the 1980s and early 1990s.** They rank highly on the United Nations Human Development Index compared to other countries at similar income levels. An assessment of their MDGs indicates progress towards achievement of several, including reduction of extreme poverty and hunger, universal primary education, gender equality, and improved maternal health. Primary education is universal and net enrolments at secondary level are high, ranging from 78% and 80% in Grenada and St. Lucia respectively to 95% in St. Vincent and the Grenadines, and to 100% in St. Kitts and Nevis in 2009. Infant mortality is low, ranging from 7–9/1000 live births and average life expectancy is comparable to that of OECD countries. However, additional efforts will be needed to achieve the remaining MDGs by 2015.[10] Progress needs to be made in enrollment ratios in Dominica and Grenada.

10. **While OECS countries are classified as upper Middle Income Countries (MICs), poverty ranges from 18-38% of their population.** The dearth of reliable data precludes any firm conclusion about trends but, if the experience of other Caribbean countries is any guide, poverty has probably increased following the recent economic and financial crisis. Unemployment varies from country to country and in some—St. Vincent and the Grenadines, St. Lucia, and Grenada—is much higher than the average for countries at similar income levels. Other social indicators vary less within the OECS, with some better than in comparable countries, particularly infant and under-five mortality. Owing to lack of data, both the gap between rich and poor and trends in all countries are unclear. Based on experience in other Latin America and Caribbean countries, however, is it safe to assume that the recent crisis affected poor households in three ways: reduced purchasing power arising from higher food and fuel prices; lower remittances; and increased unemployment as a result of slowing economic activity.

11. **Primary school enrolment and completion rates are similar for boys and girls in all countries and secondary enrolments are close to gender parity in most**. In St. Lucia and St. Vincent, the ratio of female to male enrolments in secondary education is 112.9% and 124.0%

[9] The country ranked number 1 is ranked as least corrupt on the Corruption Perception Index.

[10] *The Millennium Development Goals in the Eastern Caribbean: A Progress Report*, UNDP, December 2003.

respectively.[11] However, as in the rest of the Caribbean, the drop-out rate is generally higher for boys than for girls, with girls more likely to continue their education past primary and secondary. These gaps are rapidly growing. However, analysis of regional labor market trends in the Caribbean does not reveal systematic discrimination by gender.

12. **Anecdotal evidence indicates a growing number of 'jobless' or 'idle' youth**, *i.e.* young people who are neither working nor in school—a trend, evident elsewhere in Latin America and the Caribbean, that is particularly alarming, owing to their propensity to become involved in crime.[12] Because of the relatively low opportunity cost, idle urban youth are often recruited to sell drugs. This is possibly reflective of the social problems associated with lack of family ties and growing urbanization. Crime and violence are also largely concentrated amongst the poorest and amongst young males (14-24 years) who may be victims as well as perpetrators of violent crime.

13. **There is a clear gender dimension to the problems of at-risk youth, since boys and girls tend to engage differently in different kinds of risky behaviors.** While we often think of girls when we think of gender, boys are the ones who are losing ground in the Caribbean. Young women have their own struggles such as higher unemployment rates than boys and earlier family responsibilities, but young males are perhaps the source of the most costly ills such as early school leaving (relative to girls), high rates of idleness, and high rates of criminality.

14. **In reproductive health, OECS countries are doing extremely well** with almost all births attended by trained health staff. However, the countries that present data on adolescent (15-19) fertility rates demonstrate very high rates: Grenada 42.4%; St. Lucia 60% and St. Vincent and the Grenadines 63.9%.[13]

15. **All Caribbean countries have ratified the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW)** and the Inter-American Convention on the Prevention, Punishment and Eradication of Violence against Women. While legislation for equal rights and access to law exist, enforcement is often lacking. Men's involvement in risky sexual behavior, violent activities, and substance abuse continues to increase and exceeds that of women. Violence against women remains a persistent problem. For example, in St. Kitts and Nevis the Domestic Violence Act of 2000 criminalizes domestic violence and provides penalties for abusers, but there are no laws for sexual harassment. In all OECS countries, constitutional rights do not discriminate based on gender and laws provide for equal opportunities for men and women. Nevertheless, women's involvement in political activities lags behind that of men. The share of parliamentary seats occupied by women varies from 5.6% in St Lucia to 18.2% in St. Vincent and the number of female ministers varies from one in St. Kitts and St. Vincent, and 2 of 15 or 13% in Dominica.

---

[11] World Bank GenderStats, circa 2007.

[12] Data are not available for the OECS *per se,* but one in four young people in Latin America and the Caribbean is jobless, although this affects women and men differently. *Youth at Risk in Latin America and the Caribbean: Understanding the Causes, Realizing the Potential*, World Bank, 2008.

[13] World Bank GenderStats., 2007.

Table 1: Selected Poverty and Social Indicators

	Year	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines	LAC Average
Poverty Indicators								
Population below national poverty line (*%*)		18	33	38	23	28	38	
	year	(2005/2006)	(2003)	(2007/2008)	(2007/2008)	(2005/2006)	(2007-2008)	
Social Indicators								
Health								
Life expectancy at birth (*years)*	*2000*	75.1	76.3	67.3	70.8	71.1	70.4	71.6
	2007	75.3	76.6	68.6	71.3	74.4	71.6	73.2
Low-birthweight babies (% of births)	1999	8.0	10.0	9.0	9.0	8.0	10.0	10.6
	2004	7.8	9.8	8.0	9.0	11.7	4.8	8.6
Infant mortality (*per 1,000 live births*)	2000	13.0	13.4	21.0	21.0	13.4	20.5	
	2007	9.5	9.0	15.4	16.1	13.7	16.6	
Mortality rate, under-5 (per 1,000)	2000	15.0	15.5	26.0	25.0	16.0	24.0	
	2007	10.8	11.4	19.0	18.0	18.1	19.1	
School enrollment, primary (% net)	2000	..	94.6	85.8	95.1	97.0	90.5	92.8
	2007	74.0	77.3	75.9	87.4	97.9	91.0	93.4
School enrollment, secondary *(% net)*	2000	..	94.6	85.8	95.1	97.0	90.5	
	2007	74.0	77.3	75.9	87.4	97.9	91.0	
Persistence to grade 5, total (% of cohort)	2002	..	86.2	79.0	86.5	98.5	81.8	..
Primary completion rate, total (% of relevant age group)	2000	..	98.8	80.1	117.6	110.0	73.5	96.6
	2007	97.3	95.9	81.1	95.8	116.0	..	97.0
Infrastructure								
Improved water source (% of population with access)	1995	91.0	97.0	94.0	99.0	98.0	..	
	2000	91.0	97.1	93.7	99.0	98.0	..	
Improved sanitation facilities (% of population with access)	1995	95.0	83.0	97.0	96.0	89.0	..	
	2000	95.0	83.1	97.0	96.2	89.0	..	

Source: World Development Indicators, World Bank, except for poverty rates for which source is Caribbean Development Bank.

E. Economic Context

Recent Developments

16. **Following strong growth during the 1980s and early 1990s in a benign external environment, economic performance weakened in the late 1990s and early 2000s, partly due to deteriorating external conditions.** Real GDP growth averaged 6.1% in the 1980s but declined to 3.2% in the 1990s and further to 2.2% in the 2000s. Growth in the 1980s was driven largely by dynamic services (essentially tourism), public investment and banana exports. The slowdown in the 1990s and 2000s was associated initially with sharp declines in productivity growth. In subsequent years, this was compounded by lower private investment and reduced exports as a result of loss of competitiveness and export privileges. While OECS governments responded by increasing public investments once again, this strategy failed to stimulate growth, leading instead to growing fiscal imbalances and an unsustainably large debt burden.

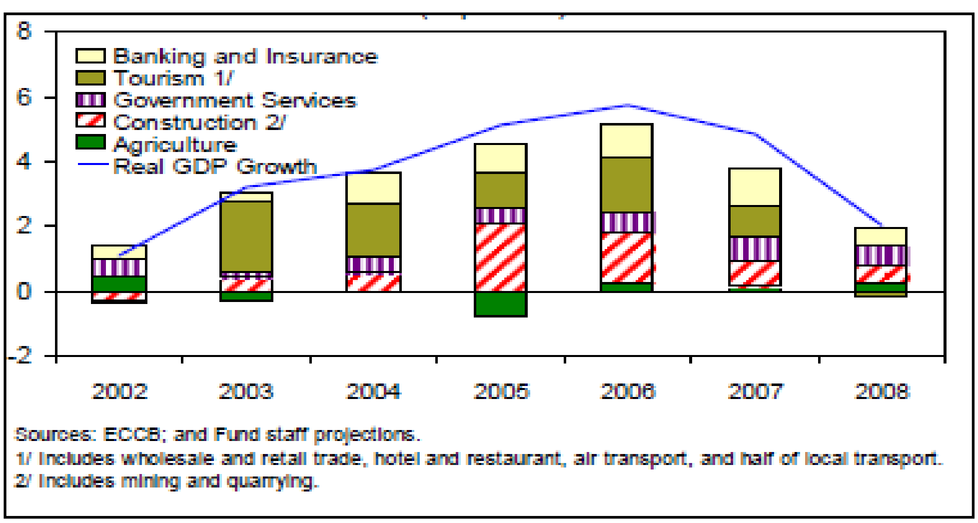
Table 2: Selected Economic Indicators, 2008

	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
Area (sq km)	442	750	345	269	616	388
Population (persons)	85,536	73,193	105,552	49,190	169,960	109,117
GDP (US$ millions)	1,224	364	679	546	987	600
GDP per capita, PPP (current)	21,323	8,696	8,541	16,160	9,907	9,155
Real GDP growth	2.8	3.2	2.2	3.2	0.7	0.9
CPI inflation (%, end of period)	0.7	1.9	5.2	7.6	3.8	8.7
Central government primary balance (% GDP)	-3.2	1.0	-3.0	5.3	2.2	1.2
Central government overall balance (% GDP)	-7.7	-0.8	-5.1	-3.5	-1.1	-1.7
Public sector debt (US$ millions)	1,135	316	693	970	656	405
Public sector debt (% GDP)	92.7	86.9	102.2	177.6	66.2	67.5
Current account balance (% GDP)	-31.3	-32.3	-38.7	-28.1	-31.0	-33.7

Source: World Bank, IMF, ECCB

17. **During 2003-06, GDP growth accelerated due to resurgence in tourism and related construction as well as an emphasis on private sector development.** The financial sector also played an important role. Agriculture contributed only marginally to growth, however, due to the continued erosion of market access, trade preferences, and damage caused by natural disasters (Figure 1).

Figure 1: Sectoral contribution to growth in the ECCU (percent)



18. **OECS countries are heavily dependent on, and vulnerable to events affecting tourism, agriculture and offshore banking and construction.** The last decade has been particularly challenging with a succession of external crises—notably September 11, 2001 and the global crisis of 2008-09—as well as frequent and powerful hurricanes. As it enters the

second decade of the 21st century, the OECS sub-region is at cross-roads. On the one hand, it could enter a period of strong economic growth based on greater sub-regional integration, investment in knowledge, and greater attention to the public sector's role as regulator rather than investor. On the other, if vulnerability to economic and natural shocks or to internal social pressures and demands is not adequately addressed, socio-economic gains could be threatened.

19. **At the country level, economic growth and its drivers varied substantially**. While Antigua and Barbuda grew at an average of 6.1% annually from 2001-08, Dominica grew at a mere 0.8% annually, with other countries falling in between. The sources of growth also differed, with construction making the largest contribution in Antigua and Barbuda (particularly in the second half of the decade), trade and transport in St. Vincent and the Grenadines, and banking in St. Kitts and Nevis and St. Lucia (Figure 2).

20. **Owing to food and energy price hikes and the onset of the global financial crisis**, **GDP growth slowed in 2007 and fell below 2% in 2008.** The contribution of tourism to growth fell from 1.5 percentage points in 2007 to -0.1 percentage points in 2008 (Figure 1). Compounding the impact of food and energy price hikes, the global crisis impacted the Caribbean region in three ways: (a) a decline in tourism and reduced exports; (b) lower remittances from migrant workers; and (c) reduced investment inflows and tightened access to capital markets. Owing to its effect on regional financial institutions, the contribution of banking and insurance to growth declined as well.

21. **The global slowdown led to reduced growth in all OECS countries except Dominica.** Grenada recorded the largest decline in real GDP (―7.7 percentage points) and St. Vincent and the Grenadines the smallest (―1.1 percentage points). Dominica's real GDP growth of 1.1% in 2009 was underpinned by the strong post-hurricane recovery of the banana industry and construction activity financed by public sector development projects (Figure 2).

22. **The initial adverse effects of the food and energy price increase on inflation were fully reversed as the economies contracted and global economic activity declined in 2008-09.** In early 2008, the rate of inflation more than doubled from its 20-year historical average of 2-3%, but moderated during the second half amid the regional and global slowdown (Figure 3). By end-2009, inflation was below 3% in the OECS overall and even below 1% in some member countries (St. Vincent, St. Kitts and St. Lucia).

23. **Inflation also varied substantially by country over the last five years**. The cumulative inflation since 2005 has been higher in St. Vincent and the Grenadines, Grenada and St. Kitts and Nevis compared to other member countries. The cumulative inflation has been the lowest in Antigua & Barbuda. Also, when inflation accelerated in the second quarter of 2007, the rate of increase in consumer prices was much faster in St. Vincent and the Grenadines than in Antigua and Barbuda, St. Lucia, or Dominica (Figure 4).

Figure 2: Contributions to growth in OECS, by country (percent per year)

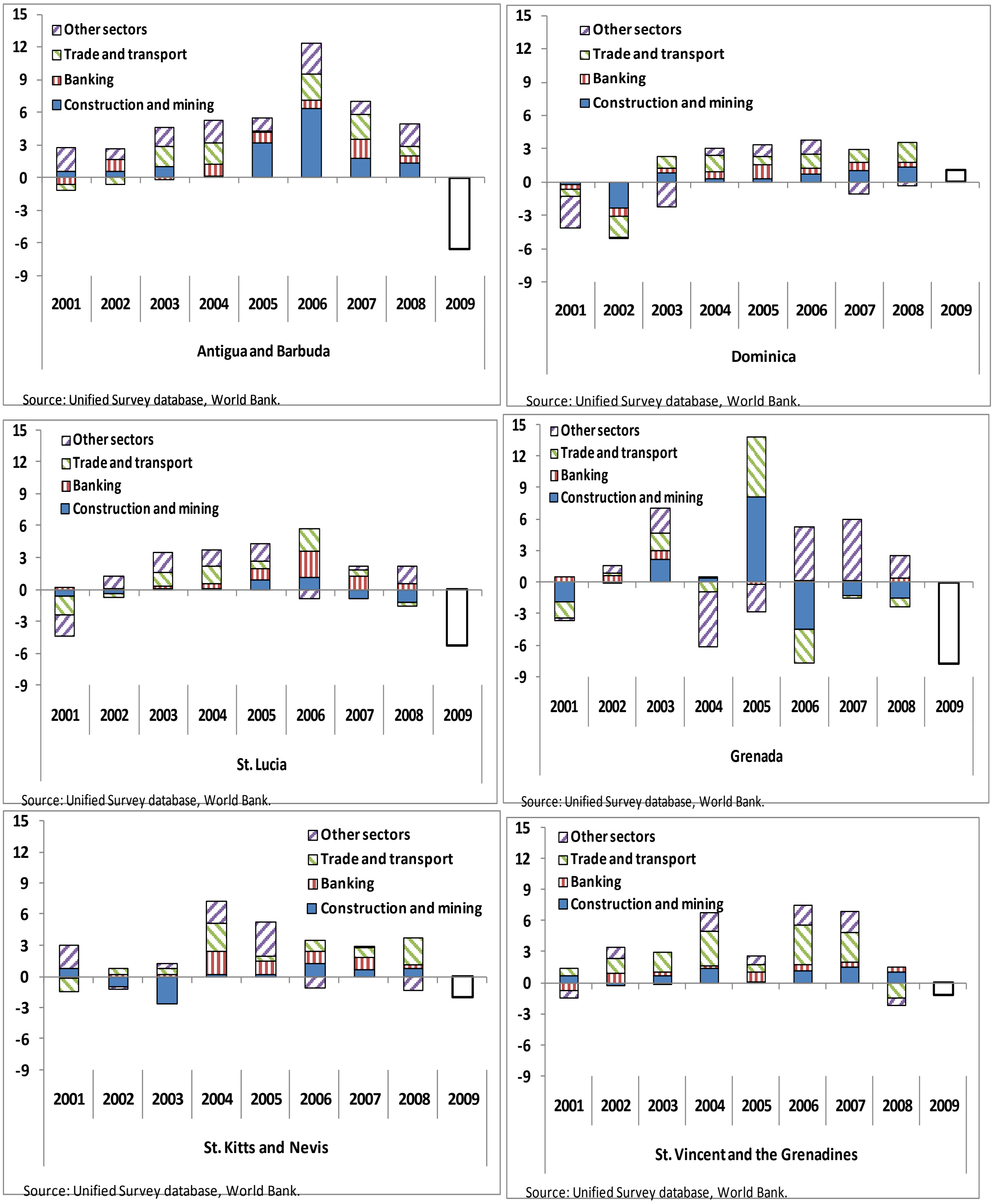
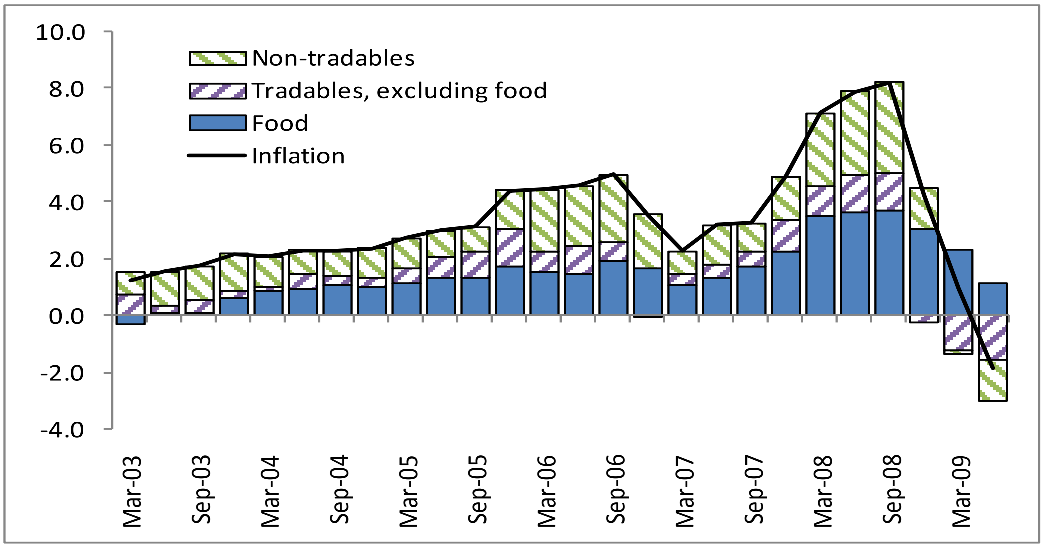
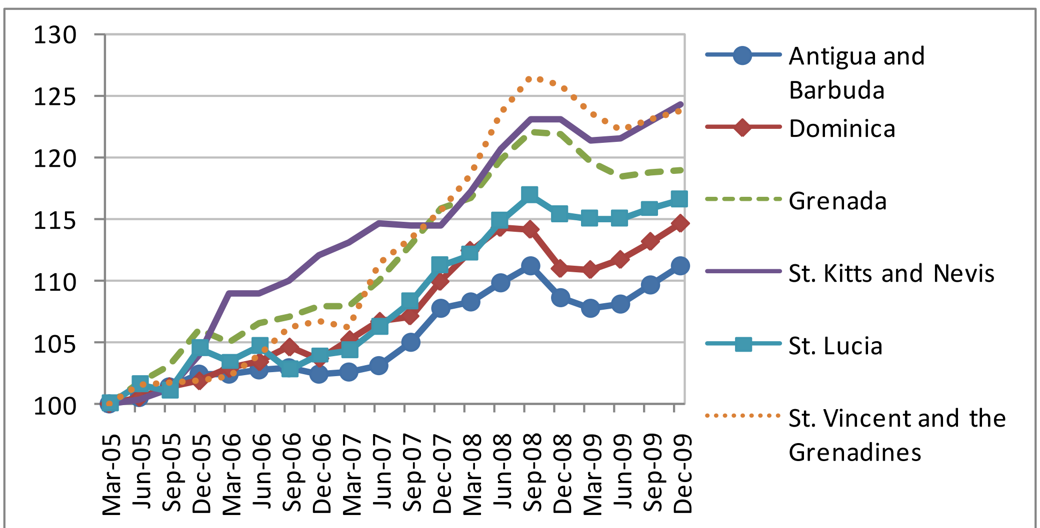


Figure 3: Annual Change in ECCU Consumer Prices



Source: WB staff estimations and ECCB

Figure 4: Evolution of OECS Consumer Price Index, by country



Source: ECCB

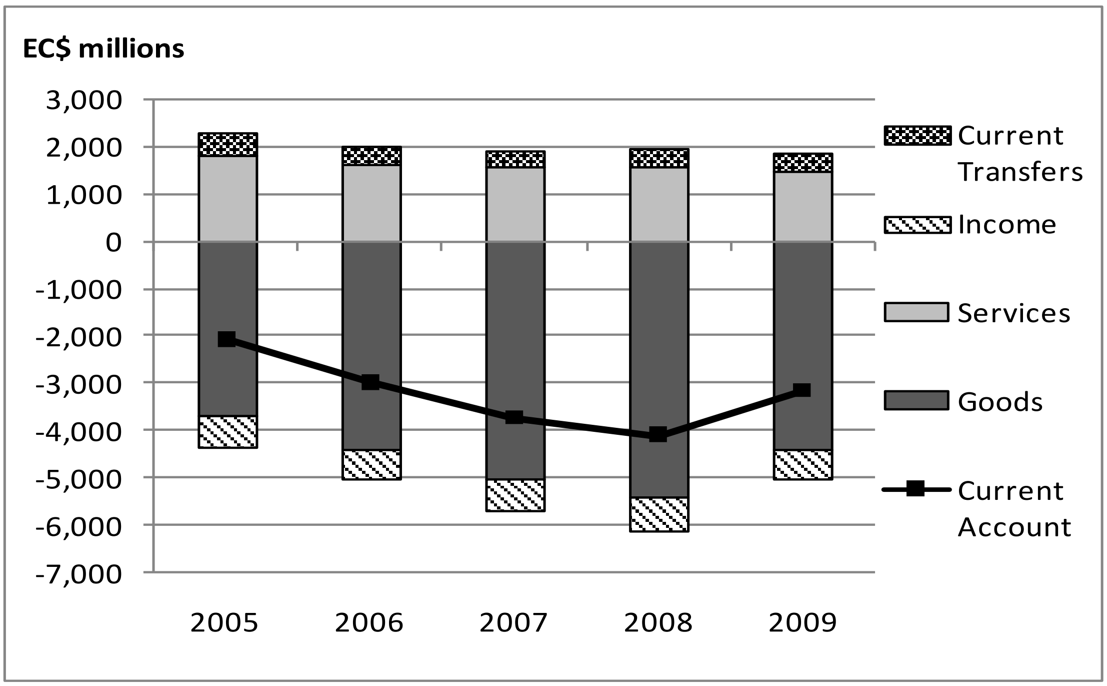
24. **Following strong growth in 2007, private credit provision has slowed markedly in recent years as banks experienced difficulties in raising capital**. Growth in monetary aggregates decelerated in 2008 and 2009. As excess reserves of commercial banks at ECCB have declined, interest rates on interbank lending have begun to increase. Reflecting rising debt service costs and tightening international credit conditions, ECCU sovereign bond spreads have also increased.

25. **While OECS' current account deficit increased rapidly from 16.4% to 33.9% of GDP during 2004-08, it fell back to an estimated 24.4% of GDP in 2009**. This trajectory can be explained mostly by changes in the trade balance (Figure 5). Several factors account for the increase in the trade deficit through 2008: higher imports due to reconstruction following natural disasters; increased demand for imported consumer goods; and increased imports of investment

goods (mostly for tourism-related construction, including for the 2007 Cricket World Cup). While most of the current account deficit was financed by foreign direct investment (FDI) through 2008, the drying-up of investment and remittance inflows in 2009 forced a rapid adjustment in the trade account.

26. **The large swings in the current account balance exemplify the vulnerabilities of small island states such as the OECS.** Although larger current account deficits are to be expected given the narrow export base and the fact that most investment and consumption goods are imported, the sustainability of such deficits poses challenges for long-term development unless they can be financed by non-debt creating inflows such as FDI. Consequently, OECS current account dynamics highlight the need for its members to pursue policies which attract FDI while also broadening the export base and increasing the stability of export revenues.

Figure 5: Components of the current account balance in the OECS, 2005-09



Source: World Bank Staff calculations based on data from ECCB.

27. **OECS countries face a massive debt challenge,** with a debt-to-GDP ratio averaging 109 % in 2009 owing mainly to fiscal loosening and exogenous shocks. In analyzing debt-to-GDP ratios from 1998-2008, two characteristics stand out. First, governments have been running primary fiscal deficits. The increase in fiscal spending during 2002-06 was accompanied by a move towards expensive borrowing from commercial markets. The combination of rapid debt accumulation and high interest payments resulted in OECS countries becoming some of the most indebted in the world. Second, the impact of debt-creating exogenous shocks such as natural disasters has been considerable, with the OECS sub-region among the most disaster-prone in the world. In fact, years where the growth in debt-to-GDP ratios are largely unexplained by fiscal policy have tended to coincide with natural disasters, such as major hurricanes in 1998, 1999, 2004, 2007, and 2008, all of which had devastating effects. For example, the estimated damage from the 2004 hurricane in Grenada alone exceeded $1 billion, with another $40 million in St.

Vincent and the Grenadines and smaller amounts in other OECS countries. The fiscal space constraints imposed by the impact of such external events on these countries' debt ratios illustrate their fiscal vulnerabilities and underscore the importance of fiscal discipline and prudent debt management.

28. **In the past two years, the debt situation has worsened with declining global economic activity and slow growth in the Caribbean.** As OECS economies were hit by the global crisis in 2009, output is estimated to have declined in all member countries excluding Dominica, and debt ratios worsened substantially. In Antigua and Barbuda and Grenada, for example, the 6.5% and 7.7% contractions in output together with the widening of the primary deficit led to increases in their debt-to-GDP ratios by 15 and 20 percentage points respectively. The average public debt-to-GDP ratio for the OECS overall is estimated to have increased to 108.7% by end-2009.

29. **Despite efforts to wind down public debt through restructuring, the debt service burden continues to be heavy**. Dominica and Grenada undertook comprehensive debt restructurings in the early 2000s. In the context of an International Monetary Fund (IMF) program, Dominica restructured its debt in 2004-05, which reduced interest rates on commercial debt from 8% to 3.5%. In 2007, St. Vincent and the Grenadines benefited from a debt write-off from Italy equivalent to about 10% of GDP, as did Antigua and Barbuda. Despite these efforts, external debt amortization alone averages about 22% of current revenues in the OECS, crowding out other public and private expenditures. Contributing to high debt service costs is the fact that a substantial share of the external debt is commercial. To address these challenges, the Bank is working with OECS governments and other governments of the Caribbean region to develop a framework for fundamental reduction of the debt burden.

30. **The impact of the global financial crisis was compounded by regional challenges stemming from the collapse of two subsidiaries of a large insurance and banking conglomerate**. The failure of Colonial Life Insurance Company (CLICO) and British American Insurance Company (BAICO)—two subsidiaries of CL Financial Group which offered high interest rates on fixed-term deposits backed by risky investments in the US real estate sector—is expected to cost the ECCU dearly. The deficiency of BAICO is estimated at 6.5% of the ECCU's combined GDP. It also revealed substantial weaknesses in financial regulation, which OECS governments have now taken initial steps to address.

Macroeconomic Prospects

31. **Prospects for recovery in the medium term depend to a large extent on tourism**. Revenues from tourism contribute more than 23% of GDP for the ECCU as a whole and within the OECS range from 33% in Antigua and Barbuda to 18% in Grenada. Although some countries have done better than others, available data indicate that both stay-over and cruise ship arrivals contracted by 0.7% and 2.5% respectively in 2008. In the first ten months of 2009, signs of recovery have emerged, with cruise ship arrivals increasing by over 23%. While demand for stay-over visits from Canada and Europe is likely to continue declining in 2010, visits from the United States—which accounted for one-third of total arrivals in 2009—are expected to increase by about 1% over 2009.[14]

[14] OECS tourism data exclude St. Kitts and Nevis.

Table 3: Medium-term macro projections for OECS countries

		Antigua & Barbuda	Dominica	Grenada	St Kitts & Nevis	St Lucia	St Vincent & the Grenadines
Real GDP Growth	**2009**	-6.5	1.1	-7.7	-2.0	-5.2	-1.1
	2010	-1.5	2.0	0.8	0.0	1.1	2.1
	2011	1.4	3.0	2.0	1.0	2.3	3.9
	2012	2.9	3.0	3.0	2.0	3.5	4.2
	2013	3.6	3.0	3.5	2.0	3.8	3.8
	2014	3.9	3.0	4.0	2.0	3.8	4.0
CPI inflation (%, end of period)	**2009**	2.4	3.3	-2.4	1.0	1.0	-1.6
	2010	2.5	1.5	4.7	2.2	1.9	2.9
	2011	3.4	1.5	2.0	2.2	2.1	2.9
	2012	3.0	1.5	2.0	2.2	2.1	2.9
	2013	2.5	1.5	2.0	2.2	2.1	2.9
	2014	2.5	1.5	2.0	2.2	2.2	2.9
Current account balance (% GDP)	**2009**	-29.4	-32.4	-25.7	-22.8	-19.9	-29.5
	2010	-27.9	-28.6	-25.0	-23.8	-18.9	-31.6
	2011	-27.7	-26.4	-26.0	-22.9	-18.6	-29.1
	2012	-27.7	-25.3	-26.2	-22.0	-19.3	-26.3
	2013	-28.2	-23.5	-25.6	-21.6	-19.5	-24.0
	2014	-28.5	-22.3	-24.9	-21.2	-19.5	-21.9
CG Primary balance (% GDP)	**2009**	-6.0	1.4	-3.8	2.4	-2.5	-0.9
	2010	-6.4	3.0	0.3	0.9	-3.4	-0.8
	2011	-5.5	3.0	2.0	1.3	-0.3	-0.9
	2012	-5.5	3.0	3.3	1.7	0.1	-0.8
	2013	-5.5	3.0	4.0	1.6	1.0	-0.8
	2014	-5.5	3.0	4.4	1.5	1.1	-0.9
Total public sector debt (% GDP)	**2009**	107.7	84.5	122.3	188.0	77.0	72.9
	2010	117.9	80.1	120.3	196.5	81.2	79.8
	2011	123.5	75.4	116.6	202.7	82.3	83.4
	2012	127.3	70.6	111.3	206.6	82.2	84.5
	2013	130.4	66.0	104.9	210.3	81.0	85.8
	2014	133.3	61.3	98.1	214.3	79.6	86.9

Source: World Bank; IMF, World Economic Outlook Database, October 2009; IMF, Staff Report on ECCU Common Policies, June 2009; ECCB.

33. **The pace of OECS' recovery is expected to be slower than elsewhere in Latin America and the Caribbean (LAC)**. While growth in 2010 is forecast to be positive in all OECS members except Antigua and Barbuda―ranging from -1.5% in Antigua and Barbuda to 2.1% in St. Vincent and the Grenadines―the recovery is likely to be very gradual, substantially below the 3% projected for the entire LAC. Two factors explain this. First, the delayed recovery

in developed countries' job markets and the lingering wealth effects of the crisis on household expenditures will continue to constrain tourism and remittances. Second, unfavorable initial macroeconomic conditions and limited fiscal space are restricting options for countercyclical fiscal policy. Over the medium-term, growth is expected to follow the global recovery, albeit with a lag, reaching an average of 3.4% by 2014.

34. **The 2008-09 downturn moderated inflation and the current account deficit which, in the near- to medium-term, are expected to remain below the average of recent years**. From an average of over 5% in 2006-07, end-of-period consumer price index (CPI) growth is estimated to have declined to below 1% in 2009 and is expected to remain in the 2-3% range through 2014. This slowdown reflects both the moderating pace of economic activity in the near term and the decline of import prices—mainly food and fuel—from their early-2008 highs. With the improvement in the terms of trade and the reduced availability of foreign financing—primarily FDI—the current account deficit for the ECCU is expected to improve from 34% of GDP in 2008 to 24% of GDP in 2009-10. As exports and international remittances recover over the medium-term, the current account deficit is likely to continue improving to 20% of GDP by 2014.

35. **Debt Sustainability Analysis (DSA) using both a deterministic model and stochastic simulations show that some OECS countries already face severe situations**. Baseline projections are built on the latest macroeconomic forecast consistent with the IMF's most recent economic projections and assume deterioration of economic growth in 2009 (see Appendix 4). The main focus is on public debt dynamics rather than rollover risks. Under the baseline scenario, only Dominica and Grenada exhibit steady declines in public debt ratios while some countries are on an increasing path.[15] Following the steep increase in Grenada's debt-to-GDP ratio from 2008-09 (20 percentage points of GDP), a reduction of 24 percentage points is forecast for 2009-14. Under current assumptions, Dominica is expected to achieve the ECCB's debt-to-GDP benchmark of 60% by end-2015. St. Lucia's debt-to-GDP ratio increased initially, reflecting the impact of the global economic crisis, but is forecast to start declining after 2010-2011. Debt-to-GDP ratios for Antigua and Barbuda, St. Kitts and Nevis, and St. Vincent and the Grenadines rise over the whole projection period.

36. **Alternative scenarios were also carried out to examine: (a) the impact of the current global crisis; (b) sensitivities to shifts in interest rates, growth and exchange rates; (c) the impact of natural disasters; and (d) the debt ratios under uncertainty around key economic variables through stochastic simulations.** Estimates of the impact of the global crisis on most countries' debt-to-GDP ratios are substantial. Antigua and Barbuda and St. Vincent and the Grenadines are the most heavily affected. The results of the sensitivity analysis indicate that OECS countries' debt ratios are most sensitive to changes in exchange rates. This is expected because they have relied heavily on international borrowing. A combined shock scenario of changes to interest rates, growth and exchange rates has the potential to significantly increase debt burdens. Including the expected cost of natural disasters also shifts debt ratios upward. They increase the most for St. Kitts and Nevis, Dominica, and Antigua and Barbuda. However, stochastic simulations show that extreme scenarios have low probability and baseline projections are valid overall.

[15] While debt-to-GDP ratios are not in Net Present Value (NPV) terms, an NPV analysis is unlikely to change the overall results because the sample period is short.

III. REGIONAL PRIORITIES, CHALLENGES AND OPPORTUNITIES

Regional Priorities

37. **In 2000, the OECS' Development Strategy listed the following development challenges**: (a) pursuing sustainable economic development through the growth of services, agriculture, and manufacturing; (b) supplying human resource needs by facilitating access to education and training; (c) achieving sustained improvement in the quality of life of the most vulnerable; (d) creating jobs; (e) improving health services; and (f) improving the management of natural resources. During the last two years, the OECS' Secretariat has updated the development context for the sub-region's medium- and longer-term strategy, taking into account opportunities emerging from new multilateral trade and economic partnership agreements and, in particular, those afforded by the recent establishment of the OECS Economic Union.[16] Against this background, it is currently preparing a new medium-term strategic framework for development which is expected to be ready by end-2010 and include the following priority sectors: agriculture, tourism, private sector, education, energy, and social protection.[17] During this process the Bank has been supporting the policy formulation process through its participation in workshops and provision of technical assistance in priority areas such as social protection and education.

38. **The food, fuel and financial crises highlighted OECS countries' vulnerabilities, their interdependence, and the need to utilize regional approaches more aggressively to address their challenges**. Recent experience in the non-bank financial sector is illustrative where, absent a mechanism authorized to carry out cross-border supervision, regulation of firms operating intra-regionally proved difficult, leaving the sector vulnerable. To address this issue, OECS countries articulated a regional approach in the ECCU's Eight-Point Stabilization and Growth Programme. Its action plan includes elements of fiscal stabilization, reform and regulation of the banking and non-banking financial sector, as well as economic stimulus. The Eight–Point Programme speaks to the importance of partnering with the private sector and highlights the needs for policy coordination within and between countries and for improved policy making capacity within the public service**.**

Key Challenges and Opportunities

39. **Key ongoing and emerging challenges likely to impact OECS' development agenda** in the short, medium and long term include: (a) improving fiscal and debt management; (b) protecting and improving human capital; (c) reducing vulnerability to natural disasters and strengthening environmental management; (d) enhancing competitiveness and stimulating sustainable growth; (e) reducing crime and enhancing citizen security; and (f) strengthening institutional and organizational capacity. This was unambiguously confirmed during recent country consultations with representatives of the government and other participants. These challenges are summarized in order below.

[16] *Revision of OECS Development Strategy*, OECS Secretariat, January 2008; *Development Context—A Synergistic Approach to Reducing Vulnerability and Building Resilience*, OECS Secretariat, September 2009; *Synergies, Gaps and Recommended Interventions: Input to OECS Development Strategy*, Dr. Sylvia Charles, Consultant, February 2010.
[17] *Development Context—a Synergistic Approach to Reducing Vulnerability and Building Resilience*, OECS Secretariat, September 2009.

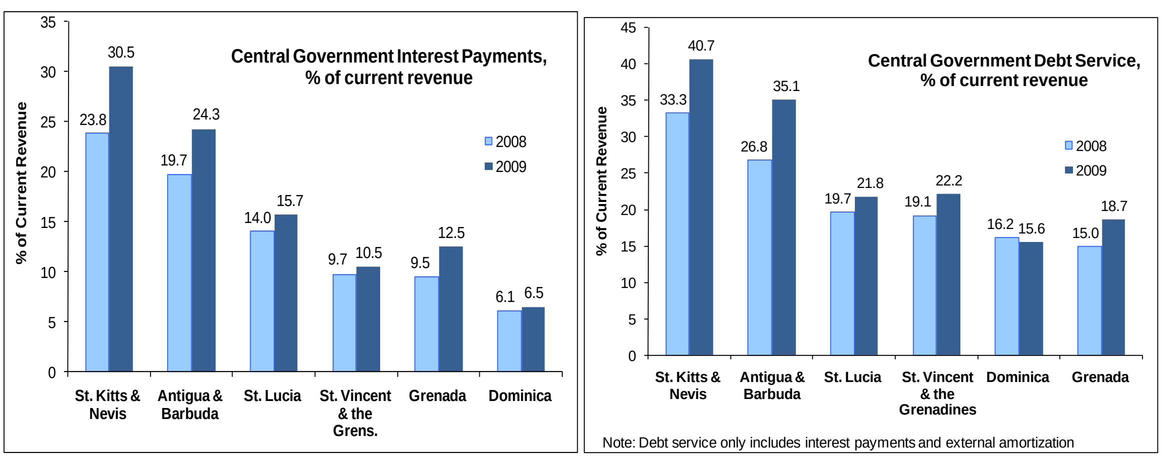
A. Improving Fiscal and Debt Management

40. **OECS countries are characterized by very high indebtedness.** Total public debt to GDP averaged around 99% in 2008—ranging from over 177% in St. Kitts and Nevis to 66% and 67% in St. Lucia and St. Vincent and the Grenadines respectively, with others between 87% and 102%. About half of the current debt is external, but even domestic debt is pegged to foreign currencies by virtue of the ECCU's fixed exchange-rate regime. (Appendix 4).

41. **This high level of public debt is constraining the countries' development options as well as their ability to implement policies to enhance growth and ensure social stability**. First, debt service is crowding out critical social expenditures and other outlays necessary to improve the business environment (Figure 6). Second, it contributes to increased financing costs and interest payments, creating pressure for further borrowing, making the roll-over of maturing debt more difficult, and exacerbating the risk of default in some countries. Third, it limits the scope for counter-cyclical fiscal policy to mitigate the impact of the global crisis on the domestic economy, with negative implications for unemployment and poverty. Fourth, it constrains the countries' capacity to deal with natural disasters in a region prone to such disasters where the population customarily relies on government help. Finally, it inhibits governments' capacity to act as development partners and to attract foreign investment through public-private partnerships.

42. **If nothing is done, public debt is projected to increase.** The authorities recognize this and are currently considering measures to reduce the debt burden and create fiscal space for economic and social development. At their request, the Bank is developing a framework solution. In addition, CIDA is providing resources to the ECCB for technical assistance to support its help to member countries in better managing their debt stock.

Figure 6: Interest Payments and Debt Service as % of Central Government Revenue



Source: IMF

43. **The combined global and regional shocks have prompted the OECS to implement a number of measures designed to mitigate their social, fiscal, and regulatory impact**. For example, to soften the impact of price increases, the governments implemented a number of measures to protect the most vulnerable parts of the population. These included the suspension of import duties and other taxes on basic consumer items, controls on retail markups and profit margins, and limited commodity price subsidies to vulnerable groups.

44. **While these measures were effective, they also worsened governments' fiscal positions at a time of sharply lower government revenues**. To address this challenge, some governments have taken action to control the size of public payrolls, to enhance public sector performance and efficiency by undertaking functional and expenditure reviews, and negotiating wage freezes with unions. They have also sought additional financing from international financial institutions (IFI) and donors: Grenada has received additional funds under its IMF Poverty Reduction and Growth Facility (PRGF) program; St. Vincent and the Grenadines, Dominica and St. Lucia have received financing under the Rapid-Access component of the IMF's Exogenous Shocks Facility; St. Kitts and Nevis has received assistance under the IMF's Emergency Assistance for Natural Disasters Facility; Grenada has received support under the EC Vulnerability Flex mechanism; Antigua and Barbuda, St. Vincent and the Grenadines and Grenada have received Development Policy Loans from the CDB; and Grenada and St. Lucia have requested Development Policy Loans (DPLs) from the World Bank.

45. **The limited fiscal space, particularly in the more highly indebted countries such as St. Kitts and Nevis, has encouraged them to pursue policies aimed at achieving larger primary surpluses**. Some progress has been made on fiscal consolidation through increased tax revenues, primarily from strengthened tax administration, a broadened tax base, and improved efficiency of tax collection (*e.g.* through planned value added taxes (VATs) and market value-based property taxes). Still, further efforts are needed to continue reducing vulnerabilities.

B. Protecting and Improving Human Capital

46. **OECS governments aim to strengthen safety nets in order to avoid potential declines in living standards while maintaining and improving investments in human capital**. They also aim to strengthen the resilience of their societies by improving the quality and relevance of education, the capacities of health systems to address the growing burden of non-communicable diseases (NCDs), and the efficiency of social expenditures.

47. **OECS governments recognize the inadequacy of their existing safety net programs** which, according to Bank analytical work, are characterized by fragmentation and lack of coordination between agencies; inadequate targeting, resulting in duplication as well as gaps in coverage; and inadequate implementation capacity, management information systems, and accountability mechanisms. As part of their response to the global crisis, they have decided to undertake policy reforms with a view to strengthening social safety nets—one part of the broader spectrum of social protection programs that attract support from many donors, including the Bank, CDB, DfID, EU, OAS and UNIFEM and UNICEF.

48. **Although primary and secondary enrollments have increased and primary level teaching materials and curricula have been standardized, education quality, relevance and efficiency continue to be a challenge.** Literacy and numeracy remain low. High youth unemployment and skills shortages indicate a disconnect between supply of skills and labor market demands that are a result of several competing factors: (a) a shortage of qualified teachers; (b) poorly developed early childhood education systems; (c) low enrollment at tertiary levels; and (d) inability of education and training programs to adapt in a timely manner to changing labor market needs. At 6.8% of GDP, education already receives substantial resources, so the margin for increase is limited and its increasingly diverse needs will therefore have to be met through improved efficiency. Recognizing these challenges, OECS countries have developed plans to improve the quality and relevance of their education systems, which receive strong donor support

from the Bank, CDB, CIDA, EU, IDB, OAS, and USAID with interventions spanning the range from support to basic education and student loans to skills training aimed at preparing youth for the workforce.

49. **OECS governments have been pre-occupied with identifying ways of delivering quality, cost-effective health services more efficiently**. The incidence of non-communicable diseases (NCDs) and chronic conditions such as hypertension, diabetes, cancer, strokes and coronary disease has been rapidly increasing. NCDs are not only now the major cause of death, but also account for a growing portion of health spending. If this trend continues, it could threaten the sustainability of OECS' health systems. Against this background, OECS governments recently agreed to upgrade their health management information systems (HMIS) as an effective means of strengthening their healthcare systems overall and, in addition, to prepare a sub-regional strategic plan for HMIS by 2012.[18] This is a major step towards harmonizing data collection and reporting in the sub- region in order to better understand disease burdens and risk factors and thus to develop more effective prevention and treatment programs. However, HMIS are only part of the solution. OECS governments could also share capacity and pool resources by adopting a regional approach to common health care needs. An important first step would be the elaboration of a plan and strategy to improve health services in the sub-region. In this context, PAHO has been providing technical assistance including on NCDs and HIV/AIDS and the development of health systems. Programs supported by the Bank, USAID and DfID continue to focus on HIV/AIDS and related health systems. EU also provides support to the health sector in some countries.

C. Reducing Vulnerability to Natural Disasters and Strengthening Environmental Management

50. **The sub-region suffers from several weather-related hazards[19] and, due to climate change, rising sea levels**. Recently intensifying storms and rainfall concentration exacerbate existing hazard patterns and could put stress on water supply. The Eastern Caribbean is also subject to significant geological hazards. To lessen their impact, OECS countries have stepped up efforts to preserve and protect their natural environment. In 2006, they ratified the St. Georges Declaration, updated in 2008, which identifies principles and guidelines for the use, conservation and management of the region's natural resources.[20] Key threats to its ecosystems include over-exploitation of their resource base, loss of natural habitats, changes in water quality and quantity, and climate change. If current trends continue, an estimated US$350-870 million will be lost annually between 2015-50 through declining fish catches, reduced tourism, and loss of shoreline protection associated with coral reef degradation.[21]

51. **There has been progress in some areas of environmental management, including governments' commitment to major international agreements on climate change and environmental sustainability**, adoption of key legislation to protect their natural resources, preparation of national biodiversity strategies and action plans (NBSAP), and implementation of programs and activities for the conservation and sustainable use of natural resources. But much

[18] Health Information Systems Workshop, Belize, August 17-19, 2009.
[19] Major events affecting the Eastern Caribbean in recent years include Hurricane George (1998), Hurricane Ivan (2004), Hurricane Dean (2007), and Hurricane Omar (2008).
[20] St. Georges Declaration of Principles for Environmental Sustainability in the OECS, 2006.
[21] *Reefs at Risk in the Caribbean*, L. Burke and J. Maidens, World Resources Institute.

remains to be done, particularly in the areas of providing adequate and sustainable sources of financing for conservation and management of critical ecosystems; sub-regional-wide monitoring of critical ecosystems; policy reforms; regional and national institutional strengthening; and public awareness.

52. **Despite significant investment in response capacity and progress in understanding disaster vulnerabilities, OECS countries continue to face high levels of risk associated with natural hazards, water availability and a changing climate**. In particular, aging public infrastructure in sectors such as health, education, water, and roads represents very high levels of vulnerability. Annual hurricanes, exacerbated by the effects of climate change and combined with less frequent but devastating geological events, continue to be a serious drag on their development prospects. To reduce the adverse effects of these natural phenomena, there is a continued need to rebuild damaged infrastructure with more resilient structures, to reduce the current vulnerability of critical infrastructure, and to supplement these actions with comprehensive disaster risk reduction measures, such as preventative maintenance, appropriate zoning, hazard mapping, establishment and enforcement of construction codes, disaster information mechanisms, and flood and landslide mitigation. Disaster response and vulnerability reduction attract significant donor support from the Bank, CDB, CIDA, DFID, EU, JICA, IDB, and the UN system. Interventions range from contribution to financing of the CCRIF to rebuilding damaged infrastructure resulting from storm surges and flooding.

D. Enhancing Competitiveness and Stimulating Sustainable Growth

53. **Country consultations highlight the need for OECS countries individually and as a group to define a strategic vision for their economies reflecting the changing global environment and exploiting the sub-region's comparative advantages.** Such a strategy would need to include growth enhancing interventions: (a) to support the development of possible new sources of growth such as offshore education, health and wellness tourism and high–end information and communications technology (ICT); and (b) to expand existing critical sectors such as tourism, agriculture, creative industries, and manufacturing.[22]

54. **The sub-region requires high and sustained growth in order to address its long-term as well as emerging social challenges.** To move beyond its historical growth performance (paras. 15-18) and achieve faster growth than currently projected (Table 3), the OECS countries should consider implementing comprehensive reforms to address the long-term constraints to growth such as small economies of scale, low productivity and difficult business environment. Increasing regional integration through reducing trade barriers and harmonizing trade procedures in the OECS will be key to sustained growth. The creation of a largely integrated regional economy can potentially improve allocation of resources, lower cost of inputs through greater competition and economies of scale for firms operating in the region. Sustained improvement in total factor productivity is also an important driver of growth. Empirical studies have shown that fast growing economies in the world have all achieved sustained increase in total factor productivity and this was one of the main factors leading to convergence among economies. Streamlining public investment programs will be important as these programs have contributed to increasing indebtedness but not succeeded in crowding in private investment, in large part because of a lack of strategic vision and feasibility checks before new projects are introduced into

[22] *OECS: Towards a New Agenda for Growth*, World Bank, 2005 provides a useful analytical base.

governments' investment programs. Additionally, out-migration and lack of skilled labor in the OECS has led to a slowdown in productivity growth over time. Efforts to strengthen business environment, in particular, by rationalizing the investment regime and improving the delivery of key government services, will also be critical.

55. **One of the sub-region's significant advantages is its strategic location at the center of a large regional market.** Today the scarcity of physical resources that comes with small size is no longer a major constraint on diversification. With the expiration of the Cotonou preferences in 2007 and the signing of an EU-Caribbean Economic Partnership Agreement (EPA) in 2008, the OECS has had to adapt to an erosion of preferential access to European markets for its exports and the opening of its markets to EU imports. Implementation of the Caribbean Single Market and Economy (CSME), of which OECS countries are members, will bring about another set of challenges and opportunities. Opportunities lie in the development of the private sector's competitive potential in the OECS. IDB, DfID and CIDA are partnering in delivering the Compete Caribbean Program, a $3 million five-year commitment aimed at: developing and sustaining regional and national private sector strategies; promoting a competitive, growth-oriented business and investment climate; and promoting innovation, productivity and the sustainability of key Caribbean pillars. The Bank Group, EU and CDB also support private sector development.

56. **Exploiting the OECS' comparative advantage will require a host of improvements in their business environment**. These include strengthening the investment climate, expanding the skills base, promoting innovation and technology adoption, and improving international transport services and electricity supply. Feedback from consultations identified the need for a more nurturing environment for private sector development, particularly for MSMEs. The governments are keen to modernize the business environment by improving regulations to foster much needed private sector development, streamlining administrative procedures, improving coordination among authorities, and generally reducing red tape for cross-border trading. Key regional institutions, such as OECS' Secretariat and the ECCB, prioritize greater sub-regional harmonization in new company registration, customs procedures, and paying taxes as well as filling regulatory gaps in credit information, and they are encouraging the OECS countries to work together in these areas.

57. **The high cost of doing business in the OECS is a significant challenge.** Knowledge and technology services, which are less susceptible to economies of scale and distance, are key factors in the economy. Cooperation at the sub-region level has already helped to reduce the fixed costs of some public and private services and there is potential in others, including transportation. The cost of electricity is high, which negatively impacts competitiveness. At the 49th Meeting of the OECS Authority in Tortola in May 2009, OECS Heads of Government endorsed the proposal to establish a regional energy regulator; and at the 50th meeting in Anguilla in November 2009, they approved establishment of an ICT Ministerial Council[23] to guide policy making in ICT—a major area for growth, diversification, regional integration and overall competitiveness. Upfront costs for infrastructure investments are high, given the small size/lack of scale for projects in OECS markets, and the need to import most inputs. Furthermore, weak or inadequate regulatory frameworks, and often lack of transparency aggravate further the cost structure of infrastructure investment. The very limited fiscal space for public investments means

[23] 50th meeting of OECS Authority in Anguilla, November 2009.

that private sector participation in the provision of reliable, affordable and sustainable infrastructure services is essential; and, building an environment conducive to private investments in infrastructure is a priority.

58. **OECS' vulnerabilities in the financial sector include issues of liquidity and solvency among local banks and the need to strengthen the regulation of financial institutions.** The global financial crisis triggered the collapse of a Trinidad-based conglomerate CL Financial and its subsidiaries in January 2009. As a result, its life insurers were unable to meet their obligations to policyholders which amount to at least US$600 million. These events underscore the need for capacity building and technical assistance to support an orderly resolution and to take preventative steps such as improving the supervision of non-bank financial institutions. In addition, liquidity problems being faced by some local banks, credit unions and social funds are due to their exposure to CL Financial's subsidiaries. The CDB and ECCB have been working with the Bank Group and the IMF to find a comprehensive solution to these problems which, if not addressed, could destabilize the OECS' small economies.

59. **The crisis also decreased the availability of credit to the private sector**. This has had a disproportionately negative impact on microfinance institutions which, besides their familiar institutional capacity and credit information challenges, confront increased risk aversion by lending institutions. Moreover, government presence or intervention has in some cases resulted in market distorting effects, thus dampening the emergence of commercial lending to micro, small, and medium enterprises (MSMEs).

E. Reducing Crime and Enhancing Citizen Security

60. **Unemployment, social marginalization and inequality, as well as the ineffectiveness of the criminal justice system, are contributing factors to a deteriorating social situation and the stability of the tourism sector.**[24] The OECS Secretariat, in collaboration with OECS' Supreme Court, is addressing the growing problem of crime and violence through a series of judicial and legal reforms designed to improve the legal system's efficiency and fairness. Members of the Bridgetown Group[25] are carrying out several interventions aimed at reducing crime and enhancing citizens' security, particularly to mitigate the effects of the drug trade including *inter alia*: (a) improving national and regional institutional capacities and providing reliable funding for national and regional crime and security agencies; (b) implementing programs designed to reduce idle time and prevent crime among vulnerable and susceptible youth by engaging them in community and sports activities and organized programs; and (c) training staff in harm reduction, research, and monitoring and evaluation; and supporting non-state actors.

F. Strengthening Institutional and Organizational Capacity

61. **OECS members' civil services are permanent, providing continuity, institutional memory and stability at the administrative level regardless of which political party is in**

[24] *The OECS: Challenges to building competitiveness and resilience*, OECS Secretariat, December 2004.

[25] The Bridgetown Group, an informal donor group that meets monthly to discuss issues relating to crime and security within the Eastern Caribbean, has three main objectives: (a) to analyze and exchange views on problems arising from the drug trade; (b) to make recommendations both to members and partner countries about how to address these problems; and (c) to co-ordinate their response to these problems particularly as regards members' cooperation with partner countries. Membership is open to EU Member States, Canada, Australia, Japan, US, OAS, and the UNODC.

power. However, they are also large, bureaucratic and burdensome relative to their small economies. Moreover, capacity is lacking in public sector investment programming, a particular concern due to the need for rapid responses to natural disasters and other external shocks. Improving the efficiency and transparency of public expenditures and the efficient and cost-effective delivery of public services continue to be high priorities, not least because public sector wages account for about half total recurrent expenditures, which have also been growing as a share of GDP in the last three years.

62. **Several studies have also highlighted inadequate public sector incentives and accountability, weak internal control systems and oversight bodies, and inadequate mechanisms for regular evaluation of policies, programs, projects and the performance of public agencies.** In addition, there are serious organizational capacity constraints. Although OECS countries are small with extremely limited resources, the scope and size of their public sectors matches those of many larger countries, with mandates often exceeding their ability to deliver. Thus, many governments have taken steps to privatize or commercialize some of their functions.

63. **Institutions at the sub-regional level are hampered by similar challenges.** The ECCB's effectiveness in coordinating monetary policy and further integrating the sub-region's financial system is complemented in other areas by its counterpart coordinating body, the OECS Secretariat. The latter's mandate is: (a) to promote cooperation and economic integration among the Member States; and (b) to defend their sovereignty, territorial integrity and independence. Over the years, this has evolved to include a focus on research and strategic policy advice, resource mobilization, and technical support. The ECCB is an effective counterpart and robust champion of financial and monetary issues. Its relative strength and the peculiar circumstances of its member countries have exposed it to pressure to diversify its activities beyond the core functions of a traditional central bank. The Secretariat, on the other hand, struggles to manage an overly broad mandate because of limitations on its ability to strengthen its human resources. Notwithstanding these constraints, the Secretariat has made strides in implementing regional programs and projects in a variety of sectors, with the support of several multilateral and bilateral donors. Further, given the need to achieve greater operational effectiveness and efficiency in implementing the OECS integration mandate and associated strategies, the Secretariat is strengthening its operational framework and administrative systems through the OECS Institutional Strengthening Project, funded by CIDA.

64. **The Treaty establishing the Economic Union that is to be signed in June 2010 sets up an entirely new OECS governing structure**, including a Commission with fulltime members drawn from each member state. This is an opportune moment for the OECS to create a more effective organization, drawing on the successes and the lessons of the past; one that is appropriately resourced to fully embrace the demands of an economic union.

IV. BANK GROUP PARTNERSHIP STRATEGY

A. Country Assistance Strategy, FY06-09

Lessons learned

65. **The Completion Report for the last CAS concluded that it identified correctly the challenges faced by OECS countries and focused on the right priorities, but was too ambitious in three respects** (Appendix 2). First, whereas it had envisaged high case lending of up to $103 million, actual commitments totaled only $53 million.[26] Second, the scope of reforms envisioned in some areas―*e.g.* the attempt to privatize St. Lucia's water sector and the proposed conversion of key public entities to Executive Agencies―was unrealistic. Third, the implementation timetable was too optimistic, with most operations requiring extensions of closing dates to achieve their objectives. On the other hand, the last CAS proposed a new way of doing business based on three guiding principles―first, supporting regional integration and coordination; second, partnering and harmonizing with other development partners; and third, pursuing simplification and capacity building initiatives tailored to small states―and this had been effectively implemented. A notable example of the first principle was the creation of the Caribbean Catastrophe Risk Insurance Facility (CCRIF), which provides immediate post-disaster liquidity to governments affected by natural catastrophes.[27] Other key lessons learned during implementation of the last CAS that have been taken into account in defining this Strategy are outlined in Box 1 below.

66. **Meanwhile, the recommendations of a 2007 Independent Evaluation Group (IEG) study of regional programs are also reflected in this Strategy**.[28] In particular, the Strategy builds on five key success factors for effective regional programs identified in IEG's evaluation: (a) strong country commitment to regional cooperation; (b) realistic scope matched to national and regional capacities; (c) clear delineation and coordination of the roles of national and regional institutions; (d) accountable governance arrangements; and (e) planning for sustainability of outcomes at national and regional levels.

67. **Finally, the recently concluded Country Portfolio Performance Review (CPPR) found that project designs were overall of high technical quality**. However, several projects rated best practice upon entry had declined to moderately unsatisfactory at closing, signaling challenges during implementation. However, governments' financial management and procurement capacity had improved compared with the previous (FY02-06) CAS. Lessons from the last CPPR in addition to those raised in the Completion Report are outlined in Box 2 below.

---

[26] Some governments decide that it was not prudent to borrow on IBRD terms given the availability of other concessional resources, while others could not access IBRD funds because they had not met the established lending triggers.

[27] The Caribbean Catastrophe Risk Insurance Facility (CCRIF), the first regional joint reserve mechanism of its kind worldwide, was established with Bank technical assistance at the request of CARICOM. All sixteen members of the CCRIF are CARICOM members or associate members. The Bank leveraged over $65 million in grant funding from development partners to support the CCRIF's establishment and initial operations. The OECS Catastrophe Insurance Project covered the entry fee and insurance premiums for up to the first three years of the CCRIF's operations for IDA-eligible OECS member countries.

[28] Independent Evaluation Group, *The Development Potential of Regional Programs, An Evaluation of World Bank Support of Multi-country Operations*, 2007.

Box 1: Lessons from CAS FY06-09

- **Maximize impact of Bank assistance** by selective interventions, building on the institution's comparative advantage, closely coordinating with partners, and leveraging partner resources.
- **Employ regional/multi-country approach to lending**, with flexibility in implementation at country level to enable tailoring of projects to specific circumstances. Economies of scale in preparation, particularly where high technical skills needed, and benefits of deeper integration of small economies continue to justify regional approaches.
- **Pay special attention to understanding local political economy,** working with governments, donors and civil societies to build broad-based consensus before proceeding with reforms involving policy change.
- **Strengthen sub-regional institutions** to enable them to champion initiatives and better facilitate definition and implementation of sub-regional agenda.
- **Simplify projects**, particularly implementation and procurement arrangements, to reflect specific circumstances of small economies and regional/multi-country projects, thereby enhancing prospects for smooth implementation in an environment where institutional capacity is limited.
- **Improve data collection and analysis** to strengthen monitoring and evaluation capacity as basis ultimately for evidence-based policy making.
- **Successful interventions are characterized by close Bank staff involvement** in all aspects of project design and implementation, strong and close working relationships with government and other donor counterparts, and multiple instruments—for example analytical work preceding investment lending to address the challenges identified.
- **IFC opportunities for successful engagements are enhanced by improved country knowledge**, increased regional presence to improve responsiveness to emerging challenges, and in-country advisory services to improve the business climate and the capacity of firms to engage.

Box 2: Lessons from the CPPR 2009

- **Alignment between CAS and country electoral cycles:** Since OECS countries' election cycles are not harmonized, governments may change during a CAS period. Elections and particularly changes in government tend to slow project implementation. Further, a new government's policies may not be adequately captured within an existing sub-regional strategy and the Bank could be perceived as unresponsive.
- **Challenges of small size:** Scarcity of skilled civil servants means that the same people are required to manage projects in addition to their usual demanding duties. It is also difficult to find qualified persons to staff project coordinating units (PCUs) and there is a very small pool of consultants and firms from which to procure goods and services making competitive procurement requirements difficult to comply with.
- **Design and supervision of sub-regional (as opposed to multi-country) projects**: Regional projects require similarly high priority, readiness and consensus on the distribution of costs and benefits across all participating countries. Thus, it is crucial during both design and implementation that Bank teams extend their engagement beyond PCUs to involve a range of stakeholders in consultations and public awareness efforts to build broad-based commitment to project objectives.
- **Adaptable Program Loan Instrument** (APL): The APL has become the instrument of choice for regional or multi-country interventions, because of the flexibility for countries to join once they have achieved the necessary level of preparation to effectively carry out implementation. However, two challenges remain. First, defining the project in a way that permits country level customization. Second, the risk that other countries never join the program or are very late in doing so, which can reduce, even eliminate the cross-benefits once the project is implemented in multiple countries simultaneously, as well as the cost effectiveness of Bank preparation and supervision.
- **Coordination and harmonization with development partners**: Successful interventions include Bank administered trust funds which stand alone or which co-finance Bank-funded projects, such as the Grenada Hurricane Ivan Emergency Recovery project—co-financed by an EU trust fund and multiple-donor financed technical assistance—or analytical work, such as the World Bank/United Nations Office of Drugs and Crime study on crime and violence in the Caribbean.

B. Partnerships and Participation

i. Development partners and coordination

68. **The Eastern Caribbean Donor Group meets quarterly**, in addition to periodic thematic sub-group meetings covering five areas: governance; environment and climate change; macroeconomic and public financial management; private sector; and poverty and social sectors. These meetings, held in Barbados, are coordinated by UNDP and attended by development partners represented in Barbados: CDB, CIDA, DfID, EU, PAHO, USAID and the UN agencies. The Bank also participates despite not having an office in the Eastern Caribbean.

69. **Development partner efforts to improve mutual collaboration have resulted in three joint programs planned for implementation during this Strategy**. First, a three-way Bank/ CIDA/IMF partnership on CIDA's Supporting Economic Management in the Caribbean (SEMCAR)[29] initiative where, building on experience gained under the OECS E-government for Regional Integration Project (EGRIP), CIDA will establish a multi-donor trust fund to be administered by the World Bank. The latter will aid governments Caribbean-wide to strengthen public financial management, tax administration, and customs systems with technical assistance provided by Bank and/or IMF specialists. Second, there is the Pilot Program for Climate Resilience (PPCR), where interventions will pilot new methods and scale up established ones to integrate climate risk and resilience into development planning and implementation and are strategically aligned with other donor-funded activities. Third, UNICEF, UNIFEM and the Bank will undertake social safety net assessments in OECS countries as a first step towards designing longer-term improvements in social assistance program outcomes.

70. **The Bank will continue to partner and harmonize in both lending and analytical work** to enhance development impact and reduce transaction costs, building on the results achieved during the FY06-09 CAS. Coordination is particularly challenging in the OECS sub-region because not all donors are active in all countries and assistance is delivered through instruments or processes that are not easily compatible. However, donors continue to seek opportunities for closer and more effective collaboration (Appendix 3). Joint missions, co-financing, and sector-wide approaches to lending (SWAps) are possibilities that have been discussed during preparation of this Strategy.

ii. Participatory process followed

71. **Following meetings with senior officials and key counterparts at the ECCB and OECS Secretariat during May-October 2009, consultations with representatives of governments, the private sector, and non-governmental organizations were conducted in each OECS country during January-February 2010**. Overall, the proposed Strategy was broadly endorsed. Specifically, there was broad agreement on the Bank's diagnosis of sub-regional challenges and priorities, on the sub-regional/multi-country approach to Strategy implementation, and on the principal, albeit not exclusive focus on crisis response interventions in the short term. There was significant overlap in the areas of support identified in the proposed Strategy and the priorities identified by the participants. IFC's presentation stimulated much

[29] Expected to be implemented in two phases, the first one of up to CDN$20 million for policy TA and urgent ICT investments (notably for tax administration) and a second phase tentatively estimated at CDN$50 million mostly related to ICT investments in PFM, tax and customs.

interest and discussion and there was broad agreement on the four areas planned for its interventions: financial markets; infrastructure; investment climate; and growth sectors, including sustainable tourism (Appendix 5).

C. Existing Portfolio

72. **On July 1, 2009, the Bank's OECS portfolio comprised fifteen projects (thirteen loans and two GEF grants) representing a total commitment of $82.2 million, of which $41.8 million, or 50.9%, had been disbursed (Table 4)**.[30] The OECS disbursement ratio is 26.2%, compared to 24.9% Bank-wide. However, 27% of the portfolio is considered "at risk" representing 18.6% of total commitments, compared to (LAC) regional averages of 23% and 12.6% respectively. Two projects (*St. Lucia Skills for Inclusive Growth* and *Implementation of Adaptation Measures in Coastal Zones*) are rated "marginally unsatisfactory" and the *Grenada Public Sector Modernization Project* is rated "unsatisfactory'. The Bank is working closely with the respective governments to resolve each project's issues and to continue to improve implementation capacity as outlined in Box 3 below.

Box 3: Strategies to improve Project Implementation

- To improve the operations of Project Coordination Units (PCUs) in OECS countries, the Bank will continue to deliver intensive training in procurement, financial management and project management to PCU staff, line ministry staff and the staff of sub-regional institutions, as appropriate. Central Tender Boards, which oversee their respective country's procurement, will benefit from this training and other technical assistance aimed at strengthening national procurement capacity. These activities will complement the broader public procurement reform already launched by OECS countries and supported by the Bank.
- To ensure that efficiency gains in project management are achieved, the Bank will endeavor to simplify and streamline procedures, particularly those relating to procurement, through its team of fiduciary experts, to better respond to the circumstances of small states and multi-country projects.
- To facilitate sharing of experience and application of practical tools to address the special implementation challenges that arise in small states and multi-country projects, the Bank will also support the establishment of a network of OECS project management practitioners.

73. **In addition, the portfolio included trust funds totalling $16 million as at July 1, 2009**.[31] These include the *Grenada Post-Hurricane Ivan School Rehabilitation Fund* ($14.2 million), *Links between Poverty and Environment in Four Small Island Developing States* ($332,000), *OECS Catastrophe Insurance* ($510,000), *OECS Strengthening Institutional Capacity for Project Implementation* ($403,450), *Chlorofluorocarbon Phase-out Management Plan for Antigua and Barbuda* ($97,300), *Dominica Growth and Social Protection Technical*

[30] As of May 1, 2010, the Bank's OECS portfolio comprised 16 projects representing a total commitment of $84.5 million, of which $50.9 million or 60.2% had been disbursed; this includes the *OECS EGRIP (St. Vincent and the Grenadines APL 2)* in the amount of $ 2.3 million approved in December 2009.

[31] As of May 1, 2010 the following IDF Grants have been approved for the corresponding amounts: *to promote efficiency in public expenditure* (Antigua and Barbuda $310,000), (Grenada $350,000), and (St. Lucia $421,200); *for strengthening supervision of the non-banking financial sector* ($455,000); for *institutionalizing performance, monitoring and evaluation in the OECS* ($370,600) and *for strengthening the Institute of Chartered Accountants of the Eastern Caribbean* ($455,000).

Assistance ($786,200), and *Grenada Skills for Inclusive Growth Project Preparation Grant* ($150,000).

Table 4: Active loans and large grants, July 1, 2009

OECS CAS FY06-09	**Active Loans and Grants** (participating countries) volume in millions
Pillar 1 : **Stimulating Growth and Improving Competitive-ness**	**OECS Skills for Inclusive Growth** (St. Lucia and Grenada) $6.5 **OECS Education Development Project** (Grenada and St. Vincent and the Grenadines) $15 **HIV/AIDS Prevention and Control** (St. Lucia and St. Vincent and the Grenadines) $13.4 **OECS E-Government for Regional Integration** (Dominica, Grenada, and St. Lucia) $7.2 **OECS Telecommunications and ICT Development** (all except Antigua and Barbuda) $2.7 **Dominica Growth and Social Protection Technical Assistance Credit(TAC)** $1.5 **Grenada Public Sector Management TAC** $3.5 **Grenada TAC** $1.9
Pillar 2 : **Reducing Vulnerability**	**OECS Caribbean Catastrophic Risk Insurance Facility** (OECS) $14.2 ***GEF OECS Protected Areas and Associated Livelihoods*** *(OECS) $3.7* ***GEF Implementation of Adaptation Measures in Coastal Zones*** *(Dominica, St Lucia, and St. Vincent and the Grenadines) $2.1 million* **St. Lucia Disaster Management II** $10.5

74. **During the last CAS, IFC engaged in three projects for a total commitment of $58.6 million**, including its first direct investment in Antigua and Barbuda and first trade finance operation in the sub-region. The $30 million investment in education in Antigua and Barbuda is expected to help diversify the local economy and contribute to local employment and development of service industries. An added benefit is the establishment of a new business relationship with an extra-regional partner. The other two projects in St. Lucia's financial sector include a trade line that has generated $8.6 million in trade finance guarantees and a $20 million commitment to support St. Lucia's only domestic bank in its growth strategy to improve its financial management and environmental and social management capacities and increase access to finance for local MSMEs. IFC advisory services for the development of a regional credit bureau and to the Bank of St. Lucia are contributing to the strengthening of the OECS' financial sector. Most recently, Antigua and Barbuda has requested IFC support for the privatization of its state-owned insurance company. The Bank Group has also provided extensive support for improving OECS' investment climate through its Doing Business team.

D. Proposed Partnership Strategy

75. **The overall thrust of the proposed FY10-14 Strategy focuses on two inter-related strategic objectives or pillars: first, building resilience; and second, enhancing competitiveness and stimulating sustainable growth in the medium term**. Its design draws on experience gained and lessons learned (paras. 65-67 and Boxes 1 and 2) and is framed by the following four additional factors: (a) the crippling effects of the global and regional crises and the need for urgent remedial measures; (b) the OECS' continued focus on deepening regional integration and functional cooperation; (c) the reluctance of some countries to borrow except on

highly concessional (*i.e.* IDA.) terms and the relatively small IDA allocations available[32]; and (d) the Bank's desire to focus support on addressing cross-border constraints and exploiting cross–border opportunities. The Strategy employs a regional/multi-country approach to its interventions with country level customization.

76. **The choice of sectoral and/or thematic interventions takes into account two considerations: (a) areas where OECS countries have requested Bank Group assistance and where the Bank has a comparative advantage: and (b) areas that present opportunities for coordination with development partners and/or leveraging their resources**. The existing portfolio of lending and non-lending activities carried over from the last CAS fits squarely within the two pillars identified. In other words, there is significant continuity between the last CAS and the proposed new Strategy which are built on similar pillars and principles of engagement.

i. Mode of Bank Engagement

77. **The sub-regional/multi-country approach.** The proposed FY10-14 work program will employ a sub-regional/multi-country approach to both lending and non-lending activities that produce significant cross-border benefits in areas where consistency of policies and actions add credibility, economies of scale or potential competition. This approach will: (a) enhance the overall impact and/or design and implementation of the program; (b) maximize the impact of scarce, specialized resources in the sub-region; (c) support OECS countries' moves towards deeper sub-regional integration; and (d) permit access to a larger pool of concessional resources through the IDA allocation for regional activities.[33] It will also improve the cost-effectiveness of Bank services by spreading the fixed costs of preparing or monitoring projects or programs across a large number of beneficiary countries. Care will be taken in the design of multi-country projects to define activities in such a way as to allow for country-level customization.

78. **The decision to embark on a regional/multi-country program was not taken lightly given the reality, borne out by Bank-wide experience, that sub-regional/multi-country operations are inherently more risky than single country ones.**[34] To mitigate the risk, sub-regional/multi-country lending will only be pursued where: (a) the operation is grounded in: (i) sound analytical work; (ii) extensive and ongoing policy dialogue; or (iii) sub-regional or national or sector strategies/plans; and (b) the capacity of the counterpart is determined to be strong and/or where project implementation arrangements ensure that the needed capacity is available. Efforts

---

[32] Of the six countries which this Strategy covers, four namely, Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines, are eligible to borrow from IDA as well as IBRD.

[33] The regional IDA allocation can be used to finance "regional projects" which are defined as operations: (a) that involve three or more countries, all of which need to participate for the project's objectives to be achievable; (b) whose benefits, economic or social, spill over country boundaries; and (c) that provide a platform for a high level of policy harmonization between countries and, importantly, that are part of a well-developed and broadly supported regional strategy. Projects are normally funded one third from the country envelope (subject to a cap of 20 percent of the annual national IDA allocation) and two thirds from the regional envelope. A lower level of leverage could be employed if some project components are primarily national in scope.

[34] Research suggests that regional/multi-country projects: (a) take longer to prepare and cost nearly twice as much as the Bankwide average; (b) have high strategic relevance, but, in the absence of a suitable Bank instrument for regional lending, task teams were forced to fall back on country-based models that were found to be a major impediment with high transaction costs; (c) have weak implementation arrangements which were adversely affected by readiness and realism of the time frame for implementation; and (d) require more support from regional quality assurance teams and country management and a strong peer review process. *Regional Projects, a QAG Learning Review,* February 2010 (draft).

will be made to strengthen the capacity of sub-regional bodies to enable them to act as champions for sub-regional development initiatives through training included as part of a project's activities or performed through other means, such as targeted small grants.

79. **Instruments.** The Strategy will achieve its outcomes through a mix of instruments: development policy lending, investment lending, technical assistance, and analytical work. Every effort will be made to leverage grant resources and additional donor financing to augment the program. To leverage the countries' limited resources and the Bank's limited lending envelope, consideration will be given to innovative financing products such as output-based schemes or guarantee products which could attract private sector financing.

Box 4: Strategic use of Trust Funds

Trust funds will be used:

- To promote organizational and institutional capacity-building;
- To complement existing programs with targeted technical assistance;
- To facilitate response: (a) in national or regional priority areas, even if these are not the focus areas of the RPS; and (b) to external shocks and emergencies; and
- To engage in countries and/or sectors where the Bank may be constrained from having an active lending portfolio.

80. **Financing.** The available envelope (SDR 21.8 million or $32.3 million) reflects IDA 15 country allocations for FY09-11 less resources already borrowed by each country during FY09. While the amount of the IDA envelope for the remaining three years of the Strategy (FY12-14) will not be known until end-FY11, it is assumed here that the IDA 16 allocations will be the same as those under IDA 15 (SDR 27 million or $41.4 million). Thus, the volumes of lending for each operation reflected in Appendix 6 are indicative only. Moreover, actual allocations will depend on: (a) the countries' performance; (b) their performance relative to that of other IDA recipients; (c) the total resources available to IDA; (d) changes in the list of active IDA-eligible countries; (e) the terms of financial assistance provided (grants or loans); and (f) the amount of compensatory resources received for the Multilateral Debt Relief Initiative. Additionally, the indicative IBRD lending program is up to a maximum of $20 million for each OECS country for the period of the RPS (FY10-14), subject to country creditworthiness. In addition to government demand, the indicative volume of IBRD lending is subject to IBRD's lending capacity during the period of the RPS, and exposure management parameters.

Table 5: Remaining IDA-15 allocations and indicative IDA-16 allocations

	IDA 15 remaining (SDR)	IDA 16 indicative (SDR)[35]	Indicative IDA(SDR)	Indicative IDA (US$)
Dominica	4.3	4.3	8.6	12.9
Grenada	2.9	6.3	9.2	13.9
St. Lucia	8.0	9.8	17.8	26.9
St. Vincent and the Grenadines	6.6	6.6	13.2	19.9
Total	21.8	27.0	48.8	73.6

ii. Proposed Bank Group Lending and Non-Lending Activities

81. **Two phased approach to implementation.** Given the thrust of the Strategy and the limited IDA envelope, new interventions will be prioritized and designed to support macro-economic stabilization or to protect the most vulnerable. Additionally, operations that leverage significant donor resources will also be pursued. Following a mid-term review and progress report, lending and analytical work in FY12-14 will be determined based on the countries' performance, global economic conditions, and the outcome of the IDA 16 replenishment.

Table 6: Proposed Lending and Analytical and Advisory Activities, FY10-14

Fiscal Year	**Pillar 1** *Building Resilience*			**Pillar 2** ***Enhancing Competitiveness and Stimulating Sustainable Growth***
FY10 Lending	Economic and Social DPLs (Grenada and St. Lucia) OECS EGRIP Project (St. Vincent APL2)			OECS Regional Energy Regulator Project (OECS)
Non-lending	Multi-Donor Trust Fund for strengthening PFM, Tax and Customs (CIDA's SEMCAR initiative, implemented by Bank and IMF – Caribbean wide[36]) IDF Grant to promote efficiency in public spending (Antigua and Barbuda, Grenada and St. Lucia) IDF Institutionalizing M&E in the OECS (CARICAD)	Social Protection NLTA (OECS) Teachers Career Path NLTA (OECS) BNPP Grant for Gender Equality, Making Youth at Risk Interventions Gender Sensitive	Agriculture Risk Management NLTA (Grenada)	IDF Grant for Strengthening Supervision of the Non-banking Financial Sector FIRST Grant for Strengthening Supervision of the Insurance Sector IDF Grant for Strengthening the Institute of Chartered Accountants

[35] Since IDA 16 allocations will not be available until end-FY11, Table 5 reflects only indicative amounts based on the countries' current IDA 15 allocations.
[36] Twelve countries: six OECS independent states, plus Belize, Jamaica, Barbados, Trinidad and Tobago, Guyana and Suriname.

	Framework Solution for Caribbean Debt Restructuring AAA DeMPAs (St. Kitts and Nevis, Grenada, Antigua and Barbuda)	in the Caribbean (Caribbean wide)		of the Eastern Caribbean BAICO Resolution NLTA Regional Energy Strategy (Caribbean wide)
FY11 Lending	*Potential* Debt Sustainability Programmatic DPLs	Strengthening Social Safety Nets Project/SWAp		OECS Financial Sector Strengthening and Regulation Project Caribbean Regional Communications Infrastructure Program (OECS IDA Blend)
Non-lending	OECS PER, Debt Reduction and Public Sector NLTA	OECS Education Sector NLTA OECS Health Policy NLTA IDF Grant for Improving Human Development Data	GEF Grant to Support OECS Sustainable Financing of Marine Areas Renewable Energy and Island Interconnection AAA	Investment Climate in the Caribbean (Doing Business follow-up) NLTA (OECS)
FY12 Lending		OECS Education Sector SWAp	OECS Disaster Vulnerability Reduction Project	
Non-lending	Fiscal and Debt Sustainability NLTA (including supporting DEMPA for remaining countries)		Pilot program for Climate Resilience (OECS IDA Blend) GEF Sustainable Land Use Planning and Management GEF/Adaptation Fund Climate Resilient Energy Provision	Public Private Partnership: "Strategies and How To" (IFC) Investment Climate Assessment AAA

82. **IFC's strategic areas of focus,** include support for: (a) financial markets, encompassing trade finance, small and medium enterprises (SMEs), credit bureaus, and microfinance; (b) infrastructure, notably energy diversification, transportation and PPP advisory services; (c) investment climate (improving Doing Business indicators and promoting public-private dialogue); and (d) growth sectors and sustainable tourism, including linkages to local businesses, agribusiness, offshore medical/education services and energy efficiency. Further, IFC's field-based advisory team is now equipped not only to advise on the structure of PPPs but also to facilitate their implementation through investment products. Finally, IFC is assessing the feasibility of creating a facility for much needed support to tourism, infrastructure and related industries (e.g. small & medium enterprises, agribusiness). IFC's work in the areas of investment climate and PPP advisory services is being supported by CIDA.

Pillar One—Building Resilience

Results Area 1: Promoting Fiscal and Debt Sustainability

83. The Bank Group will contribute to achieving the following outcomes**:** (a) strengthening debt management; (b) achieving a fiscally sustainable wage bill ensuring key public services coverage; (c) creating closer linkages between public expenditure and development objectives through improved monitoring and evaluation; and (d) improved service delivery across the region through regionally integrated e-government services.

84. Improved fiscal and debt sustainability, enhanced efficiency and transparency of public spending, and more efficient delivery of public services are critical in strengthening the ability of OECS countries to respond to exogenous shocks—as well as laying the foundation for medium-term growth. Through the *Grenada Public Sector Modernization Technical Assistance Credit,* the *Grenada Technical Assistance Credit*, and the *Dominica Growth and Social Protection Technical Assistance Credit*, the Bank is supporting these governments' efforts to improve public service delivery *inter alia* in tax, customs, investment promotion, as well as land and company registries. The *OECS E-government for Regional Integration Project* will not only improve service delivery in individual countries but also regionally, given its focus on harmonizing their ICT platforms.

85. Through ongoing and planned analytical and advisory assistance, the Bank aims to: (a) recommend possible solutions to the debt overhang at the country level; and (b) to help define a regional approach that could be supported by OECS' development partners. As part of its crisis response, the Bank is also preparing *Economic and Social DPLs* to support policy reforms *inter alia* in the following areas: (a) improved governance and public expenditure management; (b) macroeconomic and financial stabilization, including actions to strengthen the financial sector's resilience; and (c) strengthening policy coordination and economic management.

86. Debt and fiscal sustainability work will be supported by technical assistance projects (including *IDF*-funded projects*)* designed to modernize public sector management, improve monitoring and evaluation, and enhance the quality of public expenditures and may also be supported by *Debt Sustainability DPLs* in the event of future unexpected external shocks such as adverse weather. These DPLs may also be used to repay higher interest rate commercial debt and support reforms linked to debt management. The *SEMCAR Grant* will build on the foundation laid by the ongoing *OECS EGRIP* to improve public financial management and the tax and customs systems. As noted above (para. 82), IFC advisory services will help facilitate private sector involvement in PPPs. The goals of the Bank Group's analytical work and technical assistance in the longer-term are to facilitate the regional policy dialogue, sustain commitment for these critical reforms, and support lending aimed at improved fiscal and debt sustainability. Its activities in this area are being coordinated with the IMF, CARTAC and CIDA.

Results Area 2: Protecting and Improving Human Capital

87. The Bank Group will contribute to achieving the following outcomes: (a) rationalized social safety net systems; (b) an increase in the proportion of qualified teachers; (c) a better skilled post-secondary labor force; and (d) improved data and understanding about the region's chronic non-communicable diseases.

88. To improve the efficiency and effectiveness of social safety net programs, the Bank is supporting OECS governments in designing and implementing reform action plans under *Economic and Social DPLs* in St. Lucia and Grenada, the ongoing *Growth and Social Protection Technical Assistance Credit* in Dominica, and the regional *Social Safety Nets NLTA* which finances analysis, constituency building, action-planning and knowledge sharing. In collaboration with UNICEF and UNIFEM, the NLTA will support social safety net assessments (SSNAs) in all OECS countries except Dominica, which already undertook a similar study in preparation for its Technical Assistance Credit. A *Strengthening Social Safety Nets Project/SWAp* will support further consolidation and strengthening of safety net programs, using a results-based sector-wide approach.

89. OECS countries are committed to improving the quality and relevance of education as well as the efficiency of spending in the sector. With the *OECS Skills for Inclusive Growth Projects* being implemented in Grenada and St. Lucia as well as the *OECS Education Development Projects* in Grenada and St. Vincent and the Grenadines, the Bank is supporting governments' efforts to increase the pool of skilled persons required to meet the demands of their labor markets. The *Skills Projects* in particular seek to increase the employability of youth through public/private sector partnerships for demand-driven technical and life skills training. The *BNPP Grant for Gender Equality, Making Youth at Risk Interventions Gender Sensitive in the Caribbean* is aimed at providing clients and development practitioners with adequate gender sensitive instruments and policy recommendations to address the problems related to at-risk boys. The Bank is also providing technical assistance through the *Teacher Career Path NLTA* that will assist countries to increase the proportion of qualified teachers**.** The *OECS Education Sector NLTA* will support the analysis and costing of education sector strategies to improve resource allocation, to strengthen the relevance of education, and to identify options for improving access at the post-secondary level. The proposed *IDF Grant for Improving Human Development Data* will support efforts to improve the availability and use of data. *Education Sector SWAps*, built on priorities established in national sector strategies under the NLTA, will streamline Bank support by disbursing against results defined under the sector strategies.

90. IFC plans to support investment projects with strategic clients able to grow and operate in several markets. In education, it will target lower income groups through the creation of centers of excellence and provide employment opportunities for skilled professionals. It has also targeted offshore medical/education services as a growth diversification area and to provide local opportunities for tertiary education, including the training of doctors and nurses. In tertiary education, IFC investment in distance learning programs with the University of the West Indies will complement the Bank-supported Caribbean Knowledge and Learning Network, a technical assistance program aimed at strengthening new approaches in the region's tertiary institutions and coordinating currently fragmented initiatives in a regional approach.

91. In health, the Bank has supported the establishment/improvement of health management information systems (HMIS) in OECS countries through lending for HIV/AIDS prevention. The proposed *Health Policy NLTA* will address communicable and non-communicable diseases prevention and health system strengthening through better utilization of HMISs for evidence-based policy-making. The NLTA will also promote policy dialogue with a view to developing a regional strategy to mobilize and effectively use resources for health promotion and care. In the outer years of the Strategy, lending in support of the health sector may take the form of multi-sector results-based SWAps.

Results Area 3: Strengthening Climate Resilience

92. Given the vulnerability of OECS' small island ecosystems, the central role of tourism in their economies, and their susceptibility to weather-related natural disasters, the Strategy provides for support for efforts to strengthen climate resilience and enhance environmental sustainability. Specifically, the Bank Group will contribute to achieving the following outcomes: (a) improved understanding of the vulnerability of critical infrastructure; (b) a reduction in the number of people at high risk of landslides in St. Lucia; (c) improved management of priority terrestrial and marine protected areas; and (d) the establishment of long-term financing mechanisms for critical ecosystems.

93. Existing interventions that provide disaster mitigation support include: the *St. Lucia Disaster Management II Project*, the *OECS Protected Areas and Associated Livelihoods Project*, and the *GEF Implementation of Adaptation Measures,* which are all expected to deliver results in the short term. Programs under preparation to strengthen climate resilience include: the *Agriculture Risk NLTA* which will identify measures to reduce vulnerability in the agricultural sector; the *OECS Disaster Vulnerability Risk Reduction* project which will enhance understanding of the vulnerability of key structures and increase the resilience of critical public infrastructure; and the global *Pilot Program for Climate Resilience* (PPCR), which aims to mainstream climate resilience in planning and investment across sectors in the four IDA-blend OECS countries. The PPCR also has a Caribbean regional component which will benefit all CARICOM members through the work of regional institutions such as the Caribbean Community Climate Change Center, the Caribbean Disaster Emergency Management Agency, the University of the West Indies, and the Caribbean Institute for Metrology and Hydrology.

94. The GEF-financed *Sustainable Financing of Marine Areas* project under preparation in close collaboration with The Nature Conservancy will reduce climate vulnerability by: supporting ecosystem-based adaptation; and establishing a regional endowment fund and national trust funds for the conservation of priority coastal and marine ecosystems and their monitoring. Potential activities in the Strategy's outer years include a GEF-financed *Sustainable Land Use Planning and Management* project and investments to enhance the climate resilience of energy supply systems by developing renewables and island interconnections through *Climate Resilient Energy Provision*. Efforts will also be made to facilitate OECS members' access to global funds available to finance climate resilience activities, including the Adaptation Fund.

95. IFC's private sector interventions stress the importance of setting and attaining environmental and social benchmarks both at the client and industry level as well as increasing energy efficiency and energy investments with lower greenhouse gas emissions.

Pillar Two—Enhancing Competitiveness and Stimulating Sustainable Growth

Results Area 4: Strengthening Domestic Financial Sectors

96. The Bank Group will contribute to achieving improved regulatory and supervisory frameworks for non-banking financial institutions.

97. The *Economic and Social DPLs* will support actions aimed at strengthening the resilience of the financial sector by improving the regulatory environment The *OECS Financial Sector Strengthening and Regulation Project* will support the restructuring of the banking system and the strengthening of the regulatory framework for non-bank financial institutions. It will be

informed by the Financial Sector Reform and Strengthening Initiative (FIRST) and IDF grants for strengthening the supervision of non-bank financial institutions. The IDF grants are a follow up to the Report on Standards and Codes on Auditing and Accounting completed in 2009 and focus on the regulatory units to be established in individual OECS countries. The FIRST will focus on the insurance sector across the sub-region, complementing the objectives of the IDF grants. Both areas offer opportunities for close Bank/IFC collaboration, with the Bank focusing on regulatory framework and the IFC providing financing to local banks, where appropriate. In addition, the Bank has been providing support to the OECS to address the resolution of the collapse of BAICO through the *BAICO Resolution NLTA*. This support is expected to continue through FY11.

98. IFC plans to emphasize increased access to financial services for currently under-served micro, small and medium sized enterprises (MSMEs) through advisory services to financial institutions and, where appropriate, governments. OECS banks, like other Caribbean banks, need substantial institution building support as well as help for the development or implementation of lending for MSMEs. The global financial crisis has underscored the need for such support, as many banks experienced losses resulting in part from their inadequate risk management strategies, business processes, operational controls, and corporate governance. In response, IFC's menu of instruments now includes advisory services for partner institutions focused on strengthening risk management and corporate governance.

99. Establishing a regional credit bureau is one way to increase private sector access to capital. IFC has consulted with potential operators and relevant stakeholders, such as central banks or regulators, to help prepare them for the added responsibilities that a credit bureau would entail and is prepared to support further development of this initiative.

Results Area 5: Improving Access to Quality Public Services

100. The Bank Group will contribute to achieving the following outcomes: (a) a new regional institutional framework for energy; (b) increased access to ICT services for the general population; (c) public-private partnerships to assist in reducing government expenditure and improving services; and (d) simplified procedures for starting a business and regional trading.

101. The *OECS Regional Energy Regulator Program* will establish a regional electricity regulator designed to reduce the cost of regulation for participating OECS countries and improve the quality and reliability of services. The Bank Group's approach will be to encourage and, if possible, facilitate reduced external vulnerability through diversification of energy sources away from fossil fuels, *i.e.* to promote renewable energy and energy efficiency. In this regard, the Bank will launch the *Climate Resilient Energy Provision* and the *Renewable Energy and Island Interconnections AAA* to define and implement practical steps towards energy diversification. At the same time, IFC plans to support private sector investments in energy (generation, transmission, and distribution) and other infrastructure including transport (roads, airports, ports), water, and telecommunications. It will assist governments in identifying, designing and implementing investment projects that leverage private sector capital and expertise and achieve public policy objectives. Overall, the Bank Group's approach will be to emphasize investments that have a positive impact in terms of cost, reliability, and access on low income segments of the OECS market and that have a relatively small environmental footprint.

102. The *Caribbean Regional Communications Infrastructure Program* (CARCIP) is a Caribbean-wide initiative aimed at increasing the availability, use and development impact of

regional broadband communications infrastructure: as a pillar for the region's competitiveness; as a source of employment generation and diversification; to build resilience to natural disasters; and overall to promote regional integration and social cohesion.

103. IFC's Investment Climate Advisory Services in the Caribbean work to promote the competitiveness of OECS countries by helping governments improve their business environments and stimulate investment through regulatory reforms that increase legal certainty and streamline administrative processes. The program is carried out in parallel in various countries in order to generate regional synergies around reforms and improve conditions for regional integration. Participating countries have highlighted two main priorities: starting a business; and trading across borders. Implementing these reforms is the focus of the *Investment Climate in the Caribbean Project*. Paying taxes and registering property were mentioned as other areas of interest for future work. IFC is also fostering dialogue between governments and the private sector and will continue consultations to identify other issues constraining competitiveness. The Bank's *Investment Climate Assessment* is complementary to the work of the IFC's Investment Climate Advisory Services and will identify and prioritize investment climate constraints, benchmark reform progress, provide cross country comparisons of investment climate indicators, and help countries form broad consensus on priority areas for reform.

104. IFC will pursue investments that address competitiveness and sustainability issues in tourism. Bank Group interventions in infrastructure, access to finance, and investment climate will be geared mainly towards building a sustainable tourism industry. A public-private funding initiative is currently under consideration. The approach could combine IFC investment and advisory services, strengthened by Bank support in building government capacity and in regulatory reform.

105. ECCB has agreed to partner with IFC and will support CARCIP to encourage private sector growth, which the ECCB sees as critical for the sub-region. IFC is keen to partner with other sub-regional organizations and development partners with the objective of leveraging projects and avoiding duplication of effort.

iii. Monitoring and Evaluation

106. Monitoring and evaluation of the Strategy will be conducted at the country level through country systems and, at the regional level, by the entity responsible for project implementation. Progress will also be monitored through periodic results-based CPPRs, among other methods of portfolio supervision. Results-based monitoring is particularly challenging in the OECS where timely data collection and their accuracy remain a problem, not least because of human resource and capacity constraints. Both the CAS Completion Report and the CPPR emphasized the need to improve monitoring and evaluation capacity, starting with improved data collection and analysis for project implementation but also as a first step towards building capacity for much needed evidence–based policymaking. To address these challenges, the OECS Secretariat is implementing a TFSCB Grant designed to introduce strategic approaches to the collection, compilation and dissemination of social statistics. However, more comprehensive support is necessary.

107. The Bank will foster a monitoring and evaluation culture by ensuring that baseline data and a results-based monitoring and evaluation system is in place in all new Bank operations. Further, it will continue to support capacity building together with other interested donors, for which purpose it will seek resources from the Bank-administered Trust Fund for Statistical

Capacity Building. The Results Matrix at Appendix 1 provides the framework for results-based monitoring and evaluation of the Strategy.

V. MANAGING RISKS

108. **Exogenous shocks and fiscal slippage.** Some or all OECS countries are vulnerable to more and more of the following exogenous risks: (a) weather-related natural events (*e.g.* hurricanes) causing major economic damage that could necessitate unforeseen public spending; (b) swings in international prices of key commodity imports (for example, oil); and (c) the possibility that recovery from the impact of the global recession may be protracted. Delays in addressing fiscal imbalances through corrective measures and/or structural reforms may cause slippage. While difficult to mitigate, the Strategy seeks to manage these risks through its focus on fiscal prudence and economic diversification through support for critical industries: agriculture, tourism and financial services.

109. **Debt.** Given that OECS countries' high levels of public debt are limiting their development options, constraining their growth prospects, and, potentially, threatening their social stability, reducing debt to sustainable levels or, at least, on a declining path is critical. While the Bank is developing a debt reduction strategy for the OECS and other Caribbean countries, its effectiveness will depend on several factors including the commitment of individual governments, the collaboration of other international organizations, as well as other external factors. This risk is thus exceedingly difficult to mitigate.

110. **Political will.** OECS countries' inability or unwillingness to subordinate national interests to regional priorities may impede collective action and, more broadly, hamper the deeper regional cooperation and integration process. Specifically, there is a risk that OECS countries may decide not to take full advantage of this regional partnership strategy and turn to other sources of support that require less coordination on their part. On the other hand, the recent steps towards the establishment of an Economic Union appear to signal renewed political will to empower regional institutions and prioritize collective action. At this crucial transition stage, communication, dialogue and capacity building to empower regional change agents will help move the regional integration process forward and thus help mitigate this risk.

111. **Implementation capacity.** The development effectiveness of projects could be endangered if current implementation capacity is not maintained or improved at the national level and substantially increased at the sub-regional level. Strategies to decrease the turnover of trained and experienced staff, carrying out annual project management training, and providing other capacity building opportunities will help mitigate this risk.

STANDARD CAS ANNEXES

ANTIGUA AND BARBUDA

Annex 1: Country Profile

Population: 85,536 (2008)
GNI per capita: US$13,620 (2008 est. Atlas methodology)

1. **Profile.** Antigua and Barbuda is a three-island economy (Redonda is the third) which accounts for about 25 percent of the combined Eastern Caribbean Currency Union GDP. Antigua, the largest island, has a dry climate and a large number of white sand beaches. The cultivation of sugar that started in the late 1600's was abandoned in 1969. Aside from tourism—the island's most important industry—Antigua and Barbuda's economy depends heavily on the service sector, particularly offshore services. The unemployment rate is estimated at 7 percent. The poverty rate was estimated at 18 percent in 2006. Social indicators do not reflect the high per capita income. Adult literacy attainment, for example, lags the other OECS countries. The 2007 UNDP Human Development Index ranks Antigua 47th, out of 182 countries.

2. **Political Context.** Independence: 1981 Last election: 2009.

In March 2009, the United Progressive Party was reelected, winning 10 of the 17 available seats. Antigua and Barbuda has never borrowed from the Bank. It has, however, benefited from economic and sector work, and regional analytical work undertaken across the OECS sub-region and the wider Caribbean region. The new administration has recently made overtures to the donor community (including the World Bank) for assistance in the area of macroeconomic management.

3. **Economic Developments and Prospects.** Economic activity in Antigua and Barbuda is estimated to have declined by 6.5 percentage points in 2009, largely reflecting the impact of the global recession on trade and financial flows. The contraction was evidenced by a decline in activity in the tourism industry and the construction sector, the main contributors to GDP. Similar to other OECS countries, tourism revenues declined due to a sharp fall in stay-over arrivals (a decline of 13 percent, year-on-year, for the first three quarters of 2009), although the decrease was somewhat buttressed by an increase in cruise ship arrivals (a year-on-year increase of 26 percent for the first three quarters of 2009). The decline in construction activity was driven primarily by a contraction in FDI, which negatively affected most of the tourism-related projects.

The central government deficit widened substantially, with the primary deficit estimated at 6 percent of GDP by the end of 2009. Although direct tax collections increased-reflecting stronger collection efforts and a move towards market-valuation-based property tax assessments- the fall in indirect tax revenues due to slowing economic activity more than offset this positive development, leading to an overall decline in tax revenue. On the other hand, recurrent expenditures increased substantially, primarily due to larger spending on transfers and subsidies. The resulting deficit was financed mainly through domestic borrowing and accumulation of arrears, thus adding to the already substantial debt burden.

Total public sector debt increased by 6.3 percent in the first quarter of 2009, explained almost entirely by a 10.9 percent increase in central government debt. By the end of 2009, total public sector debt is estimated to have increased by 15 percentage points to 108 percent of GDP.

Antigua and Barbuda's economic prospects are heavily dependent on the pace of recovery in the global economy. Output is expected to continue declining in 2010, although the pace of contraction is likely to be slower. Construction activity is likely to be further dampened by severely limited fiscal space and expected reductions in public sector capital spending.

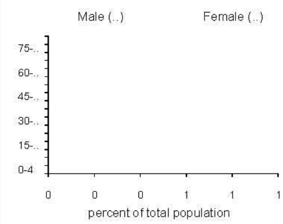
Annex A2: Country at a Glance

Antigua and Barbuda at a glance

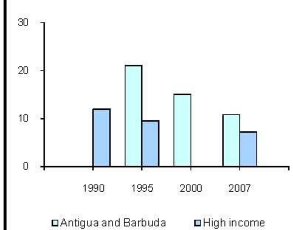
4/21/10

Key Development Indicators	Antigua and Barbuda	High income
(2009)		
Population, mid-year (millions)	0.09	1,069
Surface area (thousand sq. km)	*0.4*	35,300
Population growth (%)	1.1	0.7
Urban population (% of total population)	*30*	78
GNI (Atlas method, US$ billions)	*1.1*	42,041
GNI per capita (Atlas method, US$)	*13,200*	39,345
GNI per capita (PPP, international $)	*20,570*	37,141
GDP growth (%)	*2.5*	0.8
GDP per capita growth (%)	*1.3*	0.0
(most recent estimate, 2003–2009)		
Poverty headcount ratio at $1.25 a day (PPP, %)	..	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	..
Life expectancy at birth (years)	..	79
Infant mortality (per 1,000 live births)	10	6
Child malnutrition (% of children under 5)	..	..
Adult literacy, male (% of ages 15 and older)	..	99
Adult literacy, female (% of ages 15 and older)	..	99
Gross primary enrollment, male (% of age group)	106	102
Gross primary enrollment, female (% of age group)	99	101
Access to an improved water source (% of population)	..	100
Access to improved sanitation facilities (% of population)	..	100

Age distribution, 2008

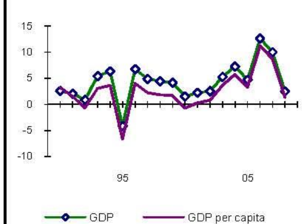


Under-5 mortality rate (per 1,000)



Net Aid Flows	1980	1990	2000	2009 [a]
(US$ millions)				
Net ODA and official aid	6	5	10	4
Top 3 donors (in 2007):				
European Commission	0	1	0	2
Canada	2	1	0	2
Japan	0	0	0	0
Aid (% of GNI)	5.1	1.3	1.6	0.4
Aid per capita (US$)	76	74	127	49

Growth of GDP and GDP per capita (%)



Long-Term Economic Trends	1980	1990	2000	2009	1980–90	1990–2000	2000–09
Consumer prices (annual % change)	..	*1.5*	0.4	*2.1*			
GDP implicit deflator (annual % change)	9.9	2.3	0.4	*2.8*			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	..	..	..	..			
					(average annual growth %)		
Population, mid-year (millions)	0.1	0.1	0.1	0.1	-1.5	2.2	1.4
GDP (US$ millions)	110	392	664	*1,217*	7.0	3.4	*6.4*
		(% of GDP)					
Agriculture	7.1	4.2	3.9	*3.0*	0.0	0.8	*2.4*
Industry	18.1	20.1	19.8	*27.8*	10.3	4.2	*9.5*
Manufacturing	5.3	3.4	2.3	*1.9*	3.7	0.6	*4.2*
Services	74.8	75.7	76.3	*69.2*	6.3	3.3	*4.6*
Household final consumption expenditure	65.3	47.6	34.4	*33.2*	3.0	5.9	..
General gov't final consumption expenditure	19.3	18.0	22.3	*17.7*	6.3	6.1	..
Gross capital formation	34.8	32.4	48.1	*73.7*	8.6	1.7	..
Exports of goods and services	67.3	89.0	70.3	*51.1*	9.8	0.5	..
Imports of goods and services	86.7	87.0	75.1	*75.7*	7.1	2.1	..
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. Group data are through 2008. .. indicates data are not available
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2009**
(US$ millions)		
Total merchandise exports (fob)	42	..
Total merchandise imports (cif)	404	..
Net trade in goods and services	-38	*-359*
Current account balance	-71	*-379*
as a % of GDP	-10.7	*-31.1*
Workers' remittances and compensation of employees (receipts)	10	*26*
Reserves, including gold	64	..

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	18.2	*26.7*
Tax revenue	15.8	*19.4*
Current expenditure	26.6	*24.1*
Overall surplus/deficit	-10.2	*0.6*
Highest marginal tax rate (%)		
Individual	55	*25*
Corporate	40	*30*

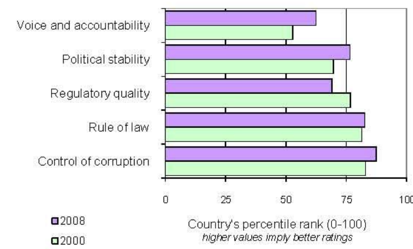
External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	..	..
Total debt service	..	..
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	..	..
Total debt service (% of exports)	..	..
Foreign direct investment (net inflows)	..	..
Portfolio equity (net inflows)	..	..

Composition of total external debt, 2008 (data are not available)

US$ millions

Private Sector Development	**2000**	**2008**
Time required to start a business (days)	–	21
Cost to start a business (% of GNI per capita)	–	11.6
Time required to register property (days)	–	26
Ranked as a major constraint to business	**2000**	**2008**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	**2000**	**2008**
Paved roads (% of total)	*33.0*	..
Fixed line and mobile phone subscribers (per 100 people)	79	204
High technology exports (% of manufactured exports)	0.1	*0.1*

Environment		
Agricultural land (% of land area)	32	*32*
Forest area (% of land area)	21.4	*21.4*
Nationally protected areas (% of land area)	..	*0.0*
Freshwater resources per capita (cu. meters)	*653*	*613*
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	4.6	*5.1*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	**2000**	**2008**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	–	–
Disbursements	–	–
Principal repayments	–	–
Interest payments	–	–
IDA		
Total debt outstanding and disbursed	–	–
Disbursements	–	–
Total debt service	–	–
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	–	–
of which IFC own account	–	–
Disbursements for IFC own account	–	–
Portfolio sales, prepayments and repayments for IFC own account	–	–
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available. – indicates observation is not applicable

4/21/10

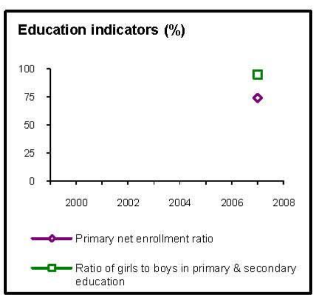
Development Economics, Development Data Group (DECDG).

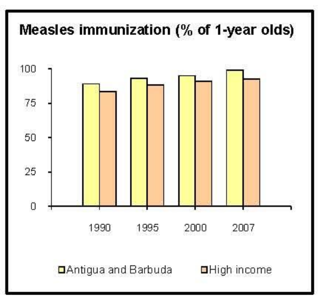
Millennium Development Goals

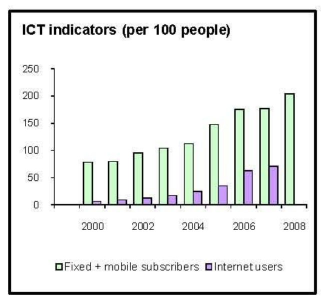
Antigua and Barbuda

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Antigua and Barbuda			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	..	*74*
Primary completion rate (% of relevant age group)	..	..	..	*97*
Secondary school enrollment (gross, %)	..	..	..	*105*
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	..	*95*
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	*51*	..
Proportion of seats held by women in national parliament (%)	0	*5*	5	11
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	..	21	15	*11*
Infant mortality rate (per 1,000 live births)	..	18	13	*10*
Measles immunization (proportion of one-year olds immunized, %)	89	93	95	*99*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	*100*	100	*100*
Contraceptive prevalence (% of women ages 15-49)	*53*	..	*53*	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	10	8	6	*5*
Tuberculosis cases detected under DOTS (%)	..	..	136	*284*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	91	91	..
Access to improved sanitation facilities (% of population)	..	95	95	..
Forest area (% of total land area)	21.4	21.4	21.4	*21.4*
Nationally protected areas (% of total land area)	..	..	..	*0.0*
CO2 emissions (metric tons per capita)	4.9	4.7	4.6	*5.1*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	25.8	38.1	49.9	44.4
Mobile phone subscribers (per 100 people)	0.0	*1.9*	28.7	159.7
Internet users (per 100 people)	0.0	2.2	6.5	76.0
Personal computers (per 100 people)	..	..	*10.2*	*20.8*







Note: Figures in italics are for years other than those specified. .. indicates data are not available

4/21/10

Development Economics, Development Data Group (DECDG).

Annex B3: IFC Investment Operations Program

Annex B3

Antigua and Bar: IFC Investment Operations Program

	2007	2008	2009	2010*
Commitments (US$m)				
Gross				30.00
Net**				30.00
Net Commitments by Sector (%)				
LOAN				100
Total	0	0	0	100
Net Commitments by Investment Instrument (%)				
Loan				100
Total	0	0	0	100

* As of March 31, 2010
** IFC's Own Account only

Annex B5: Poverty and Social Indicators

Antigua and Barbuda Social Indicators

	Latest single year			Same region/income group
	1980-85	1990-95	2002-08	High-income
POPULATION				
Total population, mid-year *(millions)*	0.1	0.1	0.1	1,056.3
Growth rate *(% annual average for period)*	-1.3	1.9	1.3	0.7
Urban population *(% of population)*	35.0	34.0	30.5	77.5
Total fertility rate *(births per woman)*	2.0	1.7	1.7	1.8
POVERTY				
(% of population)				
National headcount index	..	..	..	..
Urban headcount index	..	..	..	..
Rural headcount index	..	..	..	..
INCOME				
GNI per capita *(US$)*	..	..	..	37,572
Consumer price index *(2000=100)*	..	92	113	117
Food price index *(2000=100)*	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION				
Gini index	..	..	..	..
Lowest quintile *(% of income or consumption)*	..	..	..	..
Highest quintile *(% of income or consumption)*	..	..	..	..
SOCIAL INDICATORS				
Public expenditure				
Health *(% of GDP)*	..	..	2.9	6.9
Education *(% of GNI)*	..	..	..	5.1
Net primary school enrollment rate				
(% of age group)				
Total	..	..	74	95
Male	..	..	75	95
Female	..	..	73	95
Access to an improved water source				
(% of population)				
Total	..	91	..	100
Urban	..	95	95	100
Rural	..	89	..	98
Immunization rate				
(% of children ages 12-23 months)				
Measles	69	93	99	93
DPT	99	99	99	96
Child malnutrition *(% under 5 years)*	..	..	..	..
Life expectancy at birth				
(years)				
Total	73	75	75	79
Male	71	72	73	77
Female	75	77	78	82
Mortality				
Infant *(per 1,000 live births)*	..	18	10	6
Under 5 *(per 1,000)*	..	21	11	7
Adult (15-59)				
Male *(per 1,000 population)*	..	142	..	117
Female *(per 1,000 population)*	..	85	..	63
Maternal *(per 100,000 live births)*	..	..	..	10
Births attended by skilled health staff *(%)*	..	..	100	99

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

Antigua and Barbuda - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	..	..	..	..	..	..	..	..	..
Industry	..	..	..	..	..	..	..	..	..
Services	..	..	..	..	..	..	..	..	..
Total Consumption	..	..	..	..	..	..	..	..	..
Gross domestic fixed investment	..	..	..	..	..	..	..	..	..
Government investment	..	..	..	..	..	..	..	..	..
Private investment	..	..	..	..	..	..	..	..	..
Exports (GNFS)[b]	..	..	..	..	..	..	..	..	..
Imports (GNFS)	..	..	..	..	..	..	..	..	..
Gross domestic savings	..	..	..	..	..	..	..	..	..
Gross national savings[c]	..	..	..	..	..	..	..	..	..
Memorandum items									
Gross domestic product (US$ million at current prices)	..	..	0	0	0	..	..	..	..
GNI per capita (US$, Atlas method)	..	..	..	..	..	..	..	..	..
Real annual growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	..	..	..	..	..	..	..	..	..
Gross Domestic Income	..	..	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	..	..	..	..	..	..	..	..	..
Total consumption	..	..	..	..	..	..	..	..	..
Private consumption	..	..	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	570	551	593	621	..	..	..	..	..
Merchandise FOB	82	74	76	78	..	..	..	..	..
Imports (GNFS)[b]	598	792	932	980	..	..	..	..	..
Merchandise FOB	390	536	649	684	..	..	..	..	..
Resource balance	-28	-241	-340	-359	..	..	..	..	..
Net current transfers	8	22	24	24	..	..	..	..	..
Current account balance	-62	-268	-382	-379	..	..	..	..	..
Net private foreign direct investment	104	337	356	301	..	..	..	..	..
Long-term loans (net)	-151	-27	..	..	..	..	..	..	..
Official	..	..	..	..	..	..	..	..	..
Private	..	..	..	..	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	116	-27	..	..	..	..	..	..	..
Change in reserves[d]	-7	-15	-1	-1	..	..	..	..	..
Memorandum items									
Resource balance (% of GDP)	..	..	..	..	..	..	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

Antigua and Barbuda - Key Economic Indicators (Continued)

Indicator	Actual 2005	Actual 2006	Actual 2007	Estimate 2008	Estimate 2009	Estimate 2010	Projected 2011	Projected 2012	Projected 2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	..	..			..	..	..	..	..
Current expenditures	..	..				..	..	..	..
Current account surplus (+) or deficit (-)	..	..				..	..	..	..
Capital expenditure	..	..				..	..	..	..
Foreign financing	..	..				..	..	..	..
Monetary indicators									
M2/GDP	..	..				..	..	..	..
Growth of M2 (%)	8.8	-4.9	12.6	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	95.8	-179.1	105.9	..	..	..	..	..	..
Price indices(YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	99.9	99.8	99.8	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	2.1	2.1	2.1	..	..	..	..	..	..
GDP deflator (% change)	..	..	..	..	..	..	..	..	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B8: (IFC) Committed and Disbursed Outstanding Investment Portfolio

Antigua and Barbuda
Committed and Disbursed Outstanding Investment Portfolio
As of 12/31/2009
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	**Company**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Partici pant**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Partici pant**
2010	Aua	30	0	0	0	0	10	0	0	0	0
Total Portfolio:		**30**	**0**	**0**	**0**	**0**	**10**	**0**	**0**	**0**	**0**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

DOMINICA

Annex 1: Country Profile:

Population: 73,193 (2008)
GNI Per Capita: US$ 4,770 (2008 est. Atlas method)

---

1. **Profile.** Dominica, the most northerly and largest of the Windward Islands, is predominately a lush mountainous area with plentiful water resources, excellent for cultivating bananas, which together with other agricultural products are the base of the economy and its largest source of employment. Mainstream tourism was never developed due to the small number of white-sand beaches, high rainfall and poor air connections; however, given its other natural characteristics, eco-tourism is being promoted. Agriculture is the mainstay of the economy and accounts for about 16 percent of total value added, 60 percent of total merchandise exports and employs 40 percent of the labor force. The unemployment rate is estimated to be 25 percent, and the poverty rate was estimated 33 percent in 2003. Dominica ranks 73rd out of 182 countries in UNDP's 2007 Human Development Index.

2. **Political Context.** <u>Independence: 1978 Last election: December 2009.</u>

Dominica is the only commonwealth member of the OECS, and the only island with a substantial surviving population of indigenous people, the Caribs. In the recent election (December 2009), the Dominica Labour Party won a large majority, securing 18 of the country's 21 seats in Parliament. The previous government consisted of a coalition of the Dominica Labour Party and the minor Dominica Freedom Party.

3. **Economic Development and Challenges**. Dominica's GDP growth buoyed to 3.2 percent in 2008 from 1.8 percent in 2007 with strong growth registered in the construction sector and a rebound in agriculture. The latest quarterly data indicates an expansion of economic activity in the first quarter of 2009 relative to the same period the year before. Growth continues to be driven by the recovery of the banana industry from the damage incurred from Hurricane Dean in 2007. Banana output more than tripled year on year. Growth in construction activity originated both from public sector development projects like the Melville Hall Air Access Improvement Project and from reconstruction efforts after Hurricane Omar. Manufacturing saw a decline in output due to the impact of the global recession on the beverage industry. The tourism industry also shrank, driven by a reduction in stay-over tourists (down 8.8 percent) whose fall in expenditure more than outweighed the 31.4 percent increase in cruise passenger arrivals. The government expects tourism receipts to contract by US $18 million (3.6 percent of GDP) in 2009.

The central government fiscal position remains fairly strong. The IMF projects the overall balance to turn into a modest deficit of 0.8 percent of GDP (EC $7.6M) in FY 08/09 after running a 2.2 percent of GDP overall surplus in the previous fiscal year. The strong fiscal position of recent years has allowed the government to respond to Hurricane Omar and the global recession with a limited fiscal stimulus program (constrained by the level of public debt) centered on improving infrastructure and scaling up social assistance to the poor. This is built on the 2008 Growth and Social Protection Strategy, focusing on improving the investment climate and enhancing infrastructure. The government is committed to returning to primary surpluses of

3 percent starting in FY 2010/11. Nevertheless, this fiscal position depends on a high level of grants (11.3 percent of GDP in FY 2007/08) that is atypical for the region.

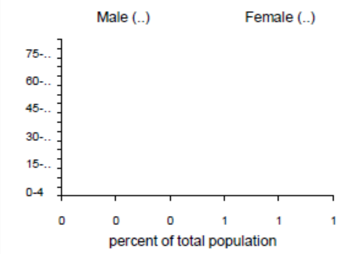
Since the debt restructuring in 2004-05, Dominica has achieved a rapid decline in debt to GDP from a high of 128 percent in 2003 to 84.5 percent in 2009 through prudent fiscal policy despite severe external shocks. At the end of 2008, debt to GDP stood at 86.9 percent of GDP, of which 57.6 percent was external debt and 29.4 percent domestic debt. Assuming annual GDP growth of 3 percent and a primary surplus of 3 percent of GDP after FY 2009/10, the IMF projects that Dominica would reach the ECCB target of 60 percent of GDP by 2015, 4-5 years before the established objective. Although the government is implementing a moderate fiscal stimulus program, debt to GDP is expected to fall to 80.1 percent of GDP by end 2010. Debt levels are at risk of being augmented by possible contingent liabilities from the subsidiary branches of the failed CL Financial insurance company.

Dominica at a glance

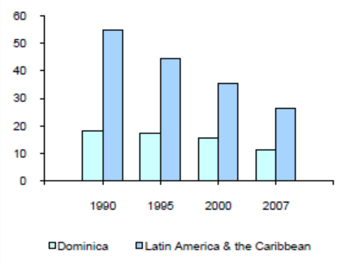
2/2/10

Key Development Indicators	Dominica	Latin America & Carib.	Upper middle income
(2008)			
Population, mid-year (millions)	0.07	561	824
Surface area (thousand sq. km)	0.8	20,421	41,497
Population growth (%)	0.5	1.2	0.7
Urban population (% of total population)	74	78	75
GNI (Atlas method, US$ billions)	0.3	3,252	5,854
GNI per capita (Atlas method, US$)	4,750	5,801	7,107
GNI per capita (PPP, international $)	*6,930*	9,678	12,072
GDP growth (%)	4.3	5.7	5.8
GDP per capita growth (%)	3.7	4.4	5.0
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	17	..
Life expectancy at birth (years)	..	73	71
Infant mortality (per 1,000 live births)	9	22	21
Child malnutrition (% of children under 5)	..	4	..
Adult literacy, male (% of ages 15 and older)	..	92	95
Adult literacy, female (% of ages 15 and older)	..	90	93
Gross primary enrollment, male (% of age group)	85	120	112
Gross primary enrollment, female (% of age group)	87	116	109
Access to an improved water source (% of population)	..	91	95
Access to improved sanitation facilities (% of population)	..	78	83

Age distribution, 2007

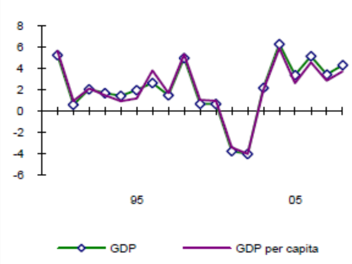


Under-5 mortality rate (per 1,000)



Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	18	20	15	19
Top 3 donors (in 2007):				
European Commission	7	2	1	14
Canada	1	3	0	4
Japan	0	2	4	1
Aid (% of GNI)	29.6	12.2	6.6	6.0
Aid per capita (US$)	240	272	213	267

Growth of GDP and GDP per capita (%)



Long-Term Economic Trends	1980	1990	2000	2008	1980–90	1990–2000	2000–08
Consumer prices (annual % change)	*13.4*	3.2	0.8	*1.8*			
GDP implicit deflator (annual % change)	16.8	3.0	0.6	0.5			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	..	133	100	..			
					(average annual growth %)		
Population, mid-year (millions)	0.1	0.1	0.1	0.1	-0.1	-0.1	0.3
GDP (US$ millions)	59	166	271	357	5.1	2.0	2.6
		(% of GDP)					
Agriculture	30.7	25.0	18.1	17.2	3.4	-1.4	-0.5
Industry	20.9	18.6	23.5	23.6	5.2	2.9	1.0
Manufacturing	4.8	7.1	8.8	4.8	6.1	1.6	-3.4
Services	48.4	56.4	58.4	59.3	4.6	3.2	1.7
Household final consumption expenditure	92.4	64.7	63.7	*69.5*	2.1	1.5	*1.6*
General gov't final consumption expenditure	27.3	20.5	22.5	18.4	1.8	2.7	*-1.5*
Gross capital formation	50.9	40.8	28.1	*28.9*	3.9	-1.1	*9.6*
Exports of goods and services	22.0	54.5	53.3	40.2	12.5	3.0	*-0.4*
Imports of goods and services	92.6	80.5	67.5	69.5	4.3	1.2	*1.5*
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

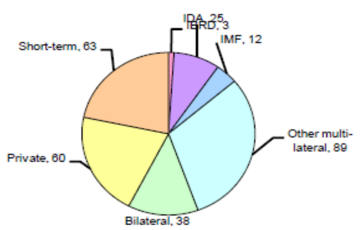
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	**2000**	**2008**
(US$ millions)		
Total merchandise exports (fob)	56	*43*
Total merchandise imports (cif)	148	*126*
Net trade in goods and services	-35	-131
Current account balance	-49	-127
as a % of GDP	-18.2	-35.5
Workers' remittances and compensation of employees (receipts)	3	*26*
Reserves, including gold	30	..

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	34.1	48.4
Tax revenue	23.5	31.8
Current expenditure	30.4	31.5
Overall surplus/deficit	-10.8	1.0
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	165	303
Total debt service	11	18
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	60.8	84.8
Total debt service (% of exports)	6.5	12.8
Foreign direct investment (net inflows)	18	52
Portfolio equity (net inflows)	..	..

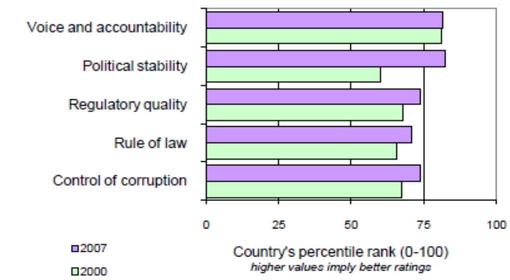
Composition of total external debt, 2007



US$ millions

Private Sector Development	**2000**	**2008**
Time required to start a business (days)	–	14
Cost to start a business (% of GNI per capita)	–	25.5
Time required to register property (days)	–	42
Ranked as a major constraint to business	**2000**	**2007**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	**2000**	**2007**
Paved roads (% of total)	50.4	..
Fixed line and mobile phone subscribers (per 100 people)	34	*88*
High technology exports (% of manufactured exports)	6.5	6.2

Environment		
Agricultural land (% of land area)	28	*31*
Forest area (% of land area)	63.1	*61.3*
Nationally protected areas (% of land area)	..	*26.5*
Freshwater resources per capita (cu. meters)	..	..
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	1.4	*1.6*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	**2000**	**2007**
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	2	3
Disbursements	1	0
Principal repayments	0	1
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	14	25
Disbursements	0	2
Total debt service	0	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	0
of which IFC own account	0	0
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. 2/2/10
.. indicates data are not available. – indicates observation is not applicable.

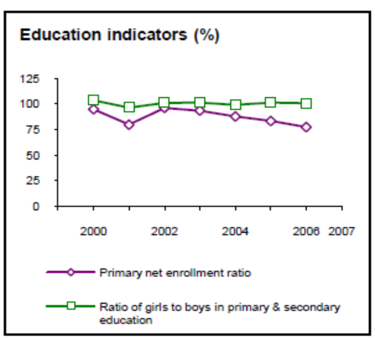
Development Economics, Development Data Group (DECDG).

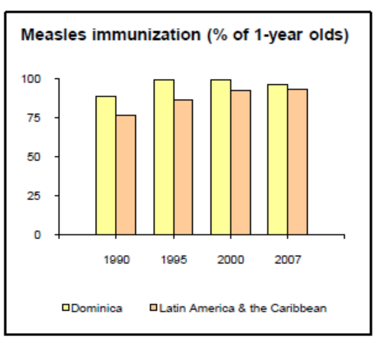
Millennium Development Goals

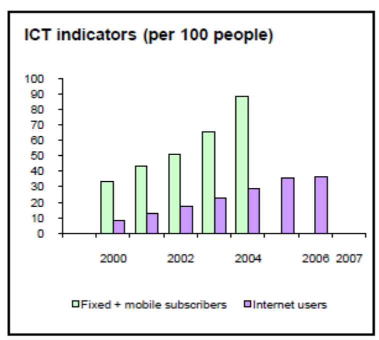
Dominica

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Dominica			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2007**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	..	..	95	*77*
Primary completion rate (% of relevant age group)	..	..	94	*96*
Secondary school enrollment (gross, %)	..	..	95	*106*
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	..	..	103	*101*
Women employed in the nonagricultural sector (% of nonagricultural employment)	*43*	..	*46*	..
Proportion of seats held by women in national parliament (%)	10	*9*	9	13
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	18	17	16	11
Infant mortality rate (per 1,000 live births)	14	15	13	9
Measles immunization (proportion of one-year olds immunized, %)	88	99	99	96
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	100	*99*
Contraceptive prevalence (% of women ages 15-49)	..	..	*50*	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	15	14	14	13
Tuberculosis cases detected under DOTS (%)	..	*94*	*39*	61
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	97	97	..
Access to improved sanitation facilities (% of population)	..	83	83	..
Forest area (% of total land area)	66.7	64.9	63.1	*61.3*
Nationally protected areas (% of total land area)	..	..	..	*26.5*
CO2 emissions (metric tons per capita)	0.8	1.1	1.4	*1.6*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	16.1	24.4	31.8	*29.3*
Mobile phone subscribers (per 100 people)	0.0	0.0	1.7	*58.5*
Internet users (per 100 people)	0.0	0.5	8.4	*36.6*
Personal computers (per 100 people)	..	..	7.7	*18.2*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/2/10

Development Economics, Development Data Group (DECDG).

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management

As Of Date
2/1/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	1	1	1	1
Average Implementation Period (years) [b]	0.3	1.3	2.3	2.9
Percent of Problem Projects by Number [a, c]	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount [a, c]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number [a, d]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount [a, d]	0.0	0.0	0.0	0.0
Disbursement Ratio (%) [e]	0.0	9.2	36.7	54.9
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	7	0
Proj Eval by OED by Amt (US$ millions)	24.5	0.0
% of OED Projects Rated U or HU by Number	14.3	0.0
% of OED Projects Rated U or HU by Amt	10.5	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B5: Poverty and Social Indicators

Dominica Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year *(millions)*	0.1	0.1	0.1	560.6	823.7
Growth rate *(% annual average for period)*	0.1	0.2	0.5	1.3	0.7
Urban population *(% of population)*	66.0	69.4	73.9	78.3	75.2
Total fertility rate *(births per woman)*	3.2	2.1	1.9	2.4	2.0
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita *(US$)*	1,170	2,910	4,750	5,801	7,107
Consumer price index *(2000=100)*	67	93	112	158	143
Food price index *(2000=100)*	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile *(% of income or consumption)*	..	..	..	..	..
Highest quintile *(% of income or consumption)*	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health *(% of GDP)*	..	..	3.7	3.4	3.4
Education *(% of GNI)*	..	..	..	3.5	3.8
Net primary school enrollment rate					
(% of age group)					
Total	..	..	77	94	94
Male	..	..	75	94	94
Female	..	..	79	94	94
Access to an improved water source					
(% of population)					
Total	..	97	..	91	95
Urban	..	100	100	97	98
Rural	..	90	..	73	83
Immunization rate					
(% of children ages 12-23 months)					
Measles	93	99	96	93	94
DPT	91	99	96	92	96
Child malnutrition *(% under 5 years)*	..	..	..	4	..
Life expectancy at birth					
(years)					
Total	72	75	77	73	71
Male	70	73	75	70	68
Female	73	77	79	76	75
Mortality					
Infant *(per 1,000 live births)*	14	15	9	22	21
Under 5 *(per 1,000)*	17	17	11	26	24
Adult (15-59)					
Male *(per 1,000 population)*	..	154	..	196	225
Female *(per 1,000 population)*	..	113	..	107	138
Maternal *(per 100,000 live births)*	..	..	..	130	97
Births attended by skilled health staff *(%)*	..	..	99	89	95

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

Dominica - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	18	18	17	17	..	..	..	..	..
Industry	24	24	24	24	..	..	..	..	..
Services	58	59	59	59	..	..	..	..	..
Total Consumption	94	88	..	..	..	..	..	..	..
Gross domestic fixed investment	29	29	31	33	..	..	..	..	..
Government investment	..	..	..	..	..	..	..	..	..
Private investment	..	..	..	..	..	..	..	..	..
Exports (GNFS)[b]	43	46	41	40	..	..	..	..	..
Imports (GNFS)	66	63	68	70	..	..	..	..	..
Gross domestic savings	6	12	..	..	..	..	..	..	..
Gross national savings[c]	3	13	..	..	..	..	..	..	..
Memorandum items									
Gross domestic product (US$ million at current prices)	299	317	341	357	..	..	..	..	..
GNI per capita (US$, Atlas method)	3880	4230	4470	4750	..	..	..	..	..
Real annual growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	3.4	5.2	3.4	4.3	..	..	..	..	..
Gross Domestic Income	8.2	5.7	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	2.6	4.6	2.9	3.7	..	..	..	..	..
Total consumption	9.8	-0.8	..	..	..	..	..	..	..
Private consumption	12.2	-0.4	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	129	143	135	134	..	..	..	..	..
Merchandise FOB	43	44	40	36	..	..	..	..	..
Imports (GNFS)[b]	196	199	238	265	..	..	..	..	..
Merchandise FOB	146	147	172	195	..	..	..	..	..
Resource balance	-67	-56	-103	-131	..	..	..	..	..
Net current transfers	20	20	21	21	..	..	..	..	..
Current account balance	-76	-51	-98	-127	..	..	..	..	..
Net private foreign direct investment	19	26	53	52	..	..	..	..	..
Long-term loans (net)	2	-9	..	..	..	..	..	..	..
Official	-5	-6	-5	-9	-11	2	-2	-3	-6
Private	7	-3	..	..	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	48	21	..	..	..	..	..	..	..
Change in reserves[d]	7	14	-3	-5	..	..	..	..	..
Memorandum items									
Resource balance (% of GDP)	-22.3	-17.7	-30.1	-36.7	..	..	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

Dominica - Key Economic Indicators (Continued)

Indicator	Actual			Estimate		Projected			
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	36.7	39.2	42.2	48.4	..	..	..	..	..
Current expenditures	29.3	28.5	29.1	31.5	..	..	..	..	..
Current account surplus (+) or deficit (-)	7.3	10.7	13.1	17.0	..	..	..	..	..
Capital expenditure	6.7	9.4	12.2	16.0	..	..	..	..	..
Foreign financing	..	..	..	..	..	..	..	..	..
Monetary indicators									
M2/GDP	77.6	78.8	81.4	..	..	..	..	..	..
Growth of M2 (%)	11.0	7.7	11.0	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	31.3	-58.7	-250.0	..	..	..	..	..	..
Price indices(YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	..	..	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	2.2	2.3	1.8	..	..	..	..	..	..
GDP deflator (% change)	6.0	0.8	3.9	0.5	..	..	..	..	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

Dominica - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	274	253	290	303	286	286	282	274	266
Net disbursements (US$m)[a]	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US$m)[a]	..	..	7	6	7	6	6	6	6
Debt and debt service indicators (%)									
TDO/XGS[b]	..	..	..	..	..	..	..	..	..
TDO/GDP	91.5	79.9	84.9	84.8	..	..	..	..	..
TDS/XGS	..	..	..	..	..	..	..	..	..
Concessional/TDO	50.2	49.7	43.7	39.9	39.4	40.7	41.6	42.0	41.8
IBRD exposure indicators (%)									
IBRD DS/public DS	4.5	4.8	5.2	5.3	1.3	2.5	..	..	..
Preferred creditor DS/public DS (%)[c]	77.5	75.9	68.7	66.1	29.1	58.0	..	..	..
IBRD DS/XGS	..	..	..	..	..	..	..	..	..
IBRD TDO (US$m)[d]	4	3	3	2	1	1	1	0	0
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US$m)[d]	22	22	25	26	27	28	28	28	28
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex B8: Operations Portfolio (IBRD/IDA and Grants)

As Of Date 2/1/2010

Closed Projects	**7**

IBRD/IDA *	
Total Disbursed (Active)	1.15
of which has been repaid	0.00
Total Disbursed (Closed)	7.39
of which has been repaid	6.11
Total Disbursed (Active + Closed)	8.54
of which has been repaid	6.11
Total Undisbursed (Active)	0.40
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	0.40

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements [a/]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P094869	DM GSPTAC	S	S	2007		1.45			0.4031	0.30439	

GRENADA

Annex 1: Country Profile

Population: 105,552 (2008)
GNI per capita: US$ 5,710 (2008 est. Atlas methodology)

1. **Profile.** Grenada, which includes the two smaller islands of Carriacou and Petit Martinique, to its north, is the southernmost of the Windward Islands. Dubbed the "Spice Island", Grenada was, until late 2004, the world's second largest exporter of nutmeg and mace. On September 7, 2004, Hurricane Ivan—one of the strongest storms ever to strike the Caribbean region—passed directly over Grenada, decimating the housing stock, severely damaging the nutmeg plantations and inflicting significant damage on the tourism sector. An Organization of Eastern Caribbean States (OECS) Secretariat assessment team estimated the damage at US$900 million, more than 200 percent of the 2003 GDP, two thirds of which was housing stock. Despite high growth rates in the last decade, poverty rates increased drastically. The average per capita growth rate between 1998 and 2008 has been over 2 percent per year, yet it did not translate into a reduction in poverty. While indigent rates dropped significantly from 1998 to 2008, the percentage of poor people increased from 32 percent in 1998/99 and reached 38 percent of the population in 2007/08. According to a preliminary draft of the Country Poverty Assessment (CPA) the unemployment rate stood at 25 percent in June 2008. Grenada was ranked 74th in UNDP's 2007 Human Development Index out of 182 countries.

2. **Political Context.** Independence: 1974 Last election: 2008

Following the Marxist military coup and subsequent US invasion in 1983, power has fluctuated between the New National Party and New Democratic Party, with the latter being elected most recently in 2008.

3. **Economic Developments and Prospects.** Grenada's economic performance has been adversely affected by the challenging global environment. After reaching 2.2 percent in 2008, economic growth is estimated to have declined to -7.7 percent in 2009. A worldwide financing drought has reduced the availability of funds for foreign direct investment (FDI) projects, including key tourism-related investments. As a result, activity in the construction sector, which has been a significant driver of growth in recent years, is projected to fall significantly in 2009-10. Tourism arrivals and remittances are expected to decline further. Residential, tourism-related, public-sector and private commercial activity are expected to recover slowly, with growth breaking the three percent mark only in 2014. The main near- and medium-term risks include a deeper and more protracted global slowdown, increased financial stress and larger retrenchment of capital inflows, and damage from natural disasters.

Since 2004, the authorities have tried to keep the fiscal deficits under control, but it has proven difficult. Bold fiscal policy measures in 2006 included the National Reconstruction Levy (albeit at a lower level of 3 percent rather than at the originally planned level of 5 percent) and the automatic oil pricing mechanism to protect fiscal revenues from fluctuations in oil prices. However, important setbacks include fiscal slippages during 2006-07 and the first half of 2008, difficulties prioritizing capital spending, delays in improvements in the business climate and reforming investment incentives. The overall fiscal balance deteriorated from a small surplus of 0.4 percent of GDP in 2005 to deficits of 6.1 percent of GDP in 2006, 7.9 percent in 2007, and 5.0 percent in 2008. The path of the primary deficit was similar, going from a surplus of 3.2

percent of GDP in 2005 to deficits of 4.3 percent in 2006, 5.8 percent in 2007, and 3.0 percent in 2008. Various forces have pressured the fiscal balance, including drops in external financing (grants), increased transfers to vulnerable groups in order to mitigate high food and energy prices, and wage bill pressures. The government has financed these deficits with arrears, a drawdown of deposits, and new debt.

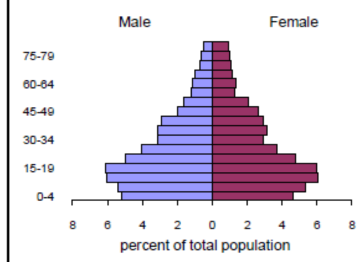
At the end of 2009, the public debt was at 122 percent of GDP which is well above the Eastern Caribbean Central Bank (ECCB) benchmark maximum of 60 percent of GDP. A substantial part of the external debt is multilateral and bilateral. In 2009, the central government held 87 percent of the external debt and 86 percent of the domestic debt. Interest payments have been low at 2.8 percent of GDP in 2009, following a successful rescheduling of a substantial part of Grenada's public debt in 2005 and 2006. However, the debt service burden is rising now that the end of the grace period on restructured debt from domestic commercial banks has been reached. The Government has requested a further extension of Paris Club debt relief and the World Bank and the Caribbean Development Bank have been approached for budget support in 2009-10.

Annex A2: Country at a Glance

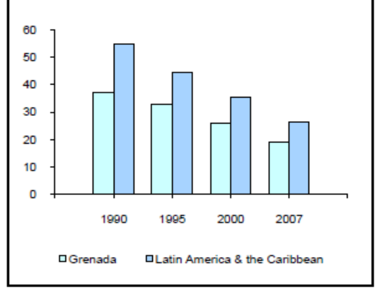
Grenada at a glance

2/2/10

Key Development Indicators	Grenada	Latin America & Carib.	Upper middle income
(2008)			
Population, mid-year (millions)	0.10	561	824
Surface area (thousand sq. km)	0.3	20,421	41,497
Population growth (%)	0.4	1.2	0.7
Urban population (% of total population)	31	78	75
GNI (Atlas method, US$ billions)	0.6	3,252	5,854
GNI per capita (Atlas method, US$)	5,880	5,801	7,107
GNI per capita (PPP, international $)	*5,480*	9,678	12,072
GDP growth (%)	2.1	5.7	5.8
GDP per capita growth (%)	1.7	4.4	5.0
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	17	..
Life expectancy at birth (years)	69	73	71
Infant mortality (per 1,000 live births)	15	22	21
Child malnutrition (% of children under 5)	..	4	..
Adult literacy, male (% of ages 15 and older)	..	92	95
Adult literacy, female (% of ages 15 and older)	..	90	93
Gross primary enrollment, male (% of age group)	83	120	112
Gross primary enrollment, female (% of age group)	79	116	109
Access to an improved water source (% of population)	..	91	95
Access to improved sanitation facilities (% of population)	97	78	83

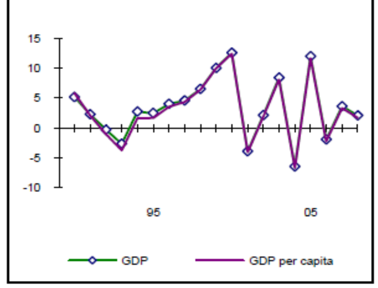


Age distribution, 2007



Under-5 mortality rate (per 1,000)

Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	4	14	17	23
Top 3 donors (in 2007):				
Canada	0	1	0	4
European Commission	1	3	2	1
France	0	0	3	0
Aid (% of GNI)	*3.6*	6.6	4.2	3.9
Aid per capita (US$)	43	143	163	220



Growth of GDP and GDP per capita (%)

Long-Term Economic Trends

	1980	1990	2000	2008	1980–90	1990–2000	2000–08
					(average annual growth %)		
Consumer prices (annual % change)	21.9	2.8	2.1	*3.9*			
GDP implicit deflator (annual % change)	7.2	-1.4	0.5	2.8			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	..	*66*	100	..			
Population, mid-year (millions)	0.1	0.1	0.1	0.1	0.8	0.5	0.3
GDP (US$ millions)	84	221	430	638	6.1	3.7	2.3
		(% of GDP)					
Agriculture	24.7	13.4	7.3	5.9	-0.6	-1.4	-3.3
Industry	13.1	18.0	22.2	21.1	7.5	6.1	3.1
Manufacturing	3.8	6.6	6.5	4.7	12.1	5.7	-1.7
Services	62.2	68.6	70.5	73.0	6.6	4.0	2.2
Household final consumption expenditure	84.6	60.7	61.4	95.9	2.5	*3.1*	..
General gov't final consumption expenditure	20.4	21.6	14.2	15.6	6.9	*-1.2*	*8.3*
Gross capital formation	27.1	38.1	41.8	29.8	6.3	*3.9*	..
Exports of goods and services	47.4	42.4	54.9	28.9	6.4	*5.8*	..
Imports of goods and services	79.4	62.8	72.2	70.3	2.8	*4.8*	..
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

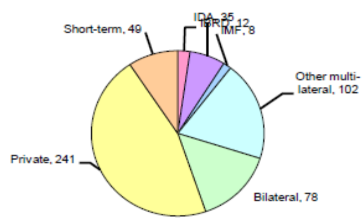
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2008
(US$ millions)		
Total merchandise exports (fob)	78	*24*
Total merchandise imports (cif)	246	*263*
Net trade in goods and services	-74	-224
Current account balance	-84	-235
as a % of GDP	-19.6	-36.8
Workers' remittances and compensation of employees (receipts)	22	*55*
Reserves, including gold	59	..

Central Government Finance		
(% of GDP)		
Current revenue (including grants)	28.4	29.5
Tax revenue	22.1	24.5
Current expenditure	20.2	24.0
Overall surplus/deficit	-3.0	-6.4
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows		
(US$ millions)		
Total debt outstanding and disbursed	201	519
Total debt service	14	23
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	46.9	81.4
Total debt service (% of exports)	5.5	10.8
Foreign direct investment (net inflows)	37	161
Portfolio equity (net inflows)	..	..

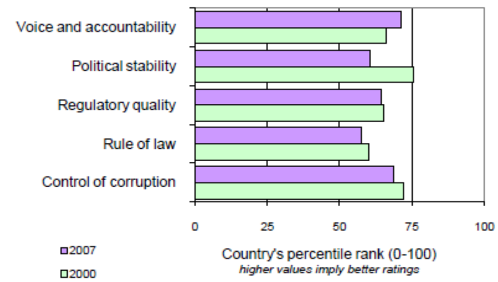
Composition of total external debt, 2007



US$ millions

Private Sector Development	2000	2008
Time required to start a business (days)	–	20
Cost to start a business (% of GNI per capita)	–	30.2
Time required to register property (days)	–	77
Ranked as a major constraint to business	**2000**	**2007**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2007
Paved roads (% of total)	61.0	..
Fixed line and mobile phone subscribers (per 100 people)	36	*70*
High technology exports (% of manufactured exports)	30.1	*0.0*

Environment		
Agricultural land (% of land area)	35	*38*
Forest area (% of land area)	12.1	*12.1*
Nationally protected areas (% of land area)	..	*1.8*
Freshwater resources per capita (cu. meters)	..	..
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	2.0	*2.2*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2007
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	2	12
Disbursements	2	4
Principal repayments	0	1
Interest payments	0	1
IDA		
Total debt outstanding and disbursed	10	35
Disbursements	1	6
Total debt service	0	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	2
of which IFC own account	0	2
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. 2/2/10
.. indicates data are not available. – indicates observation is not applicable.

Development Economics, Development Data Group (DECDG).

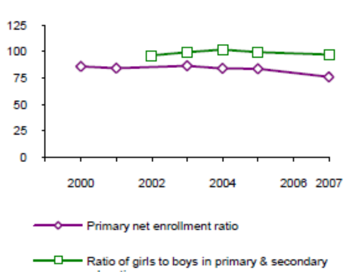
Millennium Development Goals

Grenada

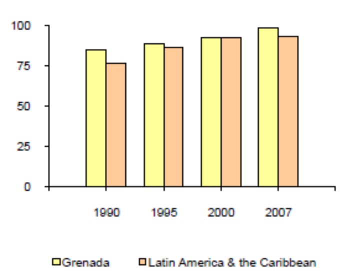
With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	Grenada			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2007**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*100*	..	86	76
Primary completion rate (% of relevant age group)	..	..	74	81
Secondary school enrollment (gross, %)	94	99	*108*	99
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*94*	..	*96*	97
Women employed in the nonagricultural sector (% of nonagricultural employment)	*40*	*44*	*42*	..
Proportion of seats held by women in national parliament (%)	..	*20*	*27*	27
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	37	33	26	19
Infant mortality rate (per 1,000 live births)	30	26	21	15
Measles immunization (proportion of one-year olds immunized, %)	85	88	92	98
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	100	99
Contraceptive prevalence (% of women ages 15-49)	54	..	*54*	*54*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	*0.4*
Incidence of tuberculosis (per 100,000 people)	5	4	4	4
Tuberculosis cases detected under DOTS (%)	..	..	..	..
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	94	94	..
Access to improved sanitation facilities (% of population)	97	97	97	*97*
Forest area (% of total land area)	12.4	12.1	12.1	*12.1*
Nationally protected areas (% of total land area)	..	..	..	*1.8*
CO2 emissions (metric tons per capita)	1.3	1.8	2.0	*2.2*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	15.9	23.6	31.2	*26.2*
Mobile phone subscribers (per 100 people)	0.2	0.4	4.3	*43.7*
Internet users (per 100 people)	0.0	0.0	4.1	21.8
Personal computers (per 100 people)	..	..	12.0	*15.3*

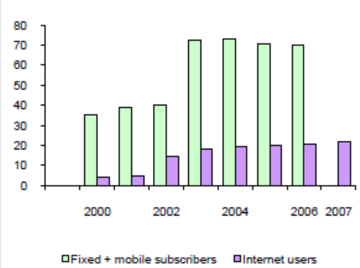
Education indicators (%)



Measles immunization (% of 1-year olds)



ICT indicators (per 100 people)



Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/2/10

Development Economics, Development Data Group (DECDG).

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management

As Of Date
2/1/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	4	5	4	4
Average Implementation Period (years) [b]	3.3	3.5	2.8	3.4
Percent of Problem Projects by Number [a, c]	0.0	0.0	25.0	50.0
Percent of Problem Projects by Amount [a, c]	0.0	0.0	20.4	31.2
Percent of Projects at Risk by Number [a, d]	0.0	0.0	25.0	50.0
Percent of Projects at Risk by Amount [a, d]	0.0	0.0	20.4	31.2
Disbursement Ratio (%) [e]	19.5	35.3	18.7	13.6
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	4	2
Proj Eval by OED by Amt (US$ millions)	27.2	13.7
% of OED Projects Rated U or HU by Number	0.0	0.0
% of OED Projects Rated U or HU by Amt	0.0	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio,

Annex B3: IBRD/IDA Program Summary

Grenada
As Of Date 2/1/2010

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2010	GD Economic and Social DPL	8		
	Result	8		
Overall Result		8		

Annex B5: Poverty and Social Indicators

Grenada Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year *(millions)*	0.1	0.1	0.1	560.6	823.7
Growth rate *(% annual average for period)*	2.3	0.8	0.3	1.3	0.7
Urban population *(% of population)*	32.6	31.6	30.8	78.3	75.2
Total fertility rate *(births per woman)*	4.2	3.0	2.3	2.4	2.0
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita *(US$)*	..	..	..	5,801	7,107
Consumer price index *(2000=100)*	71	93	120	158	143
Food price index *(2000=100)*	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile *(% of income or consumption)*	..	..	..	..	..
Highest quintile *(% of income or consumption)*	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health *(% of GDP)*	..	..	4.4	3.4	3.4
Education *(% of GNI)*	..	..	..	3.5	3.8
Net primary school enrollment rate					
(% of age group)					
Total	..	100	76	94	94
Male	..	100	77	94	94
Female	..	100	75	94	94
Access to an improved water source					
(% of population)					
Total	..	94	..	91	95
Urban	..	97	97	97	98
Rural	..	93	..	73	83
Immunization rate					
(% of children ages 12-23 months)					
Measles	49	88	98	93	94
DPT	61	95	99	92	96
Child malnutrition *(% under 5 years)*	..	..	..	4	..
Life expectancy at birth					
(years)					
Total	66	67	69	73	71
Male	64	65	67	70	68
Female	68	68	70	76	75
Mortality					
Infant *(per 1,000 live births)*	..	26	15	22	21
Under 5 *(per 1,000)*	..	33	19	26	24
Adult (15-59)					
Male *(per 1,000 population)*	..	..	188	196	225
Female *(per 1,000 population)*	..	..	144	107	138
Maternal *(per 100,000 live births)*	..	..	..	130	97
Births attended by skilled health staff *(%)*	..	..	99	89	95

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

Grenada - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	5	6	5	6	..	..	..	..	..
Industry	29	26	23	21	..	..	..	..	..
Services	66	69	71	73	..	..	..	..	..
Total Consumption	93	98	105	112	..	..	..	..	..
Gross domestic fixed investment	50	38	32	30	..	..	..	..	..
Government investment	8	11	8	8	..	..	..	..	..
Private investment	43	27	24	22	..	..	..	..	..
Exports (GNFS)[b]	27	29	32	29	..	..	..	..	..
Imports (GNFS)	70	64	70	70	..	..	..	..	..
Gross domestic savings	7	2	-5	-12	..	..	..	..	..
Gross national savings[c]	17	4	-4	-11	..	..	..	..	..
Memorandum items									
Gross domestic product (US$ million at current prices)	554	564	608	638	..	..	..	..	..
GNI per capita (US$, Atlas method)	5210	5220	5560	5880	..	..	..	..	..
Real annual growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	12.0	-1.9	3.6	2.1	..	..	..	..	..
Gross Domestic Income	..	..	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	11.7	-2.2	3.3	1.7	..	..	..	..	..
Total consumption	..	..	..	..	..	..	..	..	..
Private consumption	..	..	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	149	161	192	176	..	..	..	..	..
Merchandise FOB	33	31	45	29	..	..	..	..	..
Imports (GNFS)[b]	397	366	416	400	..	..	..	..	..
Merchandise FOB	301	267	309	287	..	..	..	..	..
Resource balance	-248	-205	-224	-224	..	..	..	..	..
Net current transfers	82	36	24	25	..	..	..	..	..
Current account balance	-194	-197	-233	-235	..	..	..	..	..
Net private foreign direct investment	70	90	174	161	..	..	..	..	..
Long-term loans (net)	0	0	..	..	..	..	..	..	..
Official	33	20	17	1	1	-2	-7	-9	-24
Private	-33	-20	..	..	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	151	102	..	..	..	..	..	..	..
Change in reserves[d]	-27	6	11	-5	..	..	..	..	..
Memorandum items									
Resource balance (% of GDP)	-44.8	-36.3	-36.9	-35.1	..	..	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

Grenada - Key Economic Indicators
(Continued)

Indicator	Actual 2005	Actual 2006	Actual 2007	Estimate 2008	Estimate 2009	Estimate 2010	Projected 2011	Projected 2012	Projected 2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	34.4	32.7	27.2	29.5	..	..	..	..	..
Current expenditures	20.3	20.5	20.8	24.0	..	..	..	..	..
Current account surplus (+) or deficit (-)	14.2	12.2	6.3	5.5	..	..	..	..	..
Capital expenditure	13.8	18.8	13.6	11.9	..	..	..	..	..
Foreign financing	..	..	3.5	2.4	..	..	..	..	..
Monetary indicators									
M2/GDP	98.2	97.3	0.0	..	..	..	..	..	..
Growth of M2 (%)	-1.0	0.9	-100.0	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	33.8	126.4	98.6	..	..	..	..	..	..
Price indices(YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	91.2	91.2	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	3.4	3.8	3.9	..	..	..	..	..	..
GDP deflator (% change)	5.3	3.9	3.9	2.8	..	..	..	..	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

Grenada - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	406	492	525	519	507	505	498	483	458
Net disbursements (US$m)[a]	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US$m)[a]	..	..	10	9	18	18	18	27	26
Debt and debt service indicators (%)									
TDO/XGS[b]	217.2	243.7	224.0	238.8	..	..	..	..	..
TDO/GDP	..	..	..	..	..	..	..	..	..
TDS/XGS	..	..	4.1	4.2	..	..	..	..	..
Concessional/TDO	35.6	36.7	38.0	39.7	39.6	39.8	39.6	39.4	36.7
IBRD exposure indicators (%)									
IBRD DS/public DS	10.5	11.3	10.6	8.7	5.3	..	6.9	4.2	..
Preferred creditor DS/public DS (%)[c]	71.5	69.7	65.8	76.5	39.3	..	35.8	25.5	..
IBRD DS/XGS	0.5	0.8	0.8	0.9	..	..	..	..	..
IBRD TDO (US$m)[d]	10	9	12	12	11	10	9	8	6
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US$m)[d]	23	28	35	37	38	39	40	40	40
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.

b. "XGS" denotes exports of goods and services, including workers' remittances.

c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.

d. Includes present value of guarantees.

e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex B8: (IFC) Committed and Disbursed Outstanding Investment Portfolio

Grenada
Committed and Disbursed Outstanding Investment Portfolio
As of 12/31/2009
(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	**Company**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**
2002	Bel air	0.88	0	1	0	0	0.88	0	1	0	0
Total Portfolio:		**0.88**	**0**	**1**	**0**	**0**	**0.88**	**0**	**1**	**0**	**0**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

Annex B8: Operations Portfolio (IBRD/IDA and Grants)

As Of Date 2/1/2010

Closed Projects **6**

IBRD/IDA *	
Total Disbursed (Active)	8.80
of which has been repaid	0.26
Total Disbursed (Closed)	24.16
of which has been repaid	7.28
Total Disbursed (Active + Closed)	32.96
of which has been repaid	7.54
Total Undisbursed (Active)	9.65
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	9.65

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements [a/]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P077759	GD EDUCATION DEV (2nd APL)	S	S	2003	4	5.9		1.08	2.19	0.87	
P082392	GD Public Sector Modernization TAC	U	U	2006		3.5			2.89	2.48	
P101322	GD TAC	MS	MU	2008		1.86			1.67	1.10	
P095681	OECS (Grenada) Skill for Inclusive Growt	S	S	2009		3			2.89	0.07	
Overall Result					4	14.26		1.08	9.65	4.52	

ST. KITTS AND NEVIS

Annex 1: Country Profile

Population: 49,190 (2008)
GNI per capita: US$ 10,960 (2008 est. Atlas methodology)

1. **Profile.** St. Kitts and Nevis lies in the Leeward Islands. The two islands are a federation: Nevis, the smaller island, has a population of 9,600, and exercises autonomy in most areas, with the exception of foreign, defense, and certain aspects of economic policy. The economy is based on tourism and agriculture, although the agricultural sector in St. Kitts has been shrinking. Unemployment is the lowest among OECS member countries at 6.3 percent in 2007/08 and the 2007 UNDP Human Development Index ranks St. Kitts and Nevis 62nd among 182 countries. St. Kitts has a poverty rate of 21.8 percent in 2007/08, which has fallen this decade from its 2000 level of 30.5 percent.

2. **Political Context:** Independence: 1983 Last election: January 2010

The current administration, representing the St. Kitts and Nevis Labour Party, was reelected in January 2010. St. Kitts and Nevis is a Federation, with a high degree of autonomy for Nevis, which has its own executive branch (Nevis Island Administration) and approximately one quarter of the federation's population. A number of referenda on secession from St. Kitts have been held, but have not passed.

3. **Economic Development and Prospects.** The economy of St. Kitts and Nevis contracted in the first quarter of 2009, after growing by 3.2 percent in 2008. Compounding the impact of the global recession, the federation was struck by Hurricane Omar in October 2008. Overall tourist arrivals decreased by 0.3 percent, with the arrivals of higher spending stay over visitors down by 25.3 percent. The WEO of October 2009 projects a GDP decline of 2.0 percent in 2009.

The double blows from Hurricane Omar and the global recession have had a substantial adverse impact on government finances. The IMF projects a worsening of the central government overall balance to 8.2 percent of GDP in 2009 from 3.5 percent in 2008. The primary surplus is projected to fall from 5.3 percent to 2.4 percent of GDP. The fiscal gap will be partially financed by a 5.1 percent of GDP rise in capital revenue, including the sale of government owned land. The government of St. Kitts and Nevis faces pressures to stimulate the economy and provide relief programs. However, given the exceptionally high level of public sector debt and the large accompanying interest payments, there is little fiscal room to respond. Actions implemented in the 2009 budget include tax relief for small hotels, a targeted support program for the vulnerable, and a moratorium on relief actions taken during the food crisis, which included the elimination of the consumer tax on food and a price cap on fuel.

Since peaking at 196.5 percent of GDP in 2005, the debt to GDP ratio has fallen steadily to 177.6 percent of GDP in 2008. In the same year, the external and domestic public debt stock stood at 63.3 and 114.3 percent of GDP respectively. The total outstanding stock of public sector debt declined by 1.5 percent to EC $2,443.9 million at the end of March 2009, relative to the stock at the end of December 2008. This was due to a 2.3 percent reduction in the debt of the central government to EC $1,506.7 million, with declines in both its domestic debt (1.8 percent) and external debt (3.0 percent). The government's total debt servicing cost decreased by 10.0 percent at the end of March 2009 and accounted for 40.9 per cent of current revenue.

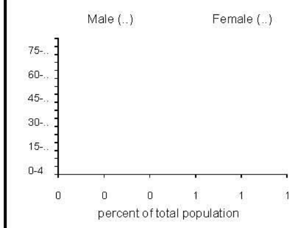
Annex A2: Country at a Glance

St. Kitts and Nevis at a glance

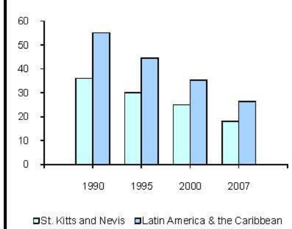
4/21/10

Key Development Indicators	St. Kitts and Nevis	Latin America & Carib.	Upper middle income
(2009)			
Population, mid-year (millions)	0.05	565	948
Surface area (thousand sq. km)	*0.3*	20,421	47,176
Population growth (%)	0.8	1.1	0.8
Urban population (% of total population)	*32*	79	75
GNI (Atlas method, US$ billions)	*0.5*	3,833	7,472
GNI per capita (Atlas method, US$)	*10,870*	6,780	7,878
GNI per capita (PPP, international $)	*15,170*	10,309	12,297
GDP growth (%)	-1.2	4.4	4.7
GDP per capita growth (%)	-2.0	3.2	3.8
(most recent estimate, 2003–2009)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	17	..
Life expectancy at birth (years)	..	73	71
Infant mortality (per 1,000 live births)	16	22	21
Child malnutrition (% of children under 5)	..	5	..
Adult literacy, male (% of ages 15 and older)	..	92	95
Adult literacy, female (% of ages 15 and older)	..	90	93
Gross primary enrollment, male (% of age group)	93	119	112
Gross primary enrollment, female (% of age group)	94	115	108
Access to an improved water source (% of population)	99	91	94
Access to improved sanitation facilities (% of population)	96	78	82

Age distribution, 2008

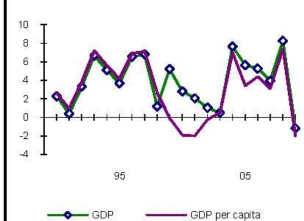


Under-5 mortality rate (per 1,000)



Net Aid Flows	1980	1990	2000	2009 [a]
(US$ millions)				
Net ODA and official aid	6	8	4	3
Top 3 donors (in 2007):				
Canada	1	1	0	3
Japan	0	0	0	1
European Commission	0	1	1	0
Aid (% of GNI)	13.3	5.3	1.3	0.6
Aid per capita (US$)	140	193	88	59

Growth of GDP and GDP per capita (%)



Long-Term Economic Trends	1980	1990	2000	2009	1980–90	1990–2000	2000–09
Consumer prices (annual % change)	17.7	4.0	2.0	*4.0*			
GDP implicit deflator (annual % change)	11.2	8.7	4.1	3.5			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	..	..	..	..			
					(average annual growth %)		
Population, mid-year (millions)	0.0	0.0	0.0	0.0	-0.5	0.5	1.3
GDP (US$ millions)	48	159	326	556	6.3	4.6	4.2
		(% of GDP)					
Agriculture	15.9	6.5	2.7	2.6	-2.3	1.1	-0.9
Industry	26.6	28.9	28.8	27.1	5.7	6.0	0.6
Manufacturing	15.2	12.8	10.4	8.4	2.6	4.4	-0.2
Services	57.5	64.6	68.5	70.3	8.6	4.3	3.9
Household final consumption expenditure	71.2	57.9	58.9	61.6	2.6	5.3	..
General gov't final consumption expenditure	20.9	18.0	21.3	25.3	2.9	6.8	..
Gross capital formation	38.1	55.4	50.1	39.3	12.0	3.8	..
Exports of goods and services	66.9	51.7	46.0	42.8	5.9	*3.5*	..
Imports of goods and services	97.1	83.1	76.3	68.9	5.2	*3.4*	..
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2009 data are preliminary. Group data are through 2008. .. indicates data are not available
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade

	2000	2009
(US$ millions)		
Total merchandise exports (fob)	51	*62*
Total merchandise imports (cif)	173	*180*
Net trade in goods and services	-99	-145
Current account balance	-52	292
as a % of GDP	-16.0	52.5
Workers' remittances and compensation of employees (receipts)	4	*37*
Reserves, including gold	48	..

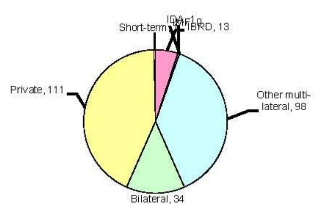
Central Government Finance

(% of GDP)		
Current revenue (including grants)	29.9	34.6
Tax revenue	21.5	28.7
Current expenditure	34.1	31.2
Overall surplus/deficit	-14.3	4.0
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	*35*

External Debt and Resource Flows

(US$ millions)		
Total debt outstanding and disbursed	156	234
Total debt service	20	44
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	47.8	42.1
Total debt service (% of exports)	12.6	6.3
Foreign direct investment (net inflows)	96	*88*
Portfolio equity (net inflows)	..	..

Composition of total external debt, 2008



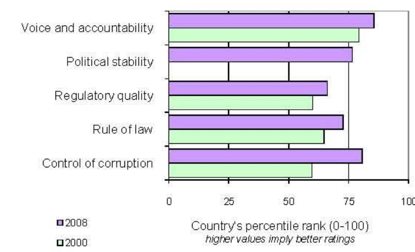
US$ millions

Private Sector Development

	2000	2008
Time required to start a business (days)	–	45
Cost to start a business (% of GNI per capita)	–	12.5
Time required to register property (days)	–	81

Ranked as a major constraint to business	2000	2008
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	109.6
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2008



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure

	2000	2008
Paved roads (% of total)	*42.5*	..
Fixed line and mobile phone subscribers (per 100 people)	52	*74*
High technology exports (% of manufactured exports)	0.8	*41.5*

Environment

Agricultural land (% of land area)	38	*38*
Forest area (% of land area)	20.4	*20.4*
Nationally protected areas (% of land area)	..	*0.0*
Freshwater resources per capita (cu. meters)	*514*	*492*
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	2.3	*2.8*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio

	2000	2008
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	5	13
Disbursements	1	3
Principal repayments	0	3
Interest payments	0	1
IDA		
Total debt outstanding and disbursed	1	1
Disbursements	0	0
Total debt service	0	0
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	0
of which IFC own account	0	0
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary
.. indicates data are not available. – indicates observation is not applicable

4/21/10

Development Economics, Development Data Group (DECDG).

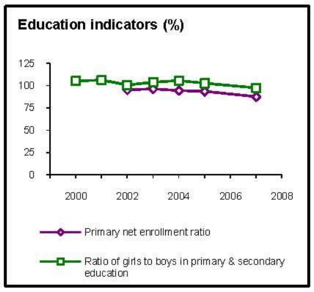
Millennium Development Goals

St. Kitts and Nevis

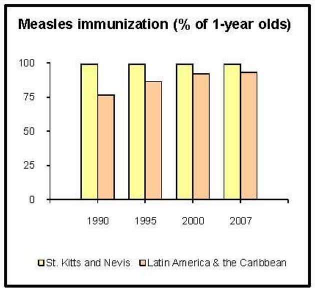
With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	St. Kitts and Nevis			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2008**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*99*	..	*95*	*87*
Primary completion rate (% of relevant age group)	..	..	119	*96*
Secondary school enrollment (gross, %)	*85*	83	93	*105*
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*105*	..	105	*97*
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	..	..
Proportion of seats held by women in national parliament (%)	7	*13*	13	7
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	36	30	25	*18*
Infant mortality rate (per 1,000 live births)	30	25	21	*16*
Measles immunization (proportion of one-year olds immunized, %)	99	99	99	*99*
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	99	*100*
Contraceptive prevalence (% of women ages 15-49)	..	..	..	*54*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	10	10	10	*9*
Tuberculosis cases detected under DOTS (%)	..	..	0	*155*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	99	99	99	*99*
Access to improved sanitation facilities (% of population)	96	96	96	*96*
Forest area (% of total land area)	20.4	20.4	20.4	*20.4*
Nationally protected areas (% of total land area)	..	..	..	*0.0*
CO2 emissions (metric tons per capita)	1.6	2.3	2.3	*2.8*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	23.1	35.1	49.5	*53.2*
Mobile phone subscribers (per 100 people)	0.0	*0.7*	2.7	*21.3*
Internet users (per 100 people)	0.0	*2.1*	6.1	*30.7*
Personal computers (per 100 people)	..	..	15.8	*23.4*

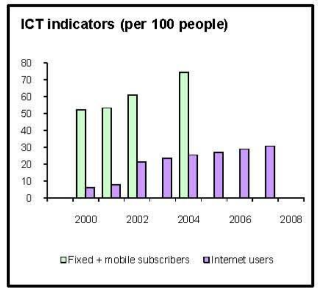
Education indicators (%)



Measles immunization (% of 1-year olds)



ICT indicators (per 100 people)



Note: Figures in italics are for years other than those specified. .. indicates data are not available

4/21/10

Development Economics, Development Data Group (DECDG).

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management
As Of Date
2/1/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	2	2	0	0
Average Implementation Period (years) [b]	4.7	5.7	0.0	0.0
Percent of Problem Projects by Number [a, c]	0.0	0.0	0.0	0.0
Percent of Problem Projects by Amount [a, c]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Number [a, d]	0.0	0.0	0.0	0.0
Percent of Projects at Risk by Amount [a, d]	0.0	0.0	0.0	0.0
Disbursement Ratio (%) [e]	22.9	35.0	69.0	0.0
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	3	1
Proj Eval by OED by Amt (US$ millions)	14.3	3.9
% of OED Projects Rated U or HU by Number	33.3	0.0
% of OED Projects Rated U or HU by Amt	18.1	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).
b. Average age of projects in the Bank's country portfolio.
c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).
d. As defined under the Portfolio Improvement Program.
e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.
* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B5: Poverty and Social Indicators

St. Kitts and Nevis Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year *(millions)*	0.0	0.0	0.0	560.6	823.7
Growth rate *(% annual average for period)*	-0.8	-0.5	0.9	1.3	0.7
Urban population *(% of population)*	35.2	33.7	32.3	78.3	75.2
Total fertility rate *(births per woman)*	3.0	2.5	2.1	2.4	2.0
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita *(US$)*	1,690	5,460	10,870	5,801	7,107
Consumer price index *(2000=100)*	65	82	125	158	143
Food price index *(2000=100)*	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile *(% of income or consumption)*	..	..	..	..	..
Highest quintile *(% of income or consumption)*	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health *(% of GDP)*	..	..	3.6	3.4	3.4
Education *(% of GNI)*	..	..	..	3.5	3.8
Net primary school enrollment rate					
(% of age group)					
Total	..	99	87	94	94
Male	..	100	86	94	94
Female	..	99	88	94	94
Access to an improved water source					
(% of population)					
Total	..	99	99	91	95
Urban	..	99	99	97	98
Rural	..	99	99	73	83
Immunization rate					
(% of children ages 12-23 months)					
Measles	91	99	99	93	94
DPT	92	99	99	92	96
Child malnutrition *(% under 5 years)*	..	..	..	4	..
Life expectancy at birth					
(years)					
Total	65	69	71	73	71
Male	63	67	69	70	68
Female	67	72	74	76	75
Mortality					
Infant *(per 1,000 live births)*	..	25	16	22	21
Under 5 *(per 1,000)*	..	30	18	26	24
Adult (15-59)					
Male *(per 1,000 population)*	..	227	..	196	225
Female *(per 1,000 population)*	..	165	..	107	138
Maternal *(per 100,000 live births)*	..	..	..	130	97
Births attended by skilled health staff *(%)*	..	..	100	89	95

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

St. Kitts and Nevis - Key Economic Indicators

	Actual			Estimate			Projected		
Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	3	3	3	3	3	2	2	2	..
Industry	26	26	27	27	27	21	21	20	..
Services	71	71	70	71	70	77	77	78	..
Total Consumption	70	81	86	89	87	38	42	42	..
Gross domestic fixed investment	42	38	41	42	39	2	3	3	..
Government investment	..	..	..	..	6	6	6	6	..
Private investment	..	..	..	..	33	-4	-2	-2	..
Exports (GNFS)[b]	52	47	43	41	43	43	42	41	..
Imports (GNFS)	64	66	69	71	69	-17	-12	-13	..
Gross domestic savings	30	19	14	11	13	62	58	58	..
Gross national savings[c]	28	19	14	10	92	148	156	169	..
Memorandum items									
Gross domestic product (US$ million at current prices)	439	489	512	543	556	568	586	..	..
GNI per capita (US$, Atlas method)	8680	9380	9940	10870	19900	20680	..	..	..
Real annual growth rates (%, calculated from 77 prices)									
Gross domestic product at market prices	5.6	5.3	4.0	8.2	-1.2	0.0	1.0	2.0	..
Gross Domestic Income	..	..	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 77 prices)									
Gross domestic product at market prices	3.4	4.4	3.1	7.4	-2.0	-0.8	..	..	..
Total consumption	..	..	..	..	..	..	..	..	..
Private consumption	..	..	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	227	236	232	238	238	243	248	253	..
Merchandise FOB	64	58	58	58	54	55	57	58	..
Imports (GNFS)[b]	280	321	347	368	383	-97	-69	-79	..
Merchandise FOB	185	220	244	257	270	-212	-188	-203	..
Resource balance	-53	-85	-115	-129	-145	340	317	332	..
Net current transfers	24	32	33	33	13	14	14	14	..
Current account balance	-65	-85	-112	-130	292	828	897	1011	..
Net private foreign direct investment	93	110	158	88	88	88	88	88	..
Long-term loans (net)	-14	6	-62	18	..	..	..	..	..
Official	-6	-2	-9	..	-9	-12	-14	-15	-12
Private	-8	9	-53	..	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	-7	-49	10	9	..	..	..	..	..
Change in reserves[d]	-7	17	7	15	-5	153	18	27	..
Memorandum items									
Resource balance (% of GDP)	-12.2	-17.4	-22.4	-23.8	-26.1	59.8	54.1	..	..
Real annual growth rates (YR77 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

St. Kitts and Nevis - Key Economic Indicators (Continued)

Indicator	Actual 2005	2006	2007	Estimate 2008	2009	Projected 2010	2011	2012	2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	39.3	39.3	39.4	40.1	34.6	..	..	..	..
Current expenditures	37.1	36.3	36.3	37.9	31.2	..	..	..	..
Current account surplus (+) or deficit (-)	2.2	3.0	3.1	2.2	3.4	..	..	..	..
Capital expenditure	6.7	5.8	8.2	5.3	4.9	..	..	..	..
Foreign financing	..	..	..	..	2.0	..	..	..	..
Monetary indicators									
M2/GDP	103.8	96.0	99.9	..	..	..	..	..	..
Growth of M2 (%)	11.9	3.0	9.0	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	22.9	-2702.5	-43.9	..	..	..	..	..	..
Price indices(YR77 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	84.8	..	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	1.8	8.5	4.0	..	..	..	..	..	..
GDP deflator (% change)	4.0	5.8	0.8	-1.9	3.5	2.2	2.2	2.2	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

St. Kitts and Nevis - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	293	291	273	258	234	210	181	147	113
Net disbursements (US$m)[a]	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US$m)[a]	..	..	19	17	12	10	9	6	4
Debt and debt service indicators (%)									
TDO/XGS[b]	..	..	..	..	33.4	28.9	24.7	19.5	..
TDO/GDP	66.8	59.6	53.3	47.4	42.1	36.9	30.9	..	..
TDS/XGS	..	..	..	..	1.7	1.4	1.2	0.8	..
Concessional/TDO	38.8	39.1	40.1	43.5	45.9	47.0	48.7	52.9	61.9
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%)[c]	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	..	..	..	..	0.4	0.4	0.3	0.3	..
IBRD TDO (US$m)[d]	13	13	13	13	12	11	9	7	5
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US$m)[d]	1	1	1	1	1	1	1	1	1
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
b. "XGS" denotes exports of goods and services, including workers' remittances.
c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
d. Includes present value of guarantees.
e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex B8: Operations Portfolio (IBRD/IDA and Grants

As Of Date 2/1/2010

Closed Projects **5**

IBRD/IDA *	
Total Disbursed (Active)	
of which has been repaid	0.00
Total Disbursed (Closed)	15.27
of which has been repaid	9.50
Total Disbursed (Active + Closed)	15.27
of which has been repaid	9.50
No Applicable Data Found.	0.00
0.00	0.00
0.00	0.00

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements [a/]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**

ST. LUCIA

Annex 1: Country Profile

Population: 169,960 (2008)
GNI per capita: US$9,190 (2008 est. Atlas methodology)

1. **Profile**. St. Lucia is the most densely populated of the four Windward Islands. The interior of the island is mountainous, but there is more flat land than in Dominica, Grenada or St. Vincent and the Grenadines. The soil is generally fertile and the banana industry (and other agriculture products) makes St. Lucia the biggest exporter of agricultural products among the OECS member countries. The pleasant climate and the sandy beaches have encouraged the development of tourism, particularly in the "honeymoon sector" which has become the main foreign exchange earner in the economy. Despite relatively strong social indicators—the UNDP Human Development Index 2007 classifies St. Lucia as 69th out of 182 countries. Twenty-eight percent of the population is estimated to live below the locally defined poverty line (2005/06), and 16.8 percent is estimated to be unemployed (2008).

2. **Political Context.** Independence: 1979 Last elections: 2006

The current administration, representing the United Workers Party was returned to office in December 2006, gaining 11 of the 17 contested seats. The remaining seats were taken by the former ruling St. Lucia Labour Party.

3. **Economic Developments and Prospects**. St. Lucia's macroeconomic performance has been hampered by a series of external shocks in recent years. While real GDP growth averaged over 4 percent during 2003–06, it slowed to 1.7 and 0.7 percent in 2007 and 2008 respectively. This deceleration in growth was mainly associated with a contraction in activity in the hotels and restaurants, construction, and manufacturing sectors. Damage caused by Hurricane Dean in August 2007 hindered growth and impacted the agricultural sector in particular. Economic activity decelerated further in 2008, due to the global economic crisis and the downward pressures it exerted on tourism arrivals, foreign direct investment, and exports. Despite the January 2009 Jazz Festival mitigating the decline in tourist arrivals, tourism revenues in 2009 are expected to decline on an annual basis. Tourism-related investments have slowed and big hotels have laid off employees. Agricultural production contracted, influenced by a decline in banana production, and resulting in a fall in exports. Growth in manufacturing output was driven by an expansion of paper products. Remittances and FDI flows, however, are expected to continue the negative trends from 2008. Overall, real GDP is estimated to have contracted by 5.2 percent in 2009.

The Central Government's fiscal accounts deteriorated between 2008 and 2009, due primarily to a 40 percent increase in capital expenditure and net lending. The overall deficit (excluding grants) more than quadrupled in nominal terms, widening from 1.8 to 7.8 percent of GDP. The primary balance (excluding grants) went from a EC$40 million surplus to a EC$111 million deficit. Interest payments also rose due to an increase in central government debt.

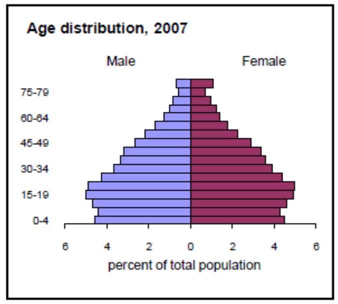
The deterioration in the fiscal position put the public debt on an upward path, after the debt ratio had remained stable in 2004-2008 at around 65 percent of GDP. The ratio of public debt to GDP reached 77.0 percent at the end of 2009, compared to 66.0 in 2008. Most of the increase was due to further accumulation of domestic debt through the issuance of bonds and other securities on the Regional Government Securities Market (RGSM). In nominal terms, domestic debt rose by 12 percent, while external debt increased by 8 percent due mostly to greater bilateral borrowing.

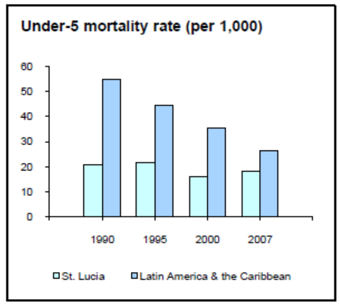
Annex A2: Country at a Glance

St. Lucia at a glance

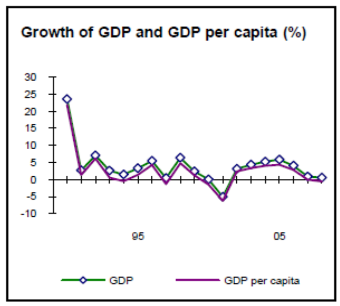
2/2/10

Key Development Indicators	St. Lucia	Latin America & Carib.	Upper middle income
(2008)			
Population, mid-year (millions)	0.17	561	824
Surface area (thousand sq. km)	0.6	20,421	41,497
Population growth (%)	1.1	1.2	0.7
Urban population (% of total population)	28	78	75
GNI (Atlas method, US$ billions)	0.9	3,252	5,854
GNI per capita (Atlas method, US$)	5,410	5,801	7,107
GNI per capita (PPP, international $)	*9,240*	9,678	12,072
GDP growth (%)	0.5	5.7	5.8
GDP per capita growth (%)	-0.6	4.4	5.0
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	21 [a]	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	41 [a]	17	..
Life expectancy at birth (years)	74	73	71
Infant mortality (per 1,000 live births)	14	22	21
Child malnutrition (% of children under 5)	..	4	..
Adult literacy, male (% of ages 15 and older)	..	92	95
Adult literacy, female (% of ages 15 and older)	..	90	93
Gross primary enrollment, male (% of age group)	111	120	112
Gross primary enrollment, female (% of age group)	108	116	109
Access to an improved water source (% of population)	98	91	95
Access to improved sanitation facilities (% of population)	..	78	83





Net Aid Flows	**1980**	**1990**	**2000**	**2008** [b]
(US$ millions)				
Net ODA and official aid	9	12	11	24
Top 3 donors (in 2007):				
European Commission	4	2	2	9
Canada	0	2	0	4
Japan	0	0	7	2
Aid (% of GNI)	6.6	3.3	1.7	2.6
Aid per capita (US$)	75	92	70	140



Long-Term Economic Trends							
Consumer prices (annual % change)	19.5	4.7	3.6	2.5			
GDP implicit deflator (annual % change)	*10.2*	3.2	2.2	3.2			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	100	114	100	*102*			
					1980–90	**1990–2000**	**2000–08**
					(average annual growth %)		
Population, mid-year (millions)	0.1	0.1	0.2	0.2	1.5	1.5	1.1
GDP (US$ millions)	133	397	708	996	6.8	3.3	3.2
		(% of GDP)					
Agriculture	14.4	14.5	7.1	4.8	7.6	-4.1	-6.1
Industry	23.6	18.1	19.0	17.8	9.2	3.5	1.0
Manufacturing	10.5	8.1	5.1	5.8	11.1	-0.4	3.8
Services	62.0	67.3	74.0	77.5	6.8	4.4	3.6
Household final consumption expenditure	75.4	71.1	65.6	79.5	..	..	..
General gov't final consumption expenditure	17.5	14.7	18.5	18.9	..	..	..
Gross capital formation	34.3	25.8	25.7	25.9	..	..	..
Exports of goods and services	67.0	72.6	53.3	51.5	..	..	..
Imports of goods and services	94.2	84.2	63.0	75.8	..	..	..
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Country poverty estimate is for earlier period. b. Aid data are for 2007.

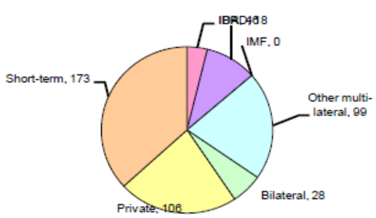
Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade	2000	2008
(US$ millions)		
Total merchandise exports (fob)	53	*116*
Total merchandise imports (cif)	355	*524*
Net trade in goods and services	-70	-236
Current account balance	-98	-296
as a % of GDP	-13.8	-29.7
Workers' remittances and compensation of employees (receipts)	3	*31*
Reserves, including gold	77	..

Central Government Finance	2000	2008
(% of GDP)		
Current revenue (including grants)	24.3	30.1
Tax revenue	21.9	27.4
Current expenditure	18.6	24.2
Overall surplus/deficit	-2.8	-5.3
Highest marginal tax rate (%)		
Individual	30	*30*
Corporate	33	*30*

External Debt and Resource Flows	2000	2008
(US$ millions)		
Total debt outstanding and disbursed	221	831
Total debt service	30	48
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	31.3	83.4
Total debt service (% of exports)	7.5	8.9
Foreign direct investment (net inflows)	54	105
Portfolio equity (net inflows)	..	..

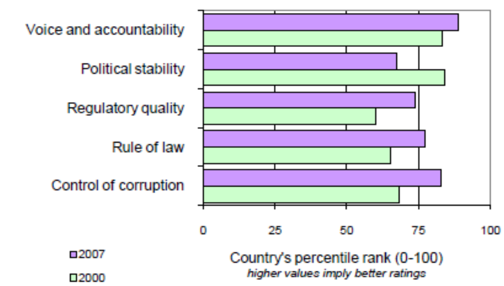
Composition of total external debt, 2007



US$ millions

Private Sector Development	2000	2008
Time required to start a business (days)	–	20
Cost to start a business (% of GNI per capita)	–	22.6
Time required to register property (days)	–	16
Ranked as a major constraint to business	**2000**	**2007**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007



Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure	2000	2007
Paved roads (% of total)	..	..
Fixed line and mobile phone subscribers (per 100 people)	33	..
High technology exports (% of manufactured exports)	7.9	*11.2*

Environment	2000	2007
Agricultural land (% of land area)	33	*33*
Forest area (% of land area)	27.9	*27.9*
Nationally protected areas (% of land area)	..	*15.4*
Freshwater resources per capita (cu. meters)	..	..
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	2.3	*2.2*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio	2000	2007
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	6	18
Disbursements	1	10
Principal repayments	1	2
Interest payments	0	1
IDA		
Total debt outstanding and disbursed	12	46
Disbursements	1	4
Total debt service	0	1
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	0	0
of which IFC own account	0	0
Disbursements for IFC own account	0	0
Portfolio sales, prepayments and repayments for IFC own account	0	0
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.
.. indicates data are not available. – indicates observation is not applicable.

2/2/10

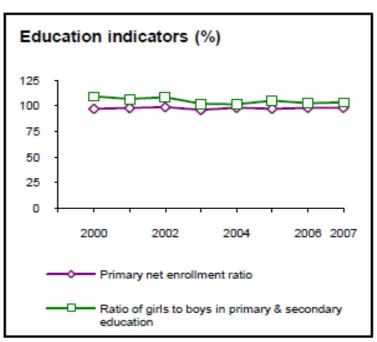
Development Economics, Development Data Group (DECDG).

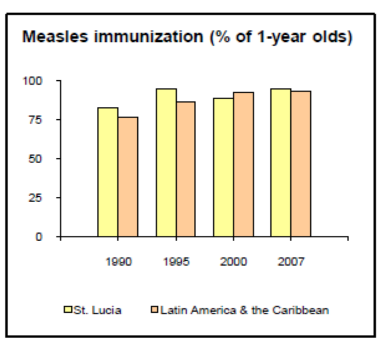
Millennium Development Goals

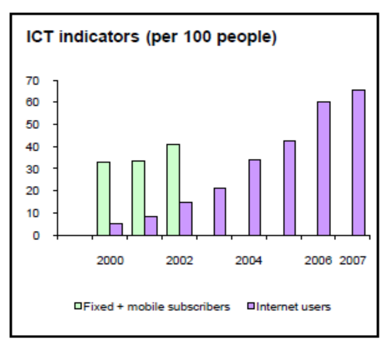
St. Lucia

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	St. Lucia			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2007**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	20.9	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	5.2	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*95*	..	97	98
Primary completion rate (% of relevant age group)	122	..	101	116
Secondary school enrollment (gross, %)	50	68	75	93
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*103*	..	109	103
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	48	49	*47*
Proportion of seats held by women in national parliament (%)	0	*0*	11	6
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	21	22	16	18
Infant mortality rate (per 1,000 live births)	16	17	13	14
Measles immunization (proportion of one-year olds immunized, %)	82	94	88	94
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	100	*100*
Contraceptive prevalence (% of women ages 15-49)	*47*	..	*47*	..
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	0.6
Incidence of tuberculosis (per 100,000 people)	16	15	15	14
Tuberculosis cases detected under DOTS (%)	..	*113*	56	139
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	98	98	98	*98*
Access to improved sanitation facilities (% of population)	..	89	89	..
Forest area (% of total land area)	27.9	27.9	27.9	*27.9*
Nationally protected areas (% of total land area)	..	..	..	*15.4*
CO2 emissions (metric tons per capita)	1.2	2.1	2.3	*2.2*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	12.7	21.0	31.3	..
Mobile phone subscribers (per 100 people)	0.0	0.7	1.6	*64.1*
Internet users (per 100 people)	0.0	0.3	5.1	65.5
Personal computers (per 100 people)	..	*0.1*	14.1	*16.0*







Note: Figures in italics are for years other than those specified. .. indicates data are not available.

2/2/10

Development Economics, Development Data Group (DECDG).

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management

As Of Date
2/1/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	6	6	3	3
Average Implementation Period (years) [b]	3.1	4.1	4.1	4.6
Percent of Problem Projects by Number [a, c]	0.0	0.0	33.3	33.3
Percent of Problem Projects by Amount [a, c]	0.0	0.0	17.2	17.2
Percent of Projects at Risk by Number [a, d]	0.0	0.0	33.3	33.3
Percent of Projects at Risk by Amount [a, d]	0.0	0.0	17.2	17.2
Disbursement Ratio (%) [e]	56.5	42.4	44.5	19.3
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	7	2
Proj Eval by OED by Amt (US$ millions)	47.8	19.4
% of OED Projects Rated U or HU by Number	28.6	0.0
% of OED Projects Rated U or HU by Amt	27.8	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B3: IBRD/IDA Program Summary
St. Lucia
As Of Date 2/1/2010

Proposed IBRD/IDA Base-Case Lending Program [a]

Fiscal year	*Proj ID*	*US$(M)*	*Strategic Rewards b (H/M/L)*	*Implementation b Risks (H/M/L)*
2010	LC Economic and Social DPL	12		
	Result	12		
Overall Result		12		

Annex B3: St. Lucia: IFC Investment Operations Program

		2007	2008	2009	2010*
Commitments (US$m)					
	Gross		20.86	2.93	4.77
	Net**		20.86	2.93	4.77
Net Commitments by Sector (%)					
	GUARANTEE		4.13	100	100
	LOAN		95.87		
	Total	0	100	100	100
Net Commitments by Investment Instrument (%)					
	Guarantee		4.13	100	100
	Loan		95.87		
	Total	0	100	100	100

* As of March 31, 2010
** IFC's Own Account only

Annex B5: Poverty and Social Indicators

St. Lucia Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year *(millions)*	0.1	0.1	0.2	560.6	823.7
Growth rate *(% annual average for period)*	1.5	1.6	1.1	1.3	0.7
Urban population *(% of population)*	27.9	29.6	27.8	78.3	75.2
Total fertility rate *(births per woman)*	3.7	2.9	2.1	2.4	2.0
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita *(US$)*	1,450	3,570	5,410	5,801	7,107
Consumer price index *(2000=100)*	61	90	117	158	143
Food price index *(2000=100)*	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	42.6	..	..	..
Lowest quintile *(% of income or consumption)*	..	5.2	..	..	..
Highest quintile *(% of income or consumption)*	..	48.3	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health *(% of GDP)*	..	..	3.6	3.4	3.4
Education *(% of GNI)*	..	..	..	3.5	3.8
Net primary school enrollment rate					
(% of age group)					
Total	..	95	98	94	94
Male	..	97	98	94	94
Female	..	94	97	94	94
Access to an improved water source					
(% of population)					
Total	..	98	98	91	95
Urban	..	98	98	97	98
Rural	..	98	98	73	83
Immunization rate					
(% of children ages 12-23 months)					
Measles	68	94	94	93	94
DPT	87	98	99	92	96
Child malnutrition *(% under 5 years)*	..	..	..	4	..
Life expectancy at birth					
(years)					
Total	69	71	74	73	71
Male	67	69	73	70	68
Female	71	74	76	76	75
Mortality					
Infant *(per 1,000 live births)*	21	17	14	22	21
Under 5 *(per 1,000)*	26	22	18	26	24
Adult (15-59)					
Male *(per 1,000 population)*	..	205	150	196	225
Female *(per 1,000 population)*	..	144	120	107	138
Maternal *(per 100,000 live births)*	..	..	..	130	97
Births attended by skilled health staff *(%)*	..	..	100	89	95

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

St. Lucia - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	4	4	4	5	..	..	..	..	..
Industry	19	20	20	18	..	..	..	..	..
Services	77	76	76	77	..	..	..	..	..
Total Consumption	87	98	100	98	..	..	..	..	..
Gross domestic fixed investment	23	29	27	26	..	..	..	..	..
Government investment	..	..	..	..	..	..	..	..	..
Private investment	..	..	..	..	..	..	..	..	..
Exports (GNFS)[b]	57	47	46	52	..	..	..	..	..
Imports (GNFS)	67	74	73	76	..	..	..	..	..
Gross domestic savings	13	2	0	2	..	..	..	..	..
Gross national savings[c]	6	-3	-5	-5	..	..	..	..	..
Memorandum items									
Gross domestic product (US$ million at current prices)	879	933	960	996	..	..	..	..	..
GNI per capita (US$, Atlas method)	5070	5360	5380	5410	..	..	..	..	..
Real annual growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	5.8	4.0	0.8	0.5	..	..	..	..	..
Gross Domestic Income	..	..	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	4.3	2.8	-0.1	-0.6	..	..	..	..	..
Total consumption	..	..	..	..	..	..	..	..	..
Private consumption	..	..	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	499	452	484	531	..	..	..	..	..
Merchandise FOB	89	117	111	163	..	..	..	..	..
Imports (GNFS)[b]	589	690	730	767	..	..	..	..	..
Merchandise FOB	418	521	542	578	..	..	..	..	..
Resource balance	-90	-238	-246	-236	..	..	..	..	..
Net current transfers	13	12	14	..	..	..	..	..	..
Current account balance	-150	-282	-300	-296	..	..	..	..	..
Net private foreign direct investment	78	234	237	160	..	..	..	..	..
Long-term loans (net)	-2	24	3	3	..	..	..	..	..
Official	2	10	12	-4	-7	-11	-13	..	..
Private	-5	14	-9	7	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	90	6	42	143	..	..	..	..	..
Change in reserves[d]	-16	18	19	-11	..	..	..	..	..
Memorandum items									
Resource balance (% of GDP)	-10.3	-25.5	-25.6	-23.7	..	..	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

St. Lucia - Key Economic Indicators (Continued)

Indicator	Actual 2005	Actual 2006	Actual 2007	2008	Estimate 2009	2010	Projected 2011	2012	2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	25.9	26.3	28.7	30.1	..	..	..	..	..
Current expenditures	21.6	21.9	21.9	24.2	..	..	..	..	..
Current account surplus (+) or deficit (-)	4.3	4.5	6.8	5.9	..	..	..	..	..
Capital expenditure	10.5	11.1	9.0	11.5	..	..	..	..	..
Foreign financing	5.2	2.6	-0.6	1.7	..	..	..	..	..
Monetary indicators									
M2/GDP	72.1	81.6	84.2	..	..	..	..	..	..
Growth of M2 (%)	13.4	20.1	6.2	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	63.3	143.8	240.8	..	..	..	..	..	..
Price indices(YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	92.0	..	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	3.9	2.3	2.5	..	..	..	..	..	..
GDP deflator (% change)	3.7	2.0	2.0	3.2	..	..	..	..	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

St. Lucia - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	411	404	470	831	818	801	782	765	750
Net disbursements (US$m)[a]	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US$m)[a]	..	..	19	23	12	11	10	9	9
Debt and debt service indicators (%)									
TDO/XGS[b]	76.9	82.4	89.5	..	..	..	..	..	..
TDO/GDP	46.7	43.3	49.0	83.4	..	..	..	..	..
TDS/XGS	..	..	3.6	..	..	..	..	..	..
Concessional/TDO	24.4	28.9	27.4	21.7	21.6	21.4	20.9	20.4	19.7
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%)[c]	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	0.3	0.3	0.5	..	..	..	..	..	..
IBRD TDO (US$m)[d]	10	10	18	18	19	16	14	12	10
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US$m)[d]	27	41	46	49	50	52	53	54	54
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
b. "XGS" denotes exports of goods and services, including workers' remittances.
c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
d. Includes present value of guarantees.
e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex B8: (IFC) Committed and Disbursed Outstanding Investment Portfolio

As of 12/31/2009

(In USD Millions)

		Committed					Disbursed Outstanding				
FY Approval	**Company**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**	**Loan**	**Equity**	****Quasi Equity**	***GT/RM**	**Participant**
2008	Bank of st Lucia	20	0	0	0	0	15	0	0	0	0
Total Portfolio:		**20**	**0**	**0**	**0**	**0**	**15**	**0**	**0**	**0**	**0**

* Denotes Guarantee and Risk Management Products.
** Quasi Equity includes both loan and equity types.

Annex B8: Operations Portfolio (IBRD/IDA and Grants)

As Of Date 2/1/2010

Closed Projects **9**

IBRD/IDA *	
Total Disbursed (Active)	14.10
of which has been repaid	0.26
Total Disbursed (Closed)	37.59
of which has been repaid	11.65
Total Disbursed (Active + Closed)	51.69
of which has been repaid	11.91
Total Undisbursed (Active)	6.45
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	6.45

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements [a/]	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel.**	**Undisb.**	**Orig.**	**Frm Rev'd**
P086469	LC Disaster Management Project II	S	S	2004	3.7	6.8			2.6	-0.5	1.3
P076795	LC HIV/AIDS PREVENTION & CONTROL	S	S	2005	3.2	3.2			0.5	0.2	
P097141	OECS (St Lucia) Skills for Inclu. Growth	MU	MU	2007		3.5			3.4	2.0	
Overall Result					6.9	13.5			6.5	1.7	1.3

ST. VINCENT AND THE GRENADINES

Annex 1: Country Profile

Population: 109,117 (2008)
GNI per capita: US$8,770 (2008 est. Atlas methodology)

---

1. Profile. St. Vincent and the Grenadines consists of 32 islands. St Vincent, the northernmost island, is the country's commercial and political center, accounting for 90 percent of both the land area and population. The volcanic island is lush and green, its deep valleys cultivated with bananas, coconuts and arrowroot. The others belong to the Grenadines, a chain of about 800 islets extending between St. Vincent and Grenada, which attract a large number of yachting tourists. St. Vincent and the Grenadines has a poverty headcount index of about 38 percent as of 2007/08 and an estimated unemployment rate of about 21 percent. St. Vincent and the Grenadines ranks 91st out of 182 countries on the 2007 UNDP Human Development Index.

2. Political Context. Independence: 1979 Last election: 2009

The current administration, representing the Unity Labour Party was re-elected in December 2005. They have been in power since 2001, when 15 years of rule by the New Democratic Party came to an end. A constitutional referendum was held in Saint Vincent and the Grenadines on 25 November 2009, which would have abolished the monarchy of Saint Vincent and the Grenadines, headed by Queen Elizabeth II, and would have given power to the opposition. However, the proposal was supported by only 43.13 percent of voters in the referendum, well short of the required two-thirds threshold.

3. Economic Developments and Prospects. Economic activity in St Vincent and the Grenadines is estimated to have contracted by 1.1 percent in 2009, on the heels of less than 1 percentage point growth in 2008. The first quarter reported declines in the construction and agricultural sectors, as well as persistent weakness in tourist stay-over arrivals, although the latter was offset by a 55 percent increase in cruise ship arrivals.

The central government recorded an overall deficit equivalent to 1.7 percent of GDP in 2008 ($33.3 million), down from 3.6 percent of GDP in 2007 ($53.3 million). This reduction was primarily the result of larger grant inflows (60.5 percent higher) and a decline in capital expenditure (by 7.3 percent) as some development projects were completed. Higher expenditure (at 27.2 percent of GDP from 25.3 percent) was attributed to higher spending on personal emoluments, goods and services, and interest payments. The increase in current revenue (to 30.2 percent of GDP from 28.9 percent) stemmed from 10.5 percent higher receipts from taxes on goods and services (the VAT was implemented in May 2007), on income and profits, and customs duties on imports. In 2009, however, the government is expected to record a primary deficit of 0.9 percent of GDP.

The authorities have made concrete efforts towards fiscal consolidation in recent years. Given the already tight fiscal situation characterized by high fixed expenditures, and the downward pressure the global economic slowdown has exerted on revenues, fiscal reform is imperative to create fiscal space and bring down public debt. Both revenue and expenditure aspects are being targeted, including customs and civil service reforms, a medium-term expenditure framework, and maintaining the automatic fuel price mechanism and VAT adopted in 2008. The continuation of pension reforms, such as rationalizing the public pension system by integrating it with the

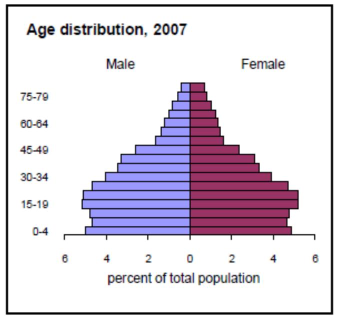
National Insurance Scheme (NIS), and demanding further increases to the contribution rate, increases to the retirement age, and reductions to the average replacement rate, are vital for its sustainability.

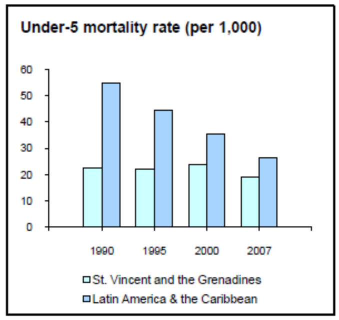
The total outstanding debt of the public sector increased by 8.1 percent in 2008, reaching an estimated $1,110 million. This increase was spurred by a 28.8 percent increase in the debt of public corporations (associated with financing for the international airport project). Central government debt, which represented 78.3 percent of total debt, also increased (by 3.5 percent) in order to finance its investment program. From end-December 2008 to end-March 2009, public sector debt increased by 0.2 percent, reflecting an increase in the outstanding debt of public corporations by 2.0 percent, while central government debt fell by 0.3 percent. By the end of 2009, debt is estimated to have reached 73 percent of GDP.

St. Vincent and the Grenadines at a glance

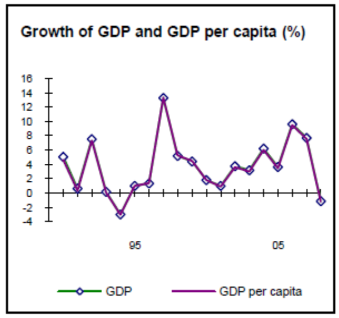
2/2/10

Key Development Indicators	St. Vincent and the Grenadines	Latin America & Carib.	Upper middle income
(2008)			
Population, mid-year (millions)	0.11	561	824
Surface area (thousand sq. km)	0.4	20,421	41,497
Population growth (%)	0.1	1.2	0.7
Urban population (% of total population)	47	78	75
GNI (Atlas method, US$ billions)	0.6	3,252	5,854
GNI per capita (Atlas method, US$)	5,050	5,801	7,107
GNI per capita (PPP, international $)	*7,170*	9,678	12,072
GDP growth (%)	-1.1	5.7	5.8
GDP per capita growth (%)	-1.2	4.4	5.0
(most recent estimate, 2003–2008)			
Poverty headcount ratio at $1.25 a day (PPP, %)	..	8	..
Poverty headcount ratio at $2.00 a day (PPP, %)	..	17	..
Life expectancy at birth (years)	72	73	71
Infant mortality (per 1,000 live births)	17	22	21
Child malnutrition (% of children under 5)	..	4	..
Adult literacy, male (% of ages 15 and older)	..	92	95
Adult literacy, female (% of ages 15 and older)	..	90	93
Gross primary enrollment, male (% of age group)	105	120	112
Gross primary enrollment, female (% of age group)	100	116	109
Access to an improved water source (% of population)	..	91	95
Access to improved sanitation facilities (% of population)	..	78	83





Net Aid Flows	1980	1990	2000	2008 [a]
(US$ millions)				
Net ODA and official aid	10	15	6	66
Top 3 donors (in 2007):				
Italy	0	0	0	41
European Commission	4	3	0	14
Canada	0	1	0	4
Aid (% of GNI)	16.3	8.2	1.9	12.4
Aid per capita (US$)	97	143	57	601



Long-Term Economic Trends	1980	1990	2000	2008	1980–90	1990–2000	2000–08
					(average annual growth %)		
Consumer prices (annual % change)	*12.7*	7.6	0.2	*3.0*			
GDP implicit deflator (annual % change)	8.4	6.4	0.4	9.0			
Exchange rate (annual average, local per US$)	2.7	2.7	2.7	2.7			
Terms of trade index (2000 = 100)	..	98	100	..			
Population, mid-year (millions)	0.1	0.1	0.1	0.1	0.7	0.0	0.1
GDP (US$ millions)	60	198	339	598	6.2	3.2	4.8
		(% of GDP)					
Agriculture	14.3	21.2	10.7	7.9	7.4	-2.4	-0.1
Industry	26.5	22.9	23.7	29.2	5.9	2.9	5.2
Manufacturing	10.5	8.5	6.0	4.4	4.8	0.2	0.4
Services	59.2	55.9	65.7	62.9	5.6	4.7	4.6
Household final consumption expenditure	89.0	63.8	60.0	66.2	3.0	3.3	..
General gov't final consumption expenditure	23.0	17.5	19.2	19.5	3.0	2.6	..
Gross capital formation	38.2	29.7	27.0	37.9	5.5	3.4	..
Exports of goods and services	54.9	65.8	52.9	43.0	8.5	0.5	..
Imports of goods and services	105.1	76.8	59.1	66.6	4.1	1.1	..
Gross savings	..	..	..	..			

Note: Figures in italics are for years other than those specified. 2008 data are preliminary. .. indicates data are not available.
a. Aid data are for 2007.

Development Economics, Development Data Group (DECDG).

Balance of Payments and Trade

	2000	2008
(US$ millions)		
Total merchandise exports (fob)	52	*43*
Total merchandise imports (cif)	144	*201*
Net trade in goods and services	-21	-211
Current account balance	-23	-217
as a % of GDP	-6.7	-36.3
Workers' remittances and compensation of employees (receipts)	3	*31*
Reserves, including gold	52	..

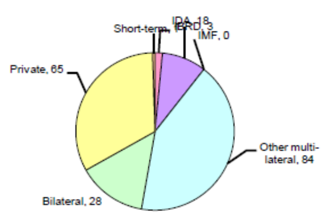
Central Government Finance

	2000	2008
(% of GDP)		
Current revenue (including grants)	29.0	32.4
Tax revenue	23.7	27.4
Current expenditure	26.4	27.0
Overall surplus/deficit	-2.1	-1.7
Highest marginal tax rate (%)		
Individual	..	..
Corporate	..	..

External Debt and Resource Flows

	2000	2008
(US$ millions)		
Total debt outstanding and disbursed	195	207
Total debt service	13	28
Debt relief (HIPC, MDRI)	–	–
Total debt (% of GDP)	57.4	34.6
Total debt service (% of exports)	7.2	12.4
Foreign direct investment (net inflows)	38	119
Portfolio equity (net inflows)	..	..

Composition of total external debt, 2007



US$ millions

Private Sector Development

	2000	2008
Time required to start a business (days)	–	12
Cost to start a business (% of GNI per capita)	–	26.8
Time required to register property (days)	–	38
Ranked as a major constraint to business	**2000**	**2007**
(% of managers surveyed who agreed)		
n.a.	..	..
n.a.	..	..
Stock market capitalization (% of GDP)	..	..
Bank capital to asset ratio (%)	..	..

Governance indicators, 2000 and 2007

Source: Kaufmann-Kraay-Mastruzzi, World Bank

Technology and Infrastructure

	2000	2007
Paved roads (% of total)	68.0	*70.0*
Fixed line and mobile phone subscribers (per 100 people)	24	111
High technology exports (% of manufactured exports)	0.0	*0.0*

Environment

	2000	2007
Agricultural land (% of land area)	26	*26*
Forest area (% of land area)	26.4	*27.4*
Nationally protected areas (% of land area)	..	*11.3*
Freshwater resources per capita (cu. meters)	..	..
Freshwater withdrawal (billion cubic meters)	..	..
CO2 emissions per capita (mt)	1.3	*1.6*
GDP per unit of energy use (2005 PPP $ per kg of oil equivalent)	..	..
Energy use per capita (kg of oil equivalent)	..	..

World Bank Group portfolio

	2000	2007
(US$ millions)		
IBRD		
Total debt outstanding and disbursed	0	3
Disbursements	0	0
Principal repayments	0	0
Interest payments	0	0
IDA		
Total debt outstanding and disbursed	7	18
Disbursements	0	1
Total debt service	0	0
IFC *(fiscal year)*		
Total disbursed and outstanding portfolio	–	–
of which IFC own account	–	–
Disbursements for IFC own account	–	–
Portfolio sales, prepayments and repayments for IFC own account	–	–
MIGA		
Gross exposure	–	–
New guarantees	–	–

Note: Figures in italics are for years other than those specified. 2008 data are preliminary.
.. indicates data are not available. – indicates observation is not applicable.

2/2/10

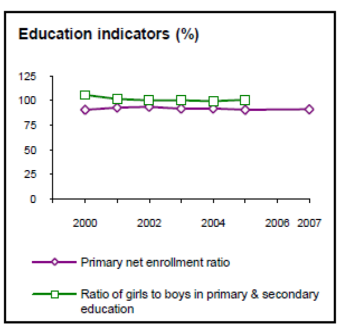
Development Economics, Development Data Group (DECDG).

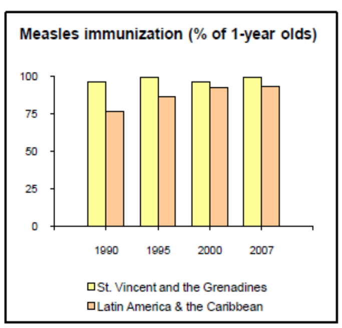
Millennium Development Goals

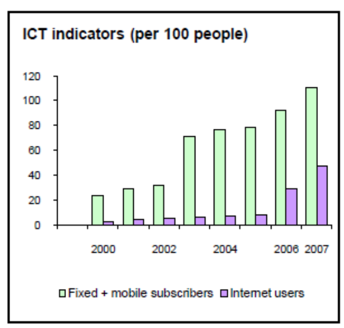
St. Vincent and the Grenadines

With selected targets to achieve between 1990 and 2015
(estimate closest to date shown, +/- 2 years)

	St. Vincent and the Grenadines			
Goal 1: halve the rates for extreme poverty and malnutrition	**1990**	**1995**	**2000**	**2007**
Poverty headcount ratio at $1.25 a day (PPP, % of population)	..	..	..	..
Poverty headcount ratio at national poverty line (% of population)	..	..	..	..
Share of income or consumption to the poorest qunitile (%)	..	..	..	..
Prevalence of malnutrition (% of children under 5)	..	..	..	..
Goal 2: ensure that children are able to complete primary schooling				
Primary school enrollment (net, %)	*91*	..	91	91
Primary completion rate (% of relevant age group)	..	..	*74*	*92*
Secondary school enrollment (gross, %)	*58*	*55*	69	*75*
Youth literacy rate (% of people ages 15-24)	..	..	..	..
Goal 3: eliminate gender disparity in education and empower women				
Ratio of girls to boys in primary and secondary education (%)	*106*	..	105	*101*
Women employed in the nonagricultural sector (% of nonagricultural employment)	..	..	..	..
Proportion of seats held by women in national parliament (%)	10	*10*	5	18
Goal 4: reduce under-5 mortality by two-thirds				
Under-5 mortality rate (per 1,000)	22	22	24	19
Infant mortality rate (per 1,000 live births)	18	18	21	17
Measles immunization (proportion of one-year olds immunized, %)	96	99	96	99
Goal 5: reduce maternal mortality by three-fourths				
Maternal mortality ratio (modeled estimate, per 100,000 live births)	..	..	..	..
Births attended by skilled health staff (% of total)	..	..	100	*100*
Contraceptive prevalence (% of women ages 15-49)	*58*	..	*58*	*48*
Goal 6: halt and begin to reverse the spread of HIV/AIDS and other major diseases				
Prevalence of HIV (% of population ages 15-49)	..	..	..	..
Incidence of tuberculosis (per 100,000 people)	27	27	26	25
Tuberculosis cases detected under DOTS (%)	..	..	55	*49*
Goal 7: halve the proportion of people without sustainable access to basic needs				
Access to an improved water source (% of population)	..	..	..	..
Access to improved sanitation facilities (% of population)	..	..	..	..
Forest area (% of total land area)	24.4	25.4	26.4	*27.4*
Nationally protected areas (% of total land area)	..	..	..	*11.3*
CO2 emissions (metric tons per capita)	0.7	1.1	1.3	*1.6*
GDP per unit of energy use (constant 2005 PPP $ per kg of oil equivalent)	..	..	..	..
Goal 8: develop a global partnership for development				
Telephone mainlines (per 100 people)	12.0	16.1	21.5	19.1
Mobile phone subscribers (per 100 people)	0.0	0.2	2.0	91.8
Internet users (per 100 people)	0.0	0.1	3.0	47.4
Personal computers (per 100 people)	..	..	10.3	*13.8*







Note: Figures in italics are for years other than those specified. .. indicates data are not available. 2/2/10

Development Economics, Development Data Group (DECDG).

Annex B2: Selected Indicators* of Bank Portfolio Performance and Management

As Of Date
2/1/2010

Indicator	2007	2008	2009	2010
Portfolio Assessment				
Number of Projects Under Implementation [a]	2	2	2	2
Average Implementation Period (years) [b]	3.0	4.0	5.0	5.6
Percent of Problem Projects by Number [a, c]	0.0	50.0	0.0	0.0
Percent of Problem Projects by Amount [a, c]	0.0	47.0	0.0	0.0
Percent of Projects at Risk by Number [a, d]	50.0	50.0	50.0	50.0
Percent of Projects at Risk by Amount [a, d]	47.0	47.0	47.0	47.0
Disbursement Ratio (%) [e]	13.7	11.0	16.2	14.4
Portfolio Management				
CPPR during the year (yes/no)				
Supervision Resources (total US$)				
Average Supervision (US$/project)				

Memorandum Item	Since FY 80	Last Five FYs
Proj Eval by OED by Number	4	2
Proj Eval by OED by Amt (US$ millions)	16.5	8.9
% of OED Projects Rated U or HU by Number	0.0	0.0
% of OED Projects Rated U or HU by Amt	0.0	0.0

a. As shown in the Annual Report on Portfolio Performance (except for current FY).

b. Average age of projects in the Bank's country portfolio.

c. Percent of projects rated U or HU on development objectives (DO) and/or implementation progress (IP).

d. As defined under the Portfolio Improvement Program.

e. Ratio of disbursements during the year to the undisbursed balance of the Bank's portfolio at the beginning of the year: Investment projects only.

* All indicators are for projects active in the Portfolio, with the exception of Disbursement Ratio, which includes all active projects as well as projects which exited during the fiscal year.

Annex B5: Poverty and Social Indicators

St. Vincent and the Grenadines Social Indicators

	Latest single year			Same region/income group	
	1980-85	1990-95	2002-08	Latin America & Carib.	Upper-middle-income
POPULATION					
Total population, mid-year *(millions)*	0.1	0.1	0.1	560.6	823.7
Growth rate *(% annual average for period)*	0.8	0.1	0.2	1.3	0.7
Urban population *(% of population)*	33.6	43.0	47.0	78.3	75.2
Total fertility rate *(births per woman)*	3.3	2.7	2.1	2.4	2.0
POVERTY					
(% of population)					
National headcount index	..	..	..	..	..
Urban headcount index	..	..	..	..	..
Rural headcount index	..	..	..	..	..
INCOME					
GNI per capita *(US$)*	1,030	2,290	5,050	5,801	7,107
Consumer price index *(2000=100)*	68	92	112	158	143
Food price index *(2000=100)*	..	..	..	..	..
INCOME/CONSUMPTION DISTRIBUTION					
Gini index	..	..	..	..	..
Lowest quintile *(% of income or consumption)*	..	..	..	..	..
Highest quintile *(% of income or consumption)*	..	..	..	..	..
SOCIAL INDICATORS					
Public expenditure					
Health *(% of GDP)*	..	..	3.5	3.4	3.4
Education *(% of GNI)*	..	..	..	3.5	3.8
Net primary school enrollment rate					
(% of age group)					
Total	..	91	91	94	94
Male	..	91	94	94	94
Female	..	90	88	94	94
Access to an improved water source					
(% of population)					
Total	..	..	..	91	95
Urban	..	..	..	97	98
Rural	..	93	..	73	83
Immunization rate					
(% of children ages 12-23 months)					
Measles	74	99	99	93	94
DPT	90	97	99	92	96
Child malnutrition *(% under 5 years)*	..	..	..	4	..
Life expectancy at birth					
(years)					
Total	68	70	72	73	71
Male	66	67	70	70	68
Female	70	73	74	76	75
Mortality					
Infant *(per 1,000 live births)*	26	18	17	22	21
Under 5 *(per 1,000)*	33	22	19	26	24
Adult (15-59)					
Male *(per 1,000 population)*	..	202	158	196	225
Female *(per 1,000 population)*	..	119	105	107	138
Maternal *(per 100,000 live births)*	..	..	..	130	97
Births attended by skilled health staff *(%)*	..	..	100	89	95

CAS Annex B5. This table was produced from the CMU LDB system. 02/02/10

Note: 0 or 0.0 means zero or less than half the unit shown. Net enrollment rate: break in series between 1997 and 1998 due to change from ISCED76 to ISCED97. Immunization: refers to children ages 12-23 months who received vaccinations before one year of age or at any time before the survey.

Annex B6: Key Economic Indicators

St. Vincent and the Grenadines - Key Economic Indicators

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
National accounts (as % of GDP)									
Gross domestic product[a]	100	100	100	100	100	100	100	100	100
Agriculture	8	8	8	8	..	..	..	..	..
Industry	24	25	27	29	..	..	..	..	..
Services	68	68	64	63	..	..	..	..	..
Total Consumption	89	88	89	86	..	..	..	..	..
Gross domestic fixed investment	32	35	36	38	..	..	..	..	..
Government investment	2	2	..	..	..	..	..	..	..
Private investment	30	33	..	..	..	..	..	..	..
Exports (GNFS)[b]	45	43	42	43	..	..	..	..	..
Imports (GNFS)	65	66	68	67	..	..	..	..	..
Gross domestic savings	11	12	11	14	..	..	..	..	..
Gross national savings[c]	9	11	10	13	..	..	..	..	..
Memorandum items									
Gross domestic product (US$ million at current prices)	445	498	555	598	..	..	..	..	..
GNI per capita (US$, Atlas method)	3720	4460	4860	5050	..	..	..	..	..
Real annual growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	3.6	9.6	7.7	-1.1	..	..	..	..	..
Gross Domestic Income	..	..	..	..	..	..	..	..	..
Real annual per capita growth rates (%, calculated from 90 prices)									
Gross domestic product at market prices	3.5	9.5	7.6	-1.2	..	..	..	..	..
Total consumption	..	..	..	..	..	..	..	..	..
Private consumption	..	..	..	..	..	..	..	..	..
Balance of Payments (US$ millions)									
Exports (GNFS)[b]	201	212	213	211	..	..	..	..	..
Merchandise FOB	43	41	51	51	..	..	..	..	..
Imports (GNFS)[b]	291	328	402	422	..	..	..	..	..
Merchandise FOB	212	240	288	302	..	..	..	..	..
Resource balance	-91	-116	-189	-211	..	..	..	..	..
Net current transfers	18	20	20	19	..	..	..	..	..
Current account balance	-99	-120	-192	-217	..	..	..	..	..
Net private foreign direct investment	40	109	117	96	..	..	..	..	..
Long-term loans (net)	26	-4	2	22	..	..	..	..	..
Official	5	7	8	2	-4	-6	-8	-10	-11
Private	21	-10	-7	19	..	..	..	..	..
Other capital (net, incl. errors & ommissions)	39	6	65	103	..	..	..	..	..
Change in reserves[d]	-5	9	8	-3	..	..	..	..	..
Memorandum items									
Resource balance (% of GDP)	-20.4	-23.3	-34.1	-35.3	..	..	..	..	..
Real annual growth rates (YR90 prices)									
Merchandise exports (FOB)	..	..	..	..	..	..	..	..	..
Primary	..	..	..	..	..	..	..	..	..
Manufactures	..	..	..	..	..	..	..	..	..
Merchandise imports (CIF)	..	..	..	..	..	..	..	..	..

(Continued)

Annex B6: Key Economic Indicators

St. Vincent and the Grenadines - Key Economic Indicators (Continued)

Indicator	Actual				Estimate		Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public finance (as % of GDP at market prices)[e]									
Current revenues	29.0	29.7	30.4	32.4	..	..	..	..	..
Current expenditures	26.8	26.4	25.2	27.0	..	..	..	..	..
Current account surplus (+) or deficit (-)	2.2	3.2	5.2	5.4	..	..	..	..	..
Capital expenditure	6.7	7.5	8.8	7.6	..	..	..	..	..
Foreign financing	..	..	..	..	..	..	..	..	..
Monetary indicators									
M2/GDP	79.8	70.4	..	..	..	..	..	..	..
Growth of M2 (%)	6.5	-1.2	..	..	..	..	..	..	..
Private sector credit growth / total credit growth (%)	36.1	-96.6	..	..	..	..	..	..	..
Price indices(YR90 =100)									
Merchandise export price index	..	..	..	..	..	..	..	..	..
Merchandise import price index	..	..	..	..	..	..	..	..	..
Merchandise terms of trade index	..	..	..	..	..	..	..	..	..
Real exchange rate (US$/LCU)[f]	88.2	..	..	..	..	..	..	..	..
Real interest rates									
Consumer price index (% change)	3.7	3.0	..	..	..	..	..	..	..
GDP deflator (% change)	2.1	2.1	3.5	9.0	..	..	..	..	..

a. GDP at factor cost
b. "GNFS" denotes "goods and nonfactor services."
c. Includes net unrequited transfers excluding official capital grants.
d. Includes use of IMF resources.
e. Consolidated central government.
f. "LCU" denotes "local currency units." An increase in US$/LCU denotes appreciation.

Annex B7: Key Exposure Indicators

St. Vincent and the Grenadines - Key Exposure Indicators

Indicator	Actual			Estimated			Projected		
	2005	2006	2007	2008	2009	2010	2011	2012	2013
Total debt outstanding and disbursed (TDO) (US$m)[a]	251	241	199	207	192	174	155	134	113
Net disbursements (US$m)[a]	..	..	0	0	0	0	0	0	0
Total debt service (TDS) (US$m)[a]	..	..	9	9	9	8	7	6	4
Debt and debt service indicators (%)									
TDO/XGS[b]	..	..	..	..	..	..	..	..	..
TDO/GDP	56.3	48.4	35.9	34.6	..	..	..	..	..
TDS/XGS	..	..	..	..	..	..	..	..	..
Concessional/TDO	37.4	38.5	48.4	45.9	49.2	52.7	56.3	60.3	65.3
IBRD exposure indicators (%)									
IBRD DS/public DS	..	..	..	..	..	..	..	..	..
Preferred creditor DS/public DS (%)[c]	..	..	..	..	..	..	..	..	..
IBRD DS/XGS	..	..	..	..	..	..	..	..	..
IBRD TDO (US$m)[d]	1	3	3	3	3	3	3	3	3
Of which present value of guarantees (US$m)									
Share of IBRD portfolio (%)	0	0	0	0	0	0	0	0	0
IDA TDO (US$m)[d]	15	16	18	19	20	20	20	20	20
IFC (US$m)									
Loans									
Equity and quasi-equity /c									
MIGA									
MIGA guarantees (US$m)									

a. Includes public and publicly guaranteed debt, private nonguaranteed, use of IMF credits and net short-term capital.
b. "XGS" denotes exports of goods and services, including workers' remittances.
c. Preferred creditors are defined as IBRD, IDA, the regional multilateral development banks, the IMF, and the Bank for International Settlements.
d. Includes present value of guarantees.
e. Includes equity and quasi-equity types of both loan and equity instruments.

Annex B8: Operations Portfolio (IBRD/IDA and Grants)

As Of Date 2/1/2010

Closed Projects **4**

IBRD/IDA *	
Total Disbursed (Active)	6.62
of which has been repaid	0.01
Total Disbursed (Closed)	8.90
of which has been repaid	2.28
Total Disbursed (Active + Closed)	15.52
of which has been repaid	2.29
Total Undisbursed (Active)	7.09
Total Undisbursed (Closed)	0.00
Total Undisbursed (Active + Closed)	7.09

Active Projects

		Last PSR Supervision Rating			Original Amount in US$ Millions					Difference Between Expected and Actual Disbursements a/	
Project ID	**Project Name**	**Development Objectives**	**Implementation Progress**	**Fiscal Year**	**IBRD**	**IDA**	**GRANT**	**Cancel**	**Undisb.**	**Orig.**	**Frm Rev'd**
P086664	6O: VC EDUCATION (APL3)	MS	MS	2004	3.1	3.1			4.3	4.0	
P076799	VC HIV/AIDS PREVENTION & CONTROL	S	S	2005	3.5	3.5			2.8	2.5	
Overall Result					6.6	6.6			7.1	6.5	

Appendix 1A: RESULTS MATRIX for the RPS FY10-FY14

Country Development Goals		Outcomes Influenced by the World Bank CPS Program		World Bank Assistance
Strategic Objectives	**Challenges**	**RPS Expected Outcomes**	**Planned Milestones**	**Bank Group Activity**
		Pillar 1: Building Resilience		
Promote Fiscal and Debt Sustainability	• High public sector debt levels • Limited fiscal space • Large and bureaucratic public service • Limited monitoring and evaluation mechanisms to increase quality of public expenditures	• Debt management functions strengthened *Indicator:* Reduced debt levels (debt/GDP ratio) in all countries *Baseline*: Average 105.35% (end-2009) *Target*: Average 90% (2014) • Fiscally sustainable wage bill ensuring key public services coverage *Indicator:* Public service wage bill as % of GDP reduced in the OECS (3 countries) *Baseline (2008/9):*AB 9.8; DM 12.2; GD 13; SKN 14.96; SLU 10.6; SVG 12.9 *Target:* < Baseline • Improved government services across the region through the implementation of regionally integrated e-government services *Indicator:* Number of major new e-government services offered *Baseline:* 0 (2009) *Target:* 4 (2014) • Greater linkage between public expenditures and development objectives *Indicator:* Integration of performance information from M&E mechanisms into the budget process in at least 3 countries by 2014	• Comprehensive debt reduction framework has been implemented in at least 3 countries by end-2012 • Recommendations from functional reviews and human resource audits are implemented to contain wage bill growth in at least 3 countries by end-2012 • Outcome-oriented regionally focused e-government implementation plan for OECS published *Baseline:* 0 (2010) *Target:* 1 (2012) • Capacity of governments for undertaking M&E of key programs and policies is strengthened *Indicator*: Existence of M&E Action Plans in at least 3 countries by end-2012	<u>Lending:</u> • Economic and Social DPLs (GD, SLU) - FY10 • Debt Sustainability Programmatic DPLs – FY11 (Potential) • OECS (SVG) EGRIP (APL2) - FY10 • *OECS EGRIP – FY08* • *GD TAC (FY08) and Public Sector Management TAC (FY06)* • *DM Growth and Social Protection TAC – FY07* <u>Non-lending:</u> • Efficiency in public spending (AB, GD, SLU) - IDF grants – FY10 • DeMPA (AB, GD, SKN) – FY10 • Framework Solution for Caribbean Debt Restructuring AAA – FY10 • OECS PER, Debt Reduction and Public Sector NLTA – FY11 • Fiscal and Debt Sustainability NLTA – FY12 • Strengthening PFM, Tax and Customs (Caribbean wide) – SEMCAR TF – FY10 • Institutionalizing M&E in the OECS (CARICAD) – IDF - FY10
Protecting and Improving Human Capital	• Negative impacts of the global financial crisis on the poor • Overlapping social protection programs	• Rationalized social safety net systems *Indicator:* Countries using objective, transparent and documented targeting instruments in cash transfer programs *Baseline*: 0 (2010)	• Number of countries with assessments of social assistance programs including recommendations for improvement in targeting *Baseline:* 1 (2009)	<u>Lending:</u> • Economic and Social DPLs (GD, SLU) - FY10 • Strengthening Social Safety Nets SWAp- FY11

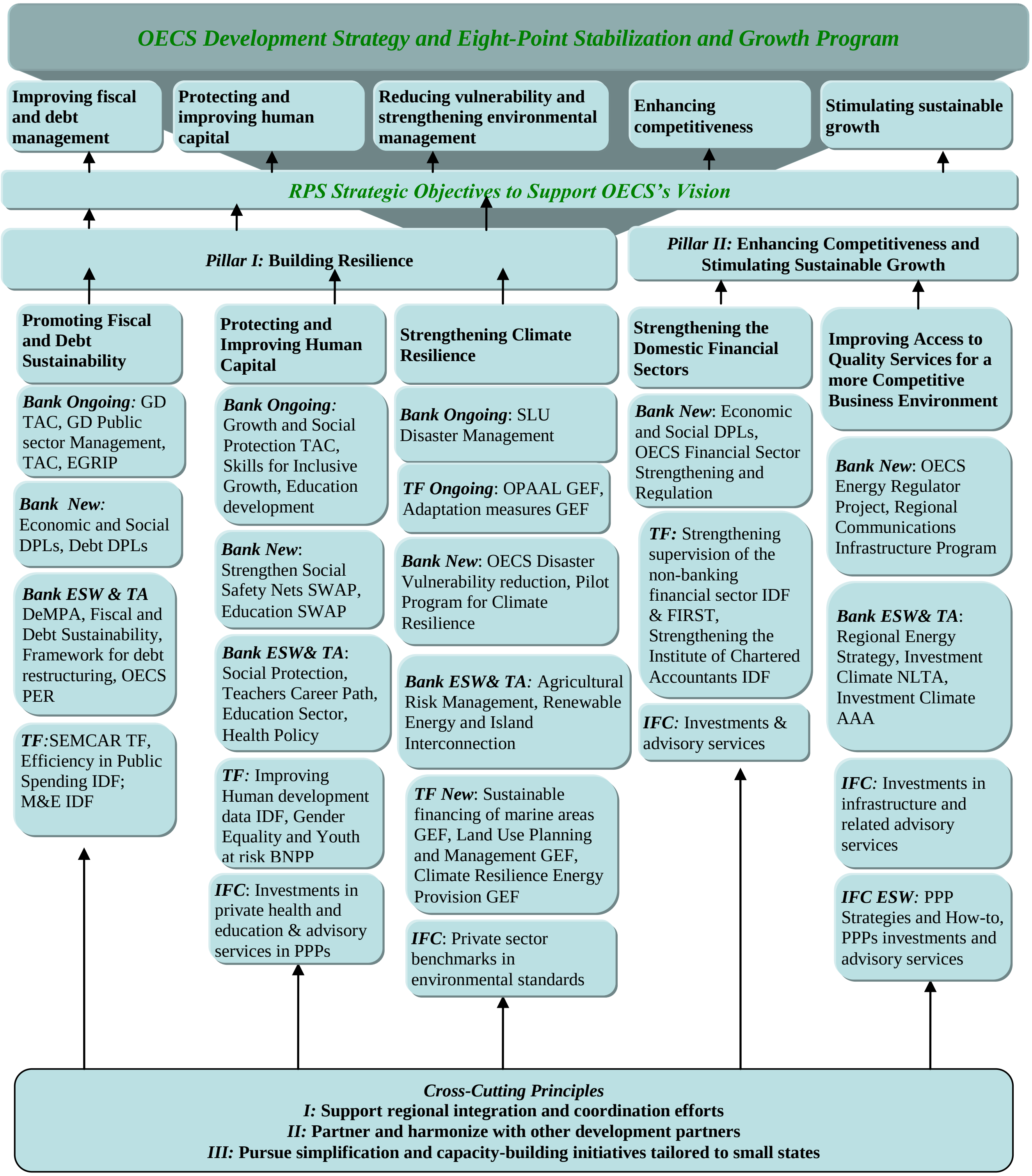
Country Development Goals		Outcomes Influenced by the World Bank CPS Program		World Bank Assistance
Strategic Objectives	**Challenges**	**RPS Expected Outcomes**	**Planned Milestones**	**Bank Group Activity**
	and fragmented targeting mechanisms • Shortage of qualified teachers • High youth unemployment • Crime and violence • High incidence of NCDs and chronic conditions • Lack of health information for developing evidence-based policies	*Target:* 6 (2014) • Increase in the proportion of qualified teachers at the primary and secondary levels (i.e. teachers with teacher training qualification) in the OECS (5 countries) *Baseline*: Average 59% (2009) *Target:* Average 62% (2014) • Better skilled post-secondary workers in the labor force *Indicator:* % of youth enrolled in the training scheme employed 15 months after the start of their training *Baseline* : 0 (SLU, 2007); 0 (GD, 2009) *Target:* 75% (SLU, 2012); 65% (GD, 2013) • Improved knowledge and information on the sub-region's chronic non-communicable diseases *Indicator:* Policy note on OECS Health disseminated in at least 3 countries by 2014	*Target:* 6 (beginning 2011) • New policy measures for teacher development are agreed upon by 2012 • Number of Caribbean Vocational Qualifications certifications awarded *Baseline:* 0 (SLU, 2007); 0 (GD, 2009) *Target*: 1265 (SLU, 2012); 895 (GD, 2013) • A policy note on OECS Health published by mid-2012	• *DM Growth and Social Protection TAC – FY07* • Education Sector (GD, SLU, SKN, SVG) – SWAPp- FY12 • *Skills for Inclusive Growth (SLU –FY07, GD – FY09)* • *Education Development Project (GD – FY09, SVG – FY03)* • IFC investments in private health and education Non Lending: • Social Protection NLTA (OECS) – FY10 • Teachers Career Path NLTA (OECS) – FY10 • OECS Education Sector NLTA - FY11 • Health Policy NLTA – FY11 • Improving Human Development Data - IDF Grant – FY11 • Gender Equality and Youth at Risk – BNPP – FY10 • IFC advisory services in PPPs
Strengthening Climate Resilience	• Adverse impact of weather hazards (hurricanes, heavy rains, landslides) • Overexploitation of resource base • Loss of natural habitats • Negative impacts of climate change • Weak institutions and regulations for enforcement of environmental management	• Improved understanding of vulnerability of critical infrastructure *Indicator:* Vulnerability assessments/functions *Baseline*: Have been carried out for some buildings (2009) *Target*: Calculated for all public buildings in at least 2 sectors in at least 2 countries (2014) • Number of people at high risk of landslides in SLU *Baseline*: Population of 4 named communities in SLU (2009) *Target*: 0 people living at high risk to landslides in SLU (2012)	• Development of exposure databases for critical public infrastructure initiated *Baseline:* 0 (end 2009) *Target*: in at least 2 countries (2011) • Drainage works and guttering finalized in 4 communities in SLU (2012)	Lending: • Pilot Program for Climate Resilience (PPCR) - FY11 • OECS Disaster Vulnerability Reduction Project - FY12 • *SLU Disaster Management- FY09* GEF Grants: • Sustainable Financing of Marine Areas (OECS) - FY11 • Sustainable Land Use Planning and Management - FY12 (Potential) • Climate Resilient Energy Provision – FY12 • *OECS Protected Areas and Associated Livelihoods – FY04*

Country Development Goals		Outcomes Influenced by the World Bank CPS Program		World Bank Assistance
Strategic Objectives	**Challenges**	**RPS Expected Outcomes**	**Planned Milestones**	**Bank Group Activity**
		• Improved management of the priority terrestrial and marine protected areas *Indicator*: M&E system established to monitor species and related ecosystems under the 6 OPAAL sites by 2012 • Long-term financing mechanisms established for critical ecosystems by 2014 *Indicator*: National legislation for the establishment of country level protected areas trust funds adopted in 4 countries by 2014	• Completion and approval of management plans in all 6 OPAAL sites by end 2010	• *Implementation of Adaptation Measures – FY07* Non-Lending: • Agriculture Risk Management (GD) NLTA - FY10 • Renewable Energy and Island Interconnection AAA – FY11 • IFC – Private sector benchmarks in environmental standards
Pillar 2: Enhancing Competitiveness and Stimulating Sustainable Growth				
Strengthen the Domestic Financial Sector	• Adverse effects of the global financial crisis on the financial sector (CL financial collapse) • Decreased availability of credit for the private sector • Absence of a sub-region credit bureau	• Improved regulatory and supervisory frameworks for the insurance sector as evidenced by the enforcement of the new insurance law in 4 countries by 2012	• At least 4 countries enacted the new insurance law aimed at strengthening regulatory environment by 2012	Lending: • Economic and Social DPLs (GD, SLU) - FY10 • OECS Financial Sector Strengthening and Regulation - FY11 • IFC advisory services and investments in the financial sector Non-lending: • Strengthening supervision of the non-banking financial sector - IDF Grant - FY10 • Strengthening supervision of the insurance sector – FIRST grant-FY10 • Strengthening the Institute of Chartered Accountants of the Eastern Caribbean - IDF Grant - FY10 • BAICO Resolution NLTA – FY10
Improve Access to Quality Services for a more Competitive Business Environment	• High cost of doing business, including high cost of electricity and bottlenecks in	• Creation of ECERA as the regulator of participating countries' electricity markets by 2014	• Treaty establishing the ECERA ratified by participating countries by 2013	Lending: • OECS Energy Regulator Project (DM,GD, SLU) - FY10 • Regional Communications

Country Development Goals		Outcomes Influenced by the World Bank CPS Program		World Bank Assistance
Strategic Objectives	**Challenges**	**RPS Expected Outcomes**	**Planned Milestones**	**Bank Group Activity**
	telecommunication and transport/logistics • High cost of transportation • Creating an environment conducive to private investments	• Increased access to ICT services for the general population *Indicator:* % population with access to broadband Internet services *Baseline*: 9% (2009) *Target*: 20% (2014) • PPP's in relevant sectors to relieve government expenditures and improve service *Indicator:* Number of PPP projects undertaken in the region *Baseline*: 0 (2009) *Target*: 2 (2014) • Simplified procedures for starting a business and trading across borders within the OECS by 2014 (IFC) *Indicator 1:* Reduction in the average number of days it takes to comply with business regulation related to business entry *Baseline*: SKN: 45; GD: 20; SLU: 14; DM:14 (2009) *Target*: SKN: 26; GD:13; SLU: 8; DM: 8 (2011) *Indicator 2*: Reduction in the number of days to trade - Average number of days to comply with business regulation (Imports) *Baseline*: SKN: 13; GD: 19; SLU: 18; DM:15 (2009) *Target*: SKN: 12; GD:17; SLU: 16; DM: 13 (2011) - Average number of days to comply with business regulation (Exports) *Baseline*: SKN: 12; GD: 14; SLU: 14; DM:13 (2009) *Target*: SKN: 11; GD:12; SLU: 12; DM: 12 (2011)	• Launch of tenders for the provision of telecom services to government, schools, hospitals and rural areas by 2011 • Required changes in law to be enacted by December 2010 in the first of the OECS countries to establish a divestment program • At least 4 reports (assessments, surveys, manuals) regarding business environment in the Caribbean completed by 2011	Infrastructure Program (Caribbean wide) – FY11 • IFC advisory services in energy and infrastructure (potential) <u>Non-lending:</u> • Regional Energy Strategy (Caribbean wide) – FY10 • Renewable Energy and Island Interconnection AAA – FY11 • Climate Resilient Energy Provision (Adaptation fund) – FY12 • Investment Climate NLTA – Doing Business (OECS) - FY11 • Investment Climate Assessment AAA – FY12 • Public Private Partnership: "Strategies and How-To" AAA – FY12 • IFC PPP advisory services opportunities for private sector investment

Ongoing projects are listed in italic

Appendix 1B: RESULTS CHAIN for the RPS FY10-FY14



APPENDIX 2:

Appendix 2A: OECS CAS Completion Report FY06-09

Country: The Organization of Eastern Caribbean States
Date of CAS: September 6, 2005
Date of Progress Report: June 5, 2008
Period Covered by the CAS Completion Report: FY06 to FY09
Completed by: Violeta Rosenthal, Consultant
Date of Report: December 2009

A. Introduction

1. This Country Assistance Strategy (CAS) Completion Report assesses the effectiveness of the World Bank Group Strategy for the Organization of Eastern Caribbean States (OECS) FY06-09 as defined in the CAS document (September 2005), and adjusted in the CAS Progress Report (June 2008). The purpose of this assessment is to identify lessons that are relevant to the design and implementation of the FY2010-14 CAS. The assessment is based on a desk review of major reports and projects prepared and/or active during the FY06-09 period, assessments by the Quality Assurance Group (QAG), and interviews with relevant Bank staff, selected country stakeholders and main development partners.

B. Development Objectives

2. The World Bank's Group strategy for the FY06-09 period supported two pillars: (1) stimulating growth and improving competitiveness; and (2) reducing vulnerability by promoting greater social inclusion and strengthening disaster risk management. The CAS also sought to establish a "new way of doing business" with the OECS Countries by following three guiding principles: (a) supporting regional integration and coordination efforts; (b) partnering and harmonizing in both lending and analytical work with other development partners; and (c) pursuing simplification and capacity building initiatives tailored to small states.

3. The OECS Development Charter, endorsed by the people and Governments of the OECS countries, provided the overarching framework for the CAS. The Charter affirms the commitment of the small states of the OECS to create an economic union in order to effectively face the economic challenges of globalization. In addition, the Charter states the aspirations of the OECS countries and outlines the general principles of a development agenda. It does not, however, constitute a development strategy. The OECS Development Strategy pre-dates the Charter having been published in November 2000. It is broad in scope built around 10 major programs ranging from managing the external environment to detailed aspects of strategy implementation. At the time of the CAS preparation, the Bank urged the OECS Governments to define 3 or 4 development objectives that could be supported by the donor community in a coordinated and harmonized fashion, but this did not take place.

4. In the absence of officially sanctioned Government priorities, the CAS objectives were based on extensive consultation with stakeholders, substantive economic and sector analysis at the wider Caribbean and OECS levels, the Bank's comparative advantage and on lessons the bank has learned from its experience. The CAS envisioned continued support in areas where the Bank had a history of successful interventions such as disaster relief and regulatory reforms in

telecommunications. The Bank's sector work[37] demonstrated, in no uncertain terms, the urgency of redefining a growth strategy for the OECS countries and addressing the debt burden. Economic integration, a new role for government and improved competitiveness based on comparative advantage instead of preferences were at the heart of the proposed growth strategy. The first CAS pillar (stimulating growth and improving competitiveness) emphasized improving the efficiency of the public sector, the cost-effectiveness of public utilities, and the capacity of the human resources base. The second pillar (reducing vulnerability) sought to protect vulnerable groups, particularly youth-at-risk, and to mitigate the countries vulnerability to natural disasters. Greater regional integration, capacity building, and donor coordination were cross cutting objectives.

5. The CAS objectives were highly relevant to the development challenges of the OECS countries which, like other small-economies[38], are especially vulnerable to external events, including natural disasters. OECS countries suffer from limited capacity in the public and private sectors and are facing a difficult transition to a changing world regime. The CAS objectives addressed these challenges and were broadly defined to allow for flexible implementation given individual country differences. The CAS Progress Report reaffirmed the relevance of the strategy although the lending program was adjusted to reflect the lack of progress in reducing the debt levels, which precluded the use of IBRD resources for some countries, and delayed project implementation. The non-lending program remained on target.

6. The lending program implemented under the CAS was constrained by the limited availability of IDA funds as there was no IBRD lending. The CAS was based on an IDA allocation to the OECS of $51.3 million, however, actual IDA availability was only $44.3 million as $7 million were reallocated to other Caribbean countries to respond to natural disasters. Total lending[39] during the FY06-09 amounted to $43.6 million, or about half the lending approved during the previous CAS which had a roughly 50-50 IDA/IBRD funding mix. Lending was limited to IDA-eligible countries, and was concentrated on Grenada (two fifths), St. Lucia (over one-third), and Dominica. Minimal lending (US$0.7 million) went to St. Vincent and the Grenadines (see Table 1). Overall, the Bank was a relatively small contributor, providing a small fraction of total Official Development Assistance (ODA)[40] to the OECS during the period.

7. The non-lending program included five formal reports at the OECS level in the areas of fiduciary management, energy regulation, private sector financing, increasing domestic economic linkages and skills enhancement (see Table 1). Reports geared at improving the business environment included Doing Business reports for the OECS as well as for individual countries and an OECS ROSC on Auditing and Accounting. The sub-region also benefitted from Pan-Caribbean reports on trade, air transport, pension reform and crime and violence. Non-

[37] "*A Time to Choose: Caribbean Development in the 21st Century*", World Bank (April 2005) and the companion OECS specific report "*Towards a New Agenda for Growth: Organisation Eastern Caribbean States*", World Bank, (April 2005).

[38] See the Commonwealth Secretariat/World Bank Joint Task Force on Small States, "*Small States: Meeting Challenges in the Global Economy*" (2000).

[39] Includes an Implementation of Adaptation to Climate Change GEF grant.

[40] Data on ODA is fragmented, the OECD – DAC figures show US$523 million in ODA new commitments for the Dominica, Grenada, St. Vincent, St. Lucia and St. Kitts and Nevis over the period 2005-08. The European Union (EU) is the largest donor but the Caribbean Development Bank (CDB) also provides significant resources, commitments from the CDB over the 2005-09 period amounted to US$216 million, or 5 times IDA's assistance.

lending Technical Assistance supported capacity building in audit, procurement and statistical monitoring, as well as regulation of the electricity sector.

TABLE 1: BANK SUPPORT DURING FY06-09 - PROJECTS AND ESW

CAS Pillars	**Lending**				**ESW**
	Projects	**Countries**	**US $m**	**FY**	
(1) Stimulating growth and improving competitiveness	Public Sector Modernization	Grenada	3.5	06	*OECS* Skills Enhancement (Policy Note) (06) Doing Business (07) Private Sector Financing (07) ROSC Accounting and Audit, (07) Country Fiduciary Assessment (08) Increasing Linkages of Tourism with Ag., Manuf. & Service Sectors (09) *Caribbean-wide* Crime and Violence (07) Air Transport Study (07) Pension Reform (08) Trade Integration (09)
	Skills for Inclusive Growth	St. Lucia	3.5	07	
		Grenada	3.0	09	
	Growth and Social Protection TAC	Dominica	1.45	07	
	GD Technical Assistance Credit	Grenada	1.9	08	
	E-Government Regional Integration Program. *	Dominica	2.4	08	
		Grenada	2.4	08	
		St. Lucia	2.4	08	
	Water Sector Investment **	St. Lucia	1.84	07	
	Disaster Mgmt II **	St. Lucia	3.0	09	
	Education Development **	Grenada	1.9	09	
	GEF Adaptation to Climate Change	Dominica, St. Lucia, St. Vincent & Grenadines	2.1	07	
(2) Reducing vulnerability by promoting greater social inclusion and strengthening disaster risk management	Catastrophe Risk Insurance Project	Dominica	4.5	08	
		Grenada	4.5	08	
		St. Lucia	4.5	08	
		St. Vincent & the Grenadines	0.74	08	
Total			**43.63**		

* Not in original CAS, ** Additional financing to ongoing project.

8. The last year of CAS implementation was influenced by the global financial crisis. OECS countries were hit hard by the financial meltdown of 2009. Pre-existent weaknesses in the financial sector, debt management, public finances and social protection programs exacerbated the crisis fall-out and severely constrained the countries' ability to respond. The crisis highlighted even more the relevance of the CAS objectives, for example, the OECS governments renewed their commitment to strengthening their social protection systems. The lending and non-lending programs were redirected to help mitigate the effects of the crisis, for example, the

Bank agreed to provide technical assistance to support the strengthening of social protections systems, in collaboration with the Eastern Caribbean Central Bank (ECCB) and the OECS Secretariat, and to extend budgetary support through development policy loans and technical assistance; in coordination with other development partners.

C. Program Performance

9. This assessment is centered on the development outcomes and key intermediate indicators that the CAS FY06-09 intended to influence. The CAS was an early results-based CAS, prepared at a time when the results approach was in its infancy and not yet fully fleshed out. Furthermore, it was recognized that weaknesses in data collection imposed significant constraints on results-based monitoring and evaluation in the OECS countries. It was expected that the ongoing OECS-MECOVI IDF project and support to the Caribbean Regional Technical Assistance Center (CARTAC) would help improve social statistics and macroeconomic data. Moreover, all new Bank operations were expected to collect baseline data and help establish a results-based monitoring and evaluation system in each country. Therefore, while the CAS results matrix included a framework for results-based monitoring, comprehensive results would only be developed in the CAS Progress Report once the implementation of new projects had begun.

10. Significant changes were introduced to the Results Matrix at the time of the CAS Progress Report (PR), which was completed almost three years after the original CAS was approved. The PR concluded that the CAS's projected portfolio and expected impact --based on a high case scenario of US$103 million-- had been overly ambitious. Developing strategies for regional projects for six countries at varying stages of development had proven challenging. Furthermore, as mentioned before, there was no IBRD lending, because some Governments decided that it was not prudent to borrow given their high debt levels and the availability of other concessional resources, while others could not access IBRD funds because they had not met IBRD lending triggers. As a result, the actual lending program was close to the base case scenario of US$53 million or half the anticipated level; and the Results Matrix was revised accordingly. Overall, the changes improved the matrix as the effect was to simplify it and to tighten the performance indicators (particularly those linked to the first pillar). However, the revised matrix excluded the critical outcome of restoring fiscal and debt sustainability and significantly scaled back planned interventions that were expected to contribute to the following outcomes: improving efficiency in the delivery of public services; strengthening management of the natural environment and improving the quality, coverage and sustainability of social protection programs.[41] Appendix 8B presents CAS PR indicators and progress to date, and a summary of the revised PR indicators is presented in Table 2 below. The following discussion assesses the degree to which World Bank interventions contributed to the development

[41] The OECS Public Utilities Reform project that was expected to contribute to improving efficiency in the delivery of public services was excluded from the results matrix at the CAS PR With regard to the outcome on reducing the cost and improving the services of public utilities for consumers and business, the planned OECS Infrastructure and Utilities Reform Investment/TA Program was recasted, based on the findings of the related PPIAF study on regional regulation, with a narrower scope, as the OECS Regional Energy Regulator Project in the CAS PR. As stated in the CAS PR, the Energy Regulator project would be focused on the establishment of a regional regulatory authority and establishing and enforcing incentives for diversifying energy sources. The preparation of the OECS Regional Energy Regulator Project began in FY09 and is ongoing. The planned OECS Social Protection program and the PRSC (Dominica) were excluded from the CAS PR results matrix. The Dominica Growth and Social Protection Project is carrying out the activities envision in the original operations, though on a significantly smaller scale.

objectives stated in the CAS PR. This discussion is limited by the minimal availability of quantitative indicators and by the weaknesses in socio-economic data that continues to pervade the OECS region. The main achievements under each CAS PR outcome are presented in bold type throughout this section of the report.

TABLE 2: SUMMARY FY06-FY09 CAS RESULTS

<table>
<tr><th>CAS Pillar</th><th>Targeted Outcomes for End of CAS</th><th>Progress to July 2009</th></tr>
<tr><td rowspan="4">Growth and competitiveness</td><td>Public Service Delivery
▪ Improve public sector human resource management (GD, DM)
▪ Convert public entities to executive entities (EA) (GD).
▪ Greater regional coordination public services, such as procurement and auditing (all countries).</td><td>▪ Partially achieved. Human resources staff trained
▪ Not Achieved. No public enterprises converted to EA
▪ Partially achieved. Procurement harmonization and capacity building initiatives launched</td></tr>
<tr><td>Telecommunications
▪ Strengthen sub-regional and national regulatory frameworks
▪ Reduce communications tariffs
▪ Reduce cost of broadband services</td><td>▪ Achieved. Regional telecoms regulator strengthened
▪ Achieved.
▪ Achieved.</td></tr>
<tr><td>Water Sector
▪ Improve operation and oversight of water sector (SLU)
▪ Strengthen regulatory framework to attract private investment (SLU)</td><td>▪ Partially achieved. Increased access to water
▪ Partially achieved. Regulatory framework strengthened but public private partnership aborted</td></tr>
<tr><td>Natural Environment
▪ Enforcement of environmental policies for land use
▪ Conservation and expansion of natural areas
▪ Monitoring quality of coastal waters</td><td>▪ Partially Achieved. Intervention focused on protected areas.
▪ Achieved. Four additional protected areas
▪ Not Achieved.</td></tr>
<tr><td rowspan="4">Reducing vulnerabilities, by promoting social inclusion and strengthening disaster risk management</td><td>Social Protection Programs
▪ Rationalization and better targeting of social programs</td><td>▪ Not Achieved. Project ongoing</td></tr>
<tr><td>HIV/AIDS
▪ Improve knowledge of HIV/AIDS
▪ Increase access to and use of prevention, treatment and care services</td><td>▪ Uncertain. Partial data suggests improvements
▪ Achieved. Access and use of services increased</td></tr>
<tr><td>Human Capital
▪ Increase availability of skilled post-secondary workers
▪ Greater access to secondary education.
▪ Improve management and efficiency of the education system</td><td>▪ Not achieved. Training not yet started
▪ Achieved. Target surpassed
▪ Not achieved. No increase in pupil/teacher ratio</td></tr>
<tr><td>Disaster Risk Mitigation
▪ Reduction in vulnerability and strengthened response to natural disasters
▪ OECS countries participation in pooled natural disaster insurance</td><td>▪ Achieved. Improved natural disaster preparedness
▪ Achieved. All countries participating in Catastrophe Insurance</td></tr>
</table>

11. The program overall warrants a rating of moderately satisfactory. Progress in achieving the goals of the CAS was uneven. There were some notable successes with innovative interventions in disaster risk management, and high quality analytical work that influenced policy discussions (Doing Business, Private Sector Financing, Skills Enhancement, Linkages of Tourism and Agriculture), if not always policy formulation. However, most interventions were adversely affected by problems of complex design (HIV/AIDS, GEF projects), limited implementation capacity (HIV/AIDS and Education projects), and coordination problems (HIV/AIDS, Water Sector and GEF Climate), and in some instances, waning client commitment to reform (Public Sector Management, Water Sector TA). Gains in social inclusion were modest (GSPTAC) (This rating is discussed more fully in section F of this report.)

Goal 1. Supporting Growth and Competitiveness.

12. The strategic framework for growth and competitiveness was articulated in the Bank report, *"OECS: Towards a New Agenda for Growth"* (2005), completed shortly before the time of the CAS FY06-09 preparation. The report convincingly argued that restoring fiscal health, or at least improving the fiscal stance, was critical to growth. It emphasized the need to reduce government expenditures and to improve the effectiveness of public investment, recommending greater selectivity in public investment, improved efficiency of the public sector operations and "right sizing" the government by identifying areas that could be taken over by the private sector. The report was widely disseminated in coordination with development partners, particularly the European Union (EU), and contributed to the analytical underpinnings of budgetary support from the EU and the IMF to Dominica and Grenada, as well as to the design of two Bank technical assistance projects. More recent Bank sector work, *"OECS: Policy Note on Project Fiduciary Management"* (2007), and non-lending technical assistance[42] also support improvements in public expenditures management.

13. Debt reduction leading to debt sustainability and restoring fiscal balance was a development outcome of the CAS but not of the CAS Progress Report. Economic growth accelerated in the OECS region during the 2005-2007 period but fell sharply in 2008 reflecting the world financial crisis; the fiscal stance remained largely unchanged while debt indicators showed some improvement. The public debt to GDP ratio fell steadily from 2004 to 2008, largely as a result of debt restructuring, but it is expected to rise again in 2009. There was very limited progress in improving public expenditure and debt management. (See Table 3)

14. Following the financial crisis, debt management and fiscal consolidation regained central stage in the Bank assistance program. Development policy loans focusing on fiscal improvements for Grenada and St. Lucia are planned for approval in early FY10. Debt Management Performance Assessments, aimed at improving the institutional capacity for debt management, have been completed for St. Kitts and Nevis, Grenada and Antigua, others are expected to be rolled out in the rest of the OECS countries with donor funding. Debt management is currently a priority of OECS governments, reflecting concerns about the impact of heightened rollover risks and rising interest rates on their already difficult fiscal positions.

[42] OECS: *Institutional Capacity for Project Implementation*, Institutional Development Grant, became effective in January 2009.

TABLE 3: MACROECONOMIC INDICATORS IN THE ECCU[43]

	2004	2005	2006	2007	2008 Prel.	2009 Proj.
Real GDP growth (%)	3.9	5.6	6.3	5.2	1.7	-2.4
Inflation (CPI, average)	2.2	3.2	4.0	3.3	6.9	3.1
External current account/GDP	-16.4	-22.6	-29.8	-34.8	-33.9	-24.2
Overall central gov. balance/GDP	-4.3	-4.4	-5.1	-4.4	-4.7	-6.8
Primary balance	0.1	-0.5	-1.1	-0.8	-0.7	-2.2
Total public sector debt/GDP (end of period)	107.3	100.5	98.4	94.5	90.6	97.9
External public debt/GDP	62.1	53.9	50.9	47.4	46.0	50.1
Real effective exch. Rate (1990=100) (deprec. -)	-3.6	-0.9	-0.1	-2.3	1.1	--
End-year gross reserves of the ECCB (in months of imports)	4.8	3.9	3.8	3.7	3.5	4.3

Source: IMF Country Report No. 09/175, June 2009

Financial Sector and Private Sector Development

15. The CAS did not have specific financial sector goals. The main issues highlighted in the CAS were the high exposure to the public sector and inadequate supervision of banks and non-banks. The early-2009 collapse of the Trinidad-based CL Financial Group with a subsidiary in Grenada and of the Antigua-based Stanford International Bank with a subsidiary in St. Vincent and the Grenadines, underlined the need to improve regulation and enforcement. The ECCB took over the Bank of Antigua and prepared model legislation to regulate non-banking financial institutions for the benefit of OECS countries. Further regulatory strengthening is planned.

16. Private sector development was supported through sector work. The *"OECS: Private Sector Financing Report"* (November 2007), not originally envisioned in the CAS, aimed to identify the barriers to finance. The report has yet to be formally disseminated; nevertheless, it has made substantial contributions to policy discussions within the ECCB and has helped shape the ECCB's private sector support agenda. Accounting and auditing issues were addressed in a well received *"OECS: Report on Observance of Standards and Codes (ROSC) On Accounting and Auditing*" (June 2008). The report was recently disseminated (May 2009) in a workshop co-sponsored by the Bank, the ECCB and CARTAC. The "*OECS: Increasing Linkages of Tourism with the Agriculture, Manufacturing and Services Sectors*" (September 2008) provides solid analytical foundations[44] to develop a strategy to increase the local sourcing of goods and services

[43] The Eastern Caribbean Currency Union (ECCU) comprises six countries: Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, and St. Vincent and the Grenadines; and two territories of the United Kingdom, Anguilla and Montserrat.

[44] The report includes a detailed survey of the hospitality sector and of medium and small enterprises to determine the purchasing patterns of the tourism industry and potential sources of local supply. It also performs value chain analysis of key products.

by the tourism sector, the main economic driver of the region. Several *Doing Business* reports at the OECS level, Small Island States, St. Lucia, Dominica and Grenada, spurred policy discussions at high levels of government on directions for regulatory reforms to improve the business environment and informed Bank and other donor assistance. Going forward, continued support to implement the recommendations stemming from these reports will be necessary.

Public Sector Transformation

17. At the time of the CAS preparation, the ECCB and OECS had launched a public sector reform agenda with Bank support. The CAS sought to propel the agenda through a series of public sector modernization (PSM) projects aimed at: (i) improving human resource management and training in the civil service; (ii) converting public entities into executive agencies; and (iii) supporting greater regional coordination and integration of public services (e.g. pooled procurement of selected goods and services). Poverty reduction credits were expected to provide additional momentum to the reforms**.** Actual lending for public transformation differed markedly from that originally envisioned. Only one PSM project was approved, the *Grenada Public Sector Modernization Project* (effective April 2006), and it has faced considerable implementation difficulties (discussed below). Three other projects, with narrower public sector management objectives, were approved during the CAS period: the *Dominica Growth and Social Protection Technical Assistance Project* (GSPTAC) (effective in April 2007), which includes a public sector component; the *Grenada Technical Assistance Project* (TAC) (effective January 2009), which supports improvements in customs, tax administration, procurement and investment promotion[45]; and the *E-Government for Regional Integration Project* (E-GRIP)[46] (effective June 2009) which supports upgrading information systems in core areas of public finance, as well as regional activities such as standardization of e-government applications, e-security and legal framework. The EGRIP project was launched with three countries, and a fourth one (St. Vincent and the Grenadines) is expected to join in FY10. The Grenada TAC and E-GRIP projects have only recently become effective and therefore their impacts will materialize only in the next CAS period.

18. **Overall, there was very limited progress in increasing efficiency in the delivery of public services. The conversion of public entities into executive agencies --a key element of the strategy to improve public service delivery-- was aborted.** The Grenada PSM project supported the conversion of three government agencies (including the Supreme Court Registry and the National Lands Agency) to the Executive Agencies model, based on the successful Jamaican experience. However, the Attorney General's concern about the constitutionality of the Executive Agency Act passed to facilitate the conversion has lead the government to ponder alternative reform models. It is likely that the funds for this component will be reallocated to institutional strengthening. **In retrospect, it appears that the risk associated with reforming the legal framework was underestimated.** The project has scored **some gains in public sector training** focusing on the Grenada Industrial Development Corporation (the one-stop investor facilitator) and on the Public Sector Reform Unit. **Pooled procurement between Grenada and**

[45] Both technical assistance projects are directly linked to budgetary support from the EU. Disbursements of Euros 4.38 million of budgetary support for Dominica took place in December 2008 out of a total of Euros 11.8 million approved. The Grenada budgetary support linked to the TAC was signed in November 2007 for a total of Euros 12.37 million, disbursements have not yet started.

[46] The project was approved in May 2008, it took a little over a year to become effective which is not unusual for a regional project.

at least one other OECS country has yet to take place; while discussions with St. Kitts and Nevis are ongoing. **In Dominica, a public sector manpower assessment and a program to improve customs administration are underway**, albeit progressing at a slower pace than originally anticipated.

19. The GSPTAC and Grenada TAC significantly leveraged donor resources. Both are co-financed by the EU and provide the framework for EU budgetary support. Since its inception, the E-GRIP[47] has enjoyed strong support at the highest level of Government. Its design has benefited from stakeholders' workshops and strong coordination with other donors. It has established a Regional Technical Committee and is partnering with a well-established regional institution, Caribbean Regional Technical Assistance Centre (CARTAC)[48]. This support bodes well for the EGRIP's success but, as is the case with regional projects, close Bank supervision will be required to avoid implementation pitfalls that are common in projects with multiple stakeholders across multiple countries.

20. **Sector work and non-lending technical assistance have supported improvements in public financial management and public service performance**. The "*OECS: Project Fiduciary Management*" Policy Note (delivered December 2007) influenced the design of the Financial Management Component of the E-GRIP project and has informed the benchmarks in policy loans under preparation in Grenada and St. Lucia. An IDF grant, *"Strengthening Project Implementation Capacity"* (effective April 2008), implemented in collaboration with the Caribbean Center for Development Administration (CARICAD), is supporting improvements in public procurement and external auditing. The IDF grant for St. Lucia, "*Improving Public Service Performance*" (approved May 2009), aims at building capacity on wage bill management in times of crisis and to enhance public service performance.

Regulatory Reform

21. The CAS envisioned regulatory reforms in telecommunications, water and electricity sectors. An ongoing telecommunications loan was expected to help deepen reforms in the telecommunications sector. A regional technical assistance project planned for the water and electricity sectors to explore changes in pricing and undertake a regional and international benchmarking exercise was revised and its scoped narrowed at the point of the CAS PR, after which it was referred to as the OECS Energy Regulator Project. Advances in each of the three sectors over the CAS period are discussed below.

22. **The outcomes of reducing communications tariffs and the costs of broadband services were achieved; although there was limited progress in the goal of universal access.** An ongoing regional project, the *"Telecommunications and ICT Development Project"* (effective September 2005) sought to build on the successful liberalization of the telecommunications sub-sector and to further strengthen the Eastern Caribbean Telecommunications Authority (ECTEL), the world's first regional telecommunications Authority, which had been established with Bank support. The project achieved two of its three objectives. It helped consolidate the regulatory

[47] A co-financing agreement with the Canadian International Development Agency (with a first phase of approximately US$17.5 million), whereby the Bank will manage a technical assistance project to be implemented jointly with the IMF, is currently under consideration.

[48] CARTAC which is a multi-donor funded project of the United Nations Development Program (UNDP), based on a model of Regional Technical Assistance Centers established by the International Monetary Fund (IMF) in various regions.

reforms introduced in the first project, and it strengthened ECTEL and the National Telecommunications Regulatory Commissions (NTRC). The reforms facilitated investment in the sector and the entry of new players including Southern Caribbean Fiber's launching of a new submarine cable system serving all ECTEL members. Heightened competition contributed to lower tariffs in all areas of service (mobile, local and international) and broadband access rates. However, the objective of universal access was only partially achieved. While universal service regulations and guidelines were issued, the universal access policy was not implemented. The largest component of the project, the Universal Service Fund which would grant a one-time subsidy to stimulate private investment in expanding broadband connectivity and access to advanced ICT for under-served communities and public institutions, has yet to be established. The reported reason for the delay was an extensive public consultation process undertaken by ECTEL and NTRCs to build policy and regulatory consensus. Monitoring and evaluation also proved challenging because one of the two main outcome indicators was difficult to track as it had been inadequately defined. The project has been granted a one-year extension to enable the achievement of the universal access objectives.

23. **Improvement in the provision of water in the north of St. Lucia was achieved, but the goals of sustained improvement in financial performance of the Water Company and of attracting private investment to the water sector in St. Lucia were not achieved.** The CAS identified water delivery as the worst performing of the OECS utility sectors. In St. Lucia, the Bank tackled the issues through a two pronged approach: investment funding for physical infrastructure to improve water availability in the northern part of the country; and technical assistance to improve the regulatory framework and achieve a public private partnership. The physical investments were an unquestionable success; complex physical works were completed in record time providing a much more reliable water supply in the Northern part of the island. The institutional reforms, on the other hand, were less successful. The reforms were pursued mainly through a technical assistance project, *St. Lucia Water Sector Reform TA* (approved FY01). The final rating of the technical assistance project was Unsatisfactory as the objective of a "successful transition to a public-private partnership" was not achieved. The problems of the project can be traced to insufficient ownership of and commitment to the proposed reforms, and to insufficient coordination with other donors.[49] The fact that the Public Private Partnership (PPP) did not materialize also meant the loss to the sector of a US$1.6 million grant from the Global Partnership on Output Based Aid (GPOBA).

24. An important lesson learned from the aborted PPP in the water sector in St. Lucia and the failed implementation of Executive Agencies in Grenada is that the degree of commitment to these reforms must be very carefully evaluated over a broad spectrum of constituents including high-level officials within the government as well as the opposition party and prominent figures outside the government. Close coordination with other donors operating in the sector is also very important as well as allowing sufficient time for building consensus. A programmatic approach with clearly defined milestones progressing towards such reforms may be worth considering.

25. **There was some progress towards the establishment of an efficient regional regulatory regime in the energy sector.** Two pieces of sector work informed the policy

[49] The Water Sector Reform TA ICR concludes that "Greater coordination or dialogue between the World Bank and the CDB during project supervision may have improved project outcomes and perhaps corrected to some degree implementation difficulties."

24. An important lesson learned from the aborted PPP in the water sector in St. Lucia and the failed implementation of Executive Agencies in Grenada is that the degree of commitment to these reforms must be very carefully evaluated over a broad spectrum of constituents including high-level officials within the government as well as the opposition party and prominent figures outside the government. Close coordination with other donors operating in the sector is also very important as well as allowing sufficient time for building consensus. A programmatic approach with clearly defined milestones progressing towards such reforms may be worth considering.

25. **There was some progress towards the establishment of an efficient regional regulatory regime in the energy sector.** Two pieces of sector work informed the policy dialogue: the ESMAP report "*OECS Energy Issues and Options* " (delivered February 2006), which maps out options for joint actions to help reduced the high cost of electricity in the region, and the study, *"The Feasibility of Regional Cooperation in Regulation of the Electricity Sector of the Eastern Caribbean,"* (delivered January 2007), undertaken by the World Bank and the OECS Secretariat and funded by the PPIAF. These reports have provided the analytical basis for the *OECS Regional Energy Regulator* project currently under preparation. The OECS Heads of State have signaled support for the project by endorsing the principle of a regional regulator in January 2007 and the general project concept in May 2009. The project design is mindful of the lessons from the successful Telecommunications projects, namely, that it is essential to have political buy-in for regional initiatives which must offer substantial efficiency gains while also catering to specific local demands.

Environment and Sustainable Tourism

26. The CAS identified better management of natural resources as key to maintaining the OECS countries' competitiveness in the tourism sector and to reduce vulnerability to natural disasters. During the CAS period, **there was some progress in conservation and expansion of natural areas and in monitoring of endemic species, increased environmental awareness and greater involvement of civil society and private sector in the management of protected areas.** There was also some progress in regional cooperation through the establishment of a regional Project Steering Committee. The achievements were supported by two regional projects funded with GEF grants, *Caribbean Implementation of Adaptation Measures* (effective February 2007) and *OECS Protected Areas and Associated Livelihoods* (effective December 2004), with parallel financing from other development partners. However, the overall impact of these projects was weaker than anticipated. There was little progress in stricter enforcement of environmental regulations as an Environmental Management Project did not materialize and there was no progress in region-wide monitoring of water quality.

27. As in other areas of Bank support, the environmental projects suffered from considerable implementation delays. The GEF *OECS Protected Areas and Associated Livelihoods* Project was reviewed by QAG at entry and rated Highly Satisfactory with many elements of the design considered best practice. Despite excellent design, with only one year to go before closing, only 30 percent of the funds have been disbursed, largely because of slow progress in the poverty alleviation component of the project (alternative livelihoods). Despite delays, the project has made significant contributions by strengthening the management capacity of the OECS and extending the area under protection, as well as increasing the participation of civil society and the private sector. The project has also generated awareness of the importance of protected areas

through public media, workshops, leaflets, jingles and other media.[50] It is likely that the project will require an extension to fully achieve its objectives.

28. There was limited progress in adaptation to Climate Change**.** The GEF *Mainstreaming Adaptation to Climate Change (MACC)* Project (closed March 2009) facilitated the creation of an enabling environment for climate change adaptation in the Caribbean and advanced the region's incorporation of climate in policy and decision making. The follow-up GEF *Caribbean Implementation of Adaptation Measures* is supporting 3 OECS countries (St. Vincent and Grenadines, St. Lucia and Dominica), and aims at implementing pilot adaptation sub-projects that would help address the impact of climate change focusing on biodiversity and land degradation along coastal and near coastal areas. This project has also suffered from repeated delays, particularly in Dominica, where the capacity to design and implement subprojects is limited, but also in St. Vincent and Grenadines where there have been issues with counterpart funding. Furthermore, the monitoring and institutional strengthening component is currently unfunded as third party funding has not materialized. This highlights the importance of securing formal funding commitments at the project preparation stage.

Goal 2. Reducing vulnerabilities by promoting greater social inclusion and strengthening disaster risk management

Social Protection

29. **Very little progress was achieved in rationalizing and improving the efficiency of the myriad of social protection programs in the OECS countries.** Building on sector work, the CAS envisioned an OECS Social Protection Program that would: scale up community-driven micro-projects targeted to the poor and vulnerable; support reforms aimed at improved monitoring and targeting; and help rationalize existing social assistance programs into one fund. The Program was not developed. Durig the CAS FY06-09 period, l ending in support of social protection was limited to one component in the Dominica *Growth and Social Protection TAC* which funded the establishment of a Beneficiary Identification System (BIS) to help target social assistance programs. Support was provided through non-lending services, chiefly, the on-going IDF MECOVI grant to the OECS Secretariat aimed at building capacity to implement the survey of living conditions (SLC) and to analyze poverty data. The grant closed in October 2006 and a third IDF grant to continue supporting the collection of social data statistics has been approved.

30. The Bank contributed to the dialogue on social protection and vulnerable groups through two Pan-Caribbean reports, *"Strengthening Caribbean Pensions Reform"* (delivered in May 2008), which reviewed common pensions issues in the region and the *"Caribbean Crime and Violence Report*" (March 2007) which addressed problems of increased crime and violence at the regional and national levels. The Pensions report is informing the discussions of the OECS Pension Reform Commission led by the ECCB which has expressed interest in follow-up on technical assistance. The Crime report was done in collaboration with the United Nations Office on Drugs and Crime (UNODC) and highlights the importance of reducing crime for economic growth. The report also recommends youth-development initiatives and regional approaches that are directly relevant to the OECS countries. The report influenced the *OECS Skills Enhancement Report* and the *Skills for Inclusive Growth APL* (discussed below).

[50] Important efforts in this area include a Knowledge Attitude and Practice Survey and *Poverty-Environment Nexus* study funded under the Bank Netherlands Partnership Program. The Survey has helped sharpen the content and focus of the communications strategy supported by the project.

31. A Bank mission that visited the region in April 2009 identified reforming social protection programs as a priority crisis response measure, and described the state of the social programs in the same terms as they had been depicted in the 2005 CAS, suggesting that little progress had been made in this area since 2005. Improved effectiveness of social protection programs is an objective supported by the two development policy loans (in Grenada and St. Lucia) currently under preparation.

HIV/AIDS

32. The **CAS development objectives were** to reduce the incidence of HIV/AIDS and mitigate the impact of HIV/AIDS by **improving knowledge about HIV/AIDS and increase access to and use of prevention, treatment and care services**. The indicators of progress were qualitative. Bank support was through on-going country and regional projects under the Multi-Country *HIV/AIDS Prevention and Control Adaptable Program Lending* (APL) for the Caribbean Region (Grenada - February 2003, St. Kitts and Nevis - May 2003, St. Vincent and the Grenadines - July 2004 and St. Lucia - January 2005) and one regional project, the *Pan Caribbean Partnership against AIDS* (effective October 2004). Despite some improvements, monitoring and evaluation data continue to be weak, limiting the assessment of the extent of achievement of the objectives.

33. Available data indicate that there was **some progress in improving knowledge of HIV/AIDS,** although the extent of the improvement cannot be quantified as planned, behavioral surveys have yet to be implemented. Project target indicators were not always achieved but significant **progress was made in expanding counseling and testing services, as well as in the provision of antiretroviral therapy (ART).** Data also suggest that progress was made in the area of Prevention-of-Mother-to-Child-Transmission (PMTCT) with St. Kitts and Nevis consistently increasing the number of pregnant women reached; St. Lucia achieving zero transmission of HIV from Mother-to-Child; and St. Vincent and the Grenadines offering PMTCT services during pregnancy to all women. In addition, all country projects made a committed effort to involve Civil Society Organizations (CSOs) and non-health Line Ministries in the implementation of activities to effectively reach the most at-risk and vulnerable groups**.** The projects also included the goal of enforcing a legal framework that protects the legal rights of persons living with AIDS. Although this goal has yet to be achieved, all countries completed the legal research for new legislation, and the Pan Caribbean Partnership Against HIV/AIDS (PANCAP) Secretariat is developing regional model legislation, policies, tools and best practices. The strengthening of the Secretariat had a positive impact on regional integration.

34. The interventions were a fast-track response to the HIV/AIDS problem, designed to capitalize on regional synergies, to attain high visibility and stature, and to ensure broad participation. The regional project was expected to leverage country-level interventions by addressing the limited human resource capacity available in many of the smaller countries. At the country level, responsibilities were split between the office of the Prime Minister or the Ministry of Finance and the Ministry of Health, in addition, there were several other implementing agencies including line Ministries and Civil Society Organizations. This multitude of actors had the unintended effect of diffusing decision-making authority and compounding coordination problems.[51] All the projects were restructured and extended for at least one year.

[51] This problem was particularly acute in Grenada, where in addition to the challenges that were common to the other HIV/AIDS projects, there was a change of government during project implementation and this project did not

Some projects have been brought back on track as a result of restructuring and are expected to achieve their objectives (St. Vincent and the Grenadines and St. Lucia). The St. Kitts and Nevis project used most of its allotted funds and achieved most but not all of its objectives.[52] Two projects merited marginally unsatisfactory ratings: the regional project with regard to the attainment of development objectives and the Grenada project, with respect to overall implementation progress. The closing date of the regional project was extended twice and it was restructured, even so, four years after approval (and one year after the original closing date) more than 30% of the funds remained undisbursed. A second restructuring and third extension of the project has been recently approved and it is expected to meet its revised objectives within the extended timeframe.

35. The implementation problems in the country projects can be attributed to: the diffuse decision-making authority and coordination issues referred to above; the availability of significant grant resources from other sources which came available during project implementation period; and the challenge of procuring certain "big-ticket items" such as medical waste management and health information systems. Implementing solutions for the disposal of biological waste was problematic in all projects. Procurement was particularly challenging due to the limited capacity of the implementing agencies and a very large number of low value procurement orders. The outcomes highlight the importance of establishing detailed implementation arrangements with clear definitions of responsibilities, well-defined coordination mechanisms, and with careful consideration given to the capacity of the implementing agencies.

Human Capital Development

36. The main issues in the education sector were low secondary completion rates and quality of education. Although well funded (6.8% of GDP), the sector was considered poorly managed and in need of fundamental change to provide the OECS countries with the skills needed to compete in a global economy and to help arrest the problem of high youth unemployment. At the time of the CAS there were four ongoing *Education APL* projects in St. Kitts and Nevis (effective December 2002), St. Lucia (effective January 2003), Grenada (effective January 2004), and St. Vincent and the Grenadines (March 2005), which aimed at increasing access, improving the quality, efficiency and relevance of secondary education. In December 2008, additional financing was approved for the Grenada project for quality-enhancing activities that had been scaled down due to permit funding for the rebuilding of schools following Hurricane Ivan. Throughout the CAS period, the OECS countries maintained a strong support for education.

37. The overall the impact of the four Education ALPs was modest. **The indicators of increasing secondary enrollment and completion rates were achieved; however, increases in the proportion of non-salary recurrent expenditures and in pupil/teacher ratios have not been achieved, although greater community involvement appears to be helping strengthen school management (Grenada).** The impact on quality cannot be ascertained as the CAS did not include an explicit quality indicator, and the quality indicator at the project level - the proportion of students passing standardized test - has been fraught with measurement and comparability problems. Monitoring and evaluation continues to be an area of weakness and a

---

enjoy the strong support of the new administration. This resulted in the project closing with 50% of its funds undisbursed, including US$0.3 million of IDA funds

[52] The project did not manage to establish a Medical Waste Management System nor a Health Information System.

reliable quality results indicator still needs to be defined. All projects suffered from implementation delays and disbursement lags. Education Management Information Systems were not implemented effectively and in St. Lucia, for example, the system experienced connectivity problems. Nevertheless, data collection improved in St. Lucia and St. Kitts as alternative data collection systems were introduced. Very little attention was given to evaluating the impact of the interventions, with the possible exception of St. Vincent and Grenadines where some quality-focused activities were subject to an impact evaluation. The projects also included school construction which was completed, albeit with delays, but school maintenance policies are yet to be put into effect. A notable exception is St. Kitts and Nevis, where a 2009-2019 Strategy, which incorporates a number of pilot initiatives undertaken by the project, was finalized at project closing. A critical factor for the success of the project in St. Kitts has been the strong and steady leadership of the Ministry of Education. Strong local leadership is particularly important in the education sector, where there is a multiplicity of donor interventions that require close coordination, and donors generally do not have a field presence in individual countries.

38. The lack of relevant skills in the labor force had been identified as one of the major impediments to improving competitiveness in the OECS region.[53] At the same time, the high youth unemployment rate among the youth was a growing social problem that contributed to crime and violence. A skills enhancement project targeted at unemployed youth was conceived to help address these twin problems. The project was envisioned as a horizontal APL which would be rolled out in four countries (Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines). The *St. Lucia Skills for Inclusive Growth Project* (effective December 2007) was the first operation to be approved and was followed by the *Grenada Skills for Inclusive Growth Project* (effective July 2009).

39. The *Skills for Inclusive Growth* APL is an innovative program that has been informed by the findings from in-depth sector studies such as the *Caribbean Social Protection Strategy* (2005) and the *OECS Skills Enhancement Report* (2007), and by key findings from the World Development Report 2006 on Youth. It supports all key CAS objectives which include competitiveness, alleviating vulnerability and promoting regional integration. The project incorporates lessons learned Bank-wide from similar projects as well as from lessons learned that are specific to OECS projects. The indicators are well defined and closely related to the objectives. The one area where the initial design could have been strengthened was with respect to monitoring and evaluation, and this area was in fact strengthened considerably in the second project under the program for Grenada. The St. Lucia project's last supervision rating is *Moderately Unsatisfactory* both for the achievement of development objectives and for implementation. Despite its excellent design, St. Lucia’s project experienced effectiveness delays and difficulties in filling project manager and monitoring evaluation specialist positions. The St. Lucia project has also been adversely affected by the private sector's reluctance to cover part of the trainees’ expenses as a result of the economic downturn and unfamiliarity with paying for outside training. To overcome this problem, the Government of St. Lucia has decided to cover the co-financing contribution of the employers for the first call for proposals.

[53] The Grenada Business Climate Assessment 2004 identified skills and education of available workers as the most important obstacle to competitiveness.

40. **The indicator of more than 200 unemployed youth to begin training by February 2009 was not achieved, due to implementation delays;** the first round of training in St. Lucia is now expected to take place in 2010. On the positive side, some progress was made in developing training courses including the development of a communications strategy. Notably, the first set of training standards for the hospitality sector was launched.

41. Analytical and Advisory Services played an important role in the education sector. The *OECS Skills Enhancement Report* not only informed the Bank's lending, but it also informed lending by other donors. The *Caribbean Knowledge and Learning Network* (CKLN) was conceptualized and launched by the World Bank in 2004 and supported by the major donors. It has evolved as an institution working with tertiary education and using ICT technology and it enjoys continued support by the Bank and other donors including the IDB and the EU.

Disaster Risk Management

42. Disaster risk management was the most successful area of Bank intervention. A series of Emergency Recovery and Disaster Relief projects were implemented largely during the previous CAS period. During the current CAS period, additional financing was approved for the *St. Lucia Disaster Relief Project* (July 2008). The projects supported key infrastructure and institutional strengthening to respond to natural disasters. The results were highly encouraging as all the interventions were rated satisfactory in terms of achieving their development objectives. While there were some doubts on the sustainability of the results and inadequate monitoring, there were positive institutional development impacts, and in some cases (St. Lucia, St. Kitts and Nevis, St. Vincent and the Grenadines), the institutional impacts were rated substantial.

43. **The CAS indicator of implementing a pooled financial mechanism for specified disaster events was achieved.** The *OECS-Catastrophe Insurance Project* (effective May 2007) reduced the OECS Countries vulnerability to natural disasters (earthquakes and hurricanes) by allowing the countries to join the innovative *Caribbean Catastrophe Risk Insurance Facility (CCRIF)* and to purchase coverage against catastrophic hurricane and/or earthquake losses. The Bank initiated work on a joint reserve mechanism to provide coverage for catastrophic events in 2002 through a pilot that failed because of the OECS Countries' unwillingness to borrow to cover the cost of a feasibility study. Interest resurged following the devastation brought about by Hurricane Ivan in 2004. The Latin America region secured a PHRD grant to develop the feasibility study. The Bank team drove the process of establishing the *Caribbean Catastrophe Risk Insurance Facility (CCRIF)* working very closely with a team of highly skilled technicians from the field of finance, insurance, meteorology and risk management, and effectively capitalizing on the Bank's convening powers to leverage donor resources and to develop partnerships among the participating countries, donor community and private sector. The *CCRIF* was established in 2007 and in the same year the *OECS-Catastrophe Insurance Project* (effective May 2007) was approved. This project facilitated OECS Countries joining the *CCRIF* as IDA project funds covered the participation fee and not more than the first three years of the coverage against losses from catastrophic hurricanes and/or earthquakes for IDA-eligible OECS countries. There are currently 16 Caribbean Countries participating in the pool.

44. The CCRIF has been an unprecedented success. The Facility has been fulfilling its purpose by providing payouts to eligible countries that experience catastrophic events and in response to client demand, and it is seeking to offer new products such as excess rainfall coverage. There have been a few events which have not yielded payouts and this caused some

friction with the governments in the early years highlighting the need to embark on a public awareness campaign among participating and the public at large. A recent review conducted by the World Bank noted activities that could strengthen the CCRIF such as designing and implementing a communications strategy, formalizing of internal controls and commissioning external actuarial reviews. In 2008, all countries renewed their policies and took advantage of a premium reduction (of 10%) to increase their coverage. The finances of the facility are sound with a claim's paying capacity for a 1 in 3,500 year event. The IDA funds remaining at the end of 2008 were insufficient to cover the countries' insurance premiums for the third year. Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines allocated funds from their respective budgets to pay their 2009 premiums. Due to the effects of the financial crisis, their participation is being paid by the Caribbean Development Bank (CDB). The countries' financial commitment and the sound financial standing of the CCRIF bode well for the facility's future sustainability.

45. The success of this CCRIF can be partly attributed to its flexibility and quick response to government demands. It offers cutting-edge financial technology which the Bank is in a unique position to deliver by engaging and managing world experts to develop an innovative product that satisfies a critical development challenge. Furthermore, Bank staff have been closely involved in all aspects of the project, responding swiftly and forcefully when confronted with problems that, if left unresolved, could have derailed the facility, such as the misunderstandings about insurance coverage during the first year of operation. Close Bank involvement and close coordination with donors were also characteristics of other successful disaster relief interventions (Disaster and Emergency Projects).

Monitoring and Evaluation

46. **Despite some improvements, the lack of reliable data continues to be a major obstacle to quality policy design and analysis.** The problem is particularly acute with regards to social data. The data problems were highlighted both in the CAS and in the CAS PR. The CAS PR noted that the poverty assessments were in need of updating and that it was expected that this would be undertaken with help from the Caribbean Development Bank. The poverty assessments for Antigua and Barbuda and for St. Lucia were updated in 2007, and work on the other countries is ongoing with updated assessments for Grenada and St. Kitts expected to be finalized in 2009. The Bank supported the collection of social data through the IDF- *Support for Improvement of the Surveys of Living Conditions in OECS Countries* (approved June 2002), also known as the IDF-MECOVI program for the OECS Secretariat. The grant closed in October 2006 and is credited with raising awareness about the importance of country ownership and in building capacity for planning, designing and implementing surveys of living conditions. The grant completion report also noted that training activities had to be conducted continuously because of high staff turnover. In 2006 the multi-donor Support Program for Poverty Assessment and Reduction for the Caribbean (SPARC) Program was launched with the objective of enhancing the availability and relevance of social data. A follow-up IDF-*Statistical Development for the Organization of Eastern Caribbean States (OECS) Secretariat* (approved June 2009) grant with funding from the Trust Fund for Statistical Capacity Building recently became operational. Most projects included a component to set up a computerized data collection system. In general, the systems ran into difficulties and did not become operational or the component was cancelled; due in part to procurement issues owing to the limited size of the markets. This was the experience of the health and education projects. The E-GRIP project is

expected to promote better use of information systems at the regional level in an integrated fashion.

47. There has been progress in the quality of economic and financial statistics in an effort led by the ECCB and aided by CARTAC with support of the IMF. It is expected that CARTAC will be further strengthened through the CIDA funded trust fund to be managed by the Bank. Further progress in capacity building is needed to improve policy analysis and design, and will require sizeable technical assistance support.

IFC Support

48. **Following the CAS PR, the IFC strengthened its engagement with the OECS countries.** Although the CASs are joint Bank/IFC documents, the CAS FY06-09 contained very few references to the IFC and IFC activities were not well integrated with the Bank program. The CASPR recognized the need to work closely with the IFC to help develop a vibrant private sector, while acknowledging the challenges faced by IFC when operating in the OECS countries, namely, the small size of the economies and the resource intensive efforts required to develop operations in the area given the weakness of the private sector[54]. IFC's strategy has been to link with the larger economies and regional private sector players in the Caribbean, leveraging their resources to maximize its impact. At the beginning of the period IFC's portfolio consisted of a single hotel loan in Grenada. During the CAS, IFC approved two new loans, a $20 million loan to the St. Lucia's largest bank and a US$30 million loan to a University in Antigua and Barbuda. There was also an increase in business development efforts in Grenada although new deals have yet to be completed.

49. IFC's efforts were concentrated in providing advisory services to improve the business climate and access to finance. In St. Lucia IFC provided advisory services for the unsuccessful PPP and is assisting the Bank of St. Lucia to improve credit delivery to small and medium enterprises. The Doing *Business Reports,* which are joint IFC-World Bank products, have generated significant discussion and facilitated the policy dialogue regarding the competitiveness agenda. A regional Microfinance Study which includes the OECS countries is ongoing.

50. As recognized in the CAS PR, the small scale of operations and the need for intensive direct involvement in developing and implementing deals constitutes a challenge for both IFC and IDA. Overcoming these challenges with innovative approaches and by leveraging private/donor resources, and by close coordination between IFC and IDA and the donor community, will continue to be an important element of a successful strategy. With respect to advisory services, IFC is well placed to provide assistance from its recently expanded presence in Trinidad and Tobago and by actively promoting the participation of the OECS countries in regional activities such as the ongoing efforts to establish a regional credit bureau.

D. Bank Performance

Rating: Satisfactory

Quality of Products

51. The CAS Base Case Scenario envisioned $51.3 million of IDA lending for the four OECS blend countries (Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines). A High Case Scenario envisioned IBRD resources plus policy lending to all six OECS Countries

[54] St. Vincent and the Grenadines is not a member of IFC.

(including Antigua and Barbuda and St. Kitts and Nevis) bringing the total lending envelope to \$103.4 million. The actual lending program was closer to the Base Case Scenario outlined in the CAS program as Annex 8C which compares the base case program[55] to actual lending illustrates. Two regional projects, five country-level investment projects and one GEF grant were approved. Three ongoing projects received additional funding. Financial support was fairly evenly divided between regional (54%) and country level (46%) projects. By sectors, lending was directed to disaster mitigation (40%), public sector modernization (32%), education (19%), environment (5%) and water sector (4%). All the projects were closely aligned with the CAS objectives.

52. **The projects displayed a high degree of technical quality at entry.** The Quality Assurance group reviewed three regional projects, a Quality Assessment of the Lending Portfolio (QALP) of the Telecommunication and ICT Project, a Quality Assessment of the Catastrophe Risk Insurance Project and the OECS Protected Areas – GEF project; several of the Disaster and Emergency Relief projects were also subject to QAG reviews. The projects were consistently rated Satisfactory or better. Some of the projects were singled out as examples of best practice. The CCRIF was praised for "technical soundness, its innovative nature, the excellent teamwork, and the genuinely regional approach." The project was seen as a possible model for similar regional initiatives elsewhere in the developing world. The Protected Areas project was reviewed at entry and rated Highly Satisfactory; this was justified because "The project reflects strong ownership by the Borrower, with much of the substantive work having been done by a technical unit within the OECS Secretariat." Best practice elements of the project included detailed consultations over a period of several years with local communities, extensive participation in the design by other donors, and incorporation of lessons learned from a recently closed solid waste management project. The task team had a strong partnership with the environment unit of the OECS Secretariat, and showed awareness of the potential political risks of the project. The Telecommunications and ICT project was reviewed at the implementation stage and found overall that the project was likely to meet its objectives but also found that the project could have benefitted from better assessment of the delays risks and inadequate performance indicators. There was an evaluation of two St. Lucia projects[56] by the Independent Evaluation Group during the period.

Portfolio Assessment

53. **Project implementation, though improved, continued to be weak**. This is attributable to the need for continued capacity building in project management and the impact of project designs that did not fully take into account capacity limitations. Nevertheless, the disbursement ratio increased from 13% in FY06 to 19.3% in FY09, peaking at 26 on FY07. During the FY06-09 period, projects in the infrastructure sectors (disaster management/water reform/telecommunications) and financial sector (catastrophe risk insurance) disbursed faster than those in education, health and public sector management. There was also significant variation across countries, with Grenada having the lowest (10.6%) and Dominica the highest (37.5%) disbursement ratios as of May 2009. Health (Regional HIV/AIDS) and education

[55] There are several tables in the CAS depicting the lending program, the tables are not all consistent, for example, an Environment Project is part of overall lending but is excluded from the table which displayed lending program by country and lending scenario.

[56] The Watershed and Environmental Management Project (closed December 1997) was rated Moderately Unsatisfactory and the Emergency Recovery and Reconstruction Project (closed October 2003) was rated Satisfactory with respect to attainment of development objectives.

projects (St. Vincent, Grenada) were restructured with uneven results. Project extensions were frequent, particularly in Grenada. The portfolio performance of projects in the Public Sector Management was problematic: effectiveness delays plagued projects in Grenada. Frequent change in project directors both in Grenada and Dominica contributed to slow implementation.

54. Problems with delayed or inadequate financial statements were common; there were also occasional qualified statements. This reflected in part the limited procurement, accounting and auditing capacity in the countries and sometimes faulty communication between the technical implementation unit and Project Management Unit, which is generally the unit in charge of financial management and often consists of only one or two people. Modernization of procurement laws and capacity building in accounting and audit to be supported by an IDF grant, and the adoption of modern public sector management system supported by the E-GRIP, should help mitigate these problems. The tight fiscal situation confronted by all the countries at times resulted in counterpart funding problems, which was exacerbated in the aftermath of the global financial crisis. The Bank and other donors responded with appropriate flexibility to enable continued project implementation.

55. Simplification of project design, coordination and harmonization with donors are critical elements to facilitate project implementation. The Project Fiduciary Management Report argues for continuation of the practice of consolidating the proliferation of project implementation units into one Project Coordination Unit which focuses on donor's procedural requirements, including fiduciary functions. This arrangement has worked well for the most part, although it could be argued that in the long-term it would be best to have overall project management mainstreamed within the responsible ministry. The establishment of national frameworks for the preparation, implementation and monitoring of capital projects will be critical. More exchanges among the country project staff of the member countries—such as the annual fiduciary workshops-- would help create a local network making project implementation less vulnerable to unexpected changes in any given country.

56. Several projects ran into difficulties when there was a change in the political counterpart. Developing broader constituencies among different political factions and elements of the civil service, as well as with civil society would improve the robustness of project implementation. Also, incorporating civil society in project implementation whenever possible can help implement at least some project components, for example, the components of the St. Lucia HIV/AIDS project which were implemented by Civil Society Organizations were successful while the responses of line ministries was less successful. Sub-regional projects require working closely with a strong sub-regional institution, such as ECCB or finding a strong regional interlocutor, this will be important to proceed with reforms in insurance, pensions or water utilities.

57. Country Portfolio Performance Reviews were conducted at midterm and at the end of the CAS period. The reviews were chaired by the Country Officer.

Cross-cutting Issues

NEW WAY OF DOING BUSINESS

58. The Bank made modest strides with its focus on: supporting regional integration and coordination efforts; partnering and harmonizing in both lending and analytical work with other

development partners; and pursuing simplification and capacity building initiatives tailored to small states.

Supporting regional integration and coordination efforts

59. There was progress in regional integration throughout the period. The OECS continued to work towards the establishment of an Economic Union. During the May 2009 meeting, the Heads of State confirmed their commitment to gaining parliamentary approval of the Union Treaty by June 18th of 2010. Progress in the implementation of the Caribbean Single Market Economy (CSME) was slow. **Most Bank projects and sector work included support to regional integration.** The bulk of Bank lending was for regional projects or programs (see Table 1 above and Annex 8C). In most instances these project utilized the APL instrument, where projects for multiple countries were designed simultaneously, but countries were allowed to proceed at differing times according to their individual state of readiness for the project. The project preparation process promoted regional integration as it typically brought regional stakeholders together around a common challenge and required joint work to define solutions. However, the fact that implementation was phased in many instances meant that the full benefit of regional collaboration may not have been realized at the implementation stage. The limited role of the Bank in St. Kitts and Nevis and in Antigua and Barbuda complicates the design and implementation of regional projects. Sector work and non-lending technical assistance at the OECS as well as at the Caribbean level also supported regional integration (see Table 1 and Annex 8D). Further, the Bank directly supported regional institutions such as the CARTAC, CARIDAS, PANCAP and the ECCB. It has been less successful in strengthening the OECS Secretariat which is being supported by other development partners.

60. The OECS Heads of State have affirmed their commitment to achieving an economic union by 2010 and the OECS Secretariat is in charge of implementing the process. The OECS will require sizeable support to effectively fulfill this critical mandate. The Bank can play an instrumental role bringing to bear its international experience in supporting integration.

61. **The lack of effective donor coordination continues to be a obstacle to achieving development results**. While there have been some recent improvements, donor assistance in the OECS continues to be fragmented and uncoordinated. Past experience (during the CAS FY02-06) indicates that it is possible for multiple donors to come together in a coordinated fashion, e.g. support for the Dominica structural reform program and for emergency support to Grenada following Hurricane Ivan, albeit in response to a crisis situation. The Bank supported efforts to have better information on aid flows by setting up and managing the "Redbook Online" a web-based information sharing platform[57] for the Caribbean region. The initiative got off to a good start but stopped functioning towards the end of 2007 due to lack of funding and donor ownership. Since there continues to be a need for reliable data on aid flows, a more robust institutional structure for data collection should be found, and the UNDP and the CDB are exploring this. Going forward, mechanisms to further strengthen donor coordination would continue to be a priority. These efforts should incorporate lessons from past experiences which suggest engagement with donors in early stages of program development and close implementation coordination around specific areas (public sector management, education, health,

[57] The platform was launched in 2005, http://www.redbookonline.net/redbook

etc.). The Bank continues to play an active role in promoting donor coordination, however, this is hampered by the lack of field presence in the donor hub, Barbados. Donor such as the EU and the UNDP repeatedly call for the Bank to establish a field presence in the Eastern Caribbean.

Partnering and harmonizing in both lending and analytical work with other development partners.

62. **The Bank succeeded in leveraging donor resources.** During the FY06-09, Bank managed trust funds for the OECS countries totaled US$4.9 million, and direct co-financing of IDA-loans was US$1 million. As participants in the Caribbean Catastrophe Risk Insurance Facility (CCRIF), the OECS countries have also benefited from the US$65 million multidonor trust fund that was set up to establish the CCRIF with contributions from many development partners. In addition, technical assistance projects in Dominica and Grenada[58] helped facilitate access to a significant pool of European Commission budgetary grant resources. The E-GRIP project is expected to help deploy CIDA technical assistance grants.[59] There continues to be significant undisbursed grant resources; capacity constraints appear to be particularly binding for disbursing EU funds. Resources from the EU have been augmented as a result of the Economic Partnership Agreement (EPA) signed between the European Union and the CARIFORUM (which includes, among others, all OECS countries) in October 2008. There are also risks associated with project co-financing; in two projects[60], funding from donor partners for key components did not materialize limiting the impact of the projects.

63. The CAS recognized the need to coordinate with other donors, particularly in view of the Bank's lack of local presence, the modest size of the Bank's resources relative to other donors, local capacity constraints, and the need to deliver a harmonized strategy. The Project Fiduciary Management Report[61] argues that harmonization and simplification of donor policies and procedures needs to be pursued and expanded to include the whole donor community and the OECS. Some actions can be taken at the OECS level, but the simplification of procurement procedures may need to be taken up by a broader forum, e.g. the Small States Task Force.

64. **There was partnering in sector work with other development agencies at the Pan-Caribbean level, and the sector work at the OECS level benefitted from close collaboration with sub-regional institutions especially the ECCB.** The *Caribbean Accelerating Trade and Integration Report* was done in partnership with the Organization of American States (OAS). The OECS *Increasing Linkages of Tourism with Agriculture, Manufacturing and Services Sector* was done in partnership with FAO and the ECCB. *The Private Sector Financing Study* was also carried out in close collaboration with the ECCB. The *A Time to Choose Report*, carried out during the previous CAS, is an excellent example of collaboration with other institutions and received financial support from the EC and from the Netherlands. The *Crime, Violence and Development* Report was prepared in partnership with the United Nations Office on Drugs and Crime (UNODC). Leading Caribbean educators contributed to the *OECS Skills and Work Study Report*.

[58] Grenada TAC and Dominica GSPTAC, EC budgetary support for Dominica linked to the GSPTAC was Euro 4.38 million disbursed and approved for Grenada linked to the Grenada TAC was Euro 11.67 million.
[59] An agreement for setting up a trust fund for approximately US$20 million is under consideration.
[60] This was the case for the teacher training component of the St. Lucia Education Project and for the monitoring component of the GEF-Adaptation to Climate Project.
[61] *OECS Policy Note on Project Fiduciary Management*, World Bank (November 2007).

Pursuing simplification and capacity building initiatives tailored to small states.

65. **No significant initiatives aimed at simplifying Bank procedures were undertaken.** The APL instrument was often utilized[62] as it has the advantages of reducing preparation costs and coordination delays by preparing a single project framework jointly with all potential participants but allowing each country to join the program as they became ready to do so. However, hoped for synergies have not materialized. The Simplified Country Umbrella program which aimed at streamlining Bank procedures when dealing with small economies was never piloted, certain elements of the Program did not correspond to the reality in OECS countries like an expedited project preparation time, for example. As such, there continues to be a need for the Bank to develop instruments that are appropriate for small economies, instruments that respond to the severe capacity constraints and other realities faced by these countries while allowing flexibility to respond to individual country needs.

66. To strengthen the OECS' project implementation capacity, the Bank delivered an intensive training program in procurement, financial management and project management. The Bank's financial management group has organized an annual one-week fiduciary training program in Washington that has brought together OECS local project staff; this program has been effective in improving capacity and in creating informal networks. An IDF Grant *Strengthening Institutional Capacity for Project Implementation* (effective January 2009), is funding a program developed and implemented by CARICAD to build capacity in the external audit and public procurement functions in the OECS. However, due to delays in grant approval, the training started in July 2009. Training has also taken place within individual projects, but the emphasis on training has varied considerably from project to project. Much remains to be done and project implementation training should continue to be a focus area in the next CAS.

Internal coordination

67. The Bank needs to develop an internal organizational structure that allows sufficient staff resources to create a core country team for the OECS countries within the limited lending/analytical work envelope. The current Bank-wide organizational division may result in a large number of Bank staff having a marginal involvement in any given small country (supervising one project, for example). Greater integration and synergies with the rest of the Bank Group such as IFC, MIGA and WBI, could also enhance the achievement of development results. The World Bank Institute could assist the OECS in the areas of public-private partnerships and youth development.

68. **Results monitoring needs to be improved**. In line with the Bank's focus on results, monitoring indicators should be more carefully defined and data collections systems be put in place. In many instances, there are too many indicators (for example, in the health projects, Telecom & ICT, E-GRIP) geared towards accommodating external requirements rather than having a finite and focused core indicators of strategic and managerial use to the government and appropriate for the country concerned. Indicators were not always closely related to the development goals. Also, the evaluation of results should be improved, with the exception of St.

[62] Annex 8E sets out the ongoing projects as at July 30, 2009, of the total number of projects, there are: 2 GEF regional projects; 6 stand alone projects; and 6 APLs which equate 20 individual country loan agreements.

Vincent,[63] the Education projects did not include evaluations to assess the impact of the interventions.

Analytical and Advisory Activities

69. Overall, **economic sector work and non-lending technical assistance made a significant contribution to policy dialogue, Bank and donors' financial support programs and knowledge transfer, however the impact on capacity building could not be ascertained**. Major reports completed shortly before the CAS preparation, *A Time to Choose* and *A New Agenda for Growth*, were disseminated widely and formed the basis for the policy dialogue; they also spurred follow-up reports that had not been foreseen in the CAS. All three reports at the OECS level programmed in the CAS were carried out: Doing Business Reports for all the countries, the Skills Development and Enhancement Report, the OECS Project Fiduciary Management. The Doing Business reports have influenced the private sector competitiveness agenda being supported by the Bank and other donors. As in other countries, local research is limited, thus with Bank studies are viewed as good sources of rigorous analysis to inform policy formulation as well as the donor programs. Although the *A Time to Choose* and *Towards a New Agenda for Growth Reports* are now 5 years old, they continue to be widely referred to by policy makers and donors.

70. **The competitiveness agenda benefitted from OECS and Pan-Caribbean sector work which are providing the analytical underpinnings to respond to the global financial crisis.** Several Doing Business Reports relevant to the OECS countries were carried out during the CAS review period: *Doing Business in Small Island States* (2009), *Doing Business OECS* (2007), and 2009 Country Profiles for each of the OECS countries. These reports have generated significant discussion and facilitated the policy dialogue regarding the competitiveness agenda; they have sparked demand for actions, such as the establishment of a separate company registration system, to improve the countries' rankings vis-a-vis other small states and globally. The *Doing Business Dominica* was instrumental in defining the GSPTAC and the GDTAC and has helped shape the competitiveness agenda being supported by other partners. Other major reports included a "*Private Sector Financing*" Report completed in 2007. A highly relevant report, "*Increasing Linkages of Tourism with the Agriculture, Manufacturing and Service Sector* (September 2008)" was done in close coordination with the ECCB and is informing the development policy loans under preparation. There have been a series of widely discussed and high-quality Pan-Caribbean reports: *"Air Transport Rationalization*" which contributed to reforms in air transport, the "*Crime and Violence*" Report, "*Pension Reform*" and more recently, *"Evolving Regional Integration and Trade*." These reports have contributed to the formulation of the IMF-PRGF program and to the Bank DPLs for Grenada and St. Lucia under preparation. A grant to develop a harmonized trade system at the OECS level is expected. The impact of the sector work could have been enhanced with closer involvement of local partners at the conceptual stage and more timely dissemination.

71. The programmed non-lending assistance proceeded according to plan, there was continued support to MECOVI, and an additional technical assistance for improved social data collection was approved although this took place only in December 2008 and is yet to be

[63] The St. Vincent project funded impact evaluations of quality-focused activities such as teacher training, parent training workshops, programs in guidance, counseling and literacy and the introduction of classroom libraries and information centers.

effective. There were no instances of just-in-time technical assistance. Annex 8D compares the programmed and actual Analytical and Advisory Services.

Consultations and Coordination

72. The preparation of the CAS included extensive consultation with governments, sub-regional organizations, development partners and representatives of civil society. The consultations revealed that there was a degree of skepticism, particularly from the NGO sector, about whether the consultations were genuine or simply pro-forma. NGO representatives requested greater inclusion in project design and implementation. Consultations were also carried out in the preparation of the CAS PR. Selected stakeholder input was also obtained for this CAS CR. Annex 8G lists the stakeholders outside the Bank whose views were sought in the preparation of this report. Additionally, the report benefited from early drafts of the Country Portfolio Performance Review that was being prepared simultaneously.

E. Overall Assessment of the Performance of the CAS

73. Overall, the CAS merits a **moderately satisfactory** rating. The CAS focused on the relevant priorities, based on the OECS Charter and sound analysis that correctly identified the challenges faced by the OECS countries. Although in hindsight, it appears that more emphasis on debt management and on building consensus on the public sector reform agenda was warranted. The projects were of high technical quality, if at times the goals and timeframes were overly optimistic with respect to Government's commitment and implementation capacity, and some projects suffered from insufficient attention to political economy aspects of country level (alignment of the project and political cycles) and regional interventions (ensuring high priority and consensus on the distribution of costs and benefits), and insufficient coordination with development partners. The analytical work was of high quality and there was an effort to adequately disseminate most reports (but not all).

74. Of the interventions that were expected to contribute to stimulating growth and improving competitiveness, significant progress was made in improving access, quality and use of telecommunications and modest progress was made in reducing the cost and improving services of public utilities for customers and businesses. However, the gains in improving efficiency in the delivery of public services and strengthening the management of the natural environment were lower than expected; because of a delay in the implementation of project's approved by the Board, or decisions to eliminate certain programmed projects all together. Similarly, of the interventions that were expected to contribute to reduced vulnerability, there was virtually no progress on developing social protection strategies except through the Bank's contribution to policy dialogue in this area on the basis of the Bank's economic and sector work. There was modest progress in reducing the incidence and mitigating the impact of HIV/AIDS and fostering a higher level of human capital development. These areas are being negatively affected by poor data collection, delays in project implementation and indicators not being closely related to development goals. Progress was significant in the area of strengthening disaster risk management with the successful implementation of the *CCRIF* and prospects for the *CCRIF*'s sustainability being robust. In general, sector work influenced the Bank's lending and donor activities. Some reports had limited impact, in part because of lack of dissemination or follow-up. The Bank responded adequately to the financial crisis stepping up its engagement in debt management and accelerating the preparation of policy loans.

75. The main challenges were experienced during implementation, where some projects that were rated best practice at entry were rated marginally unsatisfactory at closing. The CAS had attempted to address this issue by programming interventions aimed at improving project implementation capacity, where the full effects have yet to materialize. While some activities such as the annual training program by the Bank's fiduciary team have contributed to improvement, other planned actions experienced delays. There was little progress in simplification of Bank procedures, including those related to procurement, and partnering with other development partners both in lending and sector work could have been improved, particularly in the social sectors. Lack of effect donor coordination continues to be an obstacle to achieving development results. There were some major successes in strengthening regional integration (such as *CCRIF*) and there are hopeful signs in other areas such as electricity.

76. The Bank performance was satisfactory, particularly when viewed against the backdrop of the constraints imposed by the lack of a physical presence and the limited size of budgetary and lending resources. The Bank was responsive to Government's requests to restructuring projects (HIV/AIDs), to reallocate components (Grenada TAC) and to carry out studies that were not originally envisioned in the CAS (Private Sector Financing). In response to the financial crisis, the Bank redirected the lending and non-lending program to help mitigate the impact of the crisis. It is noteworthy that the CAS contemplated precisely the relevant areas of focus that were identified as priorities post-crisis and was sufficiently flexible, in terms of instruments prescribed, to accommodate policy lending, even though there was limited prior experience with the Bank's use of that instrument in the OECS. The CASPR recognized that the CAS had been overly ambitious and revised the results matrix accordingly. Close involvement of Bank staff in the implementation phase, particularly in the area of procurement, was a key element in the success of the disaster relief interventions. Projects that coordinated closely with other donors attracted praise from clients. However, the integration of other members of the Bank group (IFC, MIGA, WBI) in the assistance program could be strengthened.

F. Lessons Learned for Subsequent CAS Design

77. **To maximize its effectiveness, the Bank will need to be very selective** in its interventions, building on its comparative advantage, **closely coordinating with partners and leveraging partner resources.** While these are general considerations relevant to Bank operations elsewhere, they are especially important for the OECS countries because: (i) the Bank is a small player; (ii) the availability of substantial grant resources available from other donors; (iii) the lack of a Bank field presence; and (iv) the severity of the human resource constraints experienced by the OECS economies. The CAS proved too ambitious in terms of the projected lending, scope of reforms, and timeframe for project/program implementation as most projects required extensions to achieve their objectives. Although there were some improvements in **donor coordination**, this area will **require continued attention** given the high costs to the OECS states in managing assistance from multiple donors, particularly in the social sectors. Furthermore, the human resources constraints of the OECS countries require intense Bank staff involvement. Working in partnership with a strong sub-regional institution and/or with a development partner with significant field presence could help ease Bank staff constraints.

78. **Political economy issues need special attention in the small states of the OECS**. The problems encountered in the attempts to implement Executive Agencies, to implement a PPP in the water sector, and the difficulties faced by the Skills Enhancement project in St. Lucia and in several of the HIV/AIDS projects, reconfirms the importance of understanding the local political

economy and of **working with government, line ministries, donors and civil society** to build broad-based consensus before undertaking significant reforms. The timeframe needed to achieve consensus, particularly, for regional initiatives needs to be realistically assessed. More attention should be given to aligning the project cycle with the political cycle to avoid startup delays such as those suffered in Grenada.

79. **The best example of success in the CAS period was the Catastrophe Risk Insurance. The Bank should continue to build on the success of interventions in disaster relief.** The Bank has developed expertise in natural hazards management and has successfully assisted the OECS countries in mitigating the effects of natural disasters. Factors that underlined the success include: high priority for all governments in the region, intensive involvement of Bank staff interacting with local officials, donors and private sector, cutting edge level of technical expertise contracted externally as needed, high leverage of donor resources and rapid response to implementation obstacles. Continuity in Bank support also contributed to a positive outcome both in disaster management as well as in telecommunications.

80. **The regional approach to lending should be continued but with greater selectivity in project choice and flexibility in implementation at the country level** to enable tailoring interventions to specific country needs given the differences among the countries. Economies of scale in preparation, particularly, when high technical skills are called for, and the need for integration of their small economies continues to provide a firm rationale for regional approaches. But the difficulty of implementing regional projects (and regional components in horizontal APLs) should not be underestimated. The OECS experience confirms Bank-wide lessons[64] that successful regional programs require strong country commitment to regional cooperation and clear delineation and coordination of national and regional institutions (this was a problem in the HIV/AIDS programs). Again, special attention needs to be given to political economy considerations particularly, how to achieve consensus on an equitable distribution of costs and benefits (this has been an issue in the GEF projects).

81. **It is important to strengthen sub-regional institutions that can champion sub-regional initiatives.** While the ECCB is a relatively strong counterpart and an effective champion for financial/monetary issues, the OECS Secretariat needs to be strengthened significantly in order to be a more effective champion for the broader regional development policy agenda; particularly, in light of the OECS' commitment to an Economic Union. The tendency to want to engage the ECCB outside of its narrow mandate must be resisted. On the other hand, the OECS Secretariat might benefit from a more narrowly defined mandate, given its resource and capacity challenges. Continued support to other regional entities such as CARTAC and CARICAD will also be important.

82. **All projects need to give special attention to the implementation arrangements.** Limited capacity is a characteristic of small economies and this is likely to continue even as capacity strengthening efforts take hold. Therefore, it will be important to conduct thorough project preparation clearly specifying all aspects of project implementation and keeping project implementation arrangements as simple as possible. Going forward, the implementation of the recommendations of the Project Fiduciary Management should remain a priority.

[64] "The Development Potential of Regional Programs", IEG (2007)

83. **Efforts to improve overall data collection and use of data for policy formulation need to continue.** The CAS needs to include a few strategic indicators and ensure that the arrangements for monitoring and evaluation of these indicators are in place. Lack of baseline data proved a significant obstacle in assessing the impact of several interventions. Project design should have a limited number of indicators and the Bank team should follow closely the ISR rating on data availability and the ratings on Monitoring and Evaluation**.** Improving their capacity at the project level for data collection and analysis will be ultimately more broadly beneficial to the OECS countries for the purposes of policy making.

84. **The Bank needs to develop simplified instruments and processes that are appropriate for small economies.** The ongoing Bank review of investment lending recognizes "it has become increasingly evident that much greater differentiation is needed-among borrowers, risks, sizes, and circumstances."[65] The review offers an opportunity to address the needs of small economies.

85. Given the small scale of operations and the need for intensive direct involvement in developing and implementing deals, the IFC would do well to continue to pursue innovative approaches, leverage private and donor resources and strengthen coordination with IDA and the donor community to bring much needed financing to the OECS' private sector.

[65] "Investment Lending Reform: Concept Note", OPCS, January 2009.

Appendix 2B: CAS Completion Results Matrix

Dominica (DM), Grenada (GD), St. Lucia (SLU), SKN (St. Kitts and Nevis), St. Vincent and the Grenadines (SVG)

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	**PR Intermediate Indicator[66]**	**Status at CAS Completion Report June 2009**	**Bank Support/ Performance**	**Overall Assessment & Key Lessons Learned**
Goal 1: Stimulating Growth and Improving Competitiveness				
Improve efficiency in the delivery of public services. ▪ Improve human resource management in the civil service (GD, DM) ▪ Convert public entities into executive agencies (EA) to improve service delivery and reduce costs to public Users (GD). ▪ Greater regional coordination in key public services such as procurement and auditing (IDF-in all countries)	▪ EA Act and Policies adopted in force (GD) ▪ Reduction of non-filers from corporate tax reform from 59 to 45% by 2009 (GD) ▪ Reduction in custom clearance time and use of paper-based customs declarations (DM) ▪ *Establishment of self-financing semi-autonomous agency for registry* (DM) ▪ Trained cadre in financial management and	**Partially Achieved** Although EA Act passed there were constitutional issues related to its applicability **Not Achieved** **Not Achieved** **Achieved** Autonomous agency for registry established and processing time of land titles reduced. **Not Achieved**	<u>Lending in CAS</u> Public Sector Modernization TAC (GD) (FY06) Growth and Social Protection TAC (DM) (FY07) <u>Additional Lending</u> Technical Assistance Credit (GD) (FY08) <u>Other Grant/TA</u> OECS Strengthening Institutional Capacity for Project Implementation - IDF Grant (FY07)	Delays in project implementation due to local staff turnover, and more importantly, lack of feasibility of the Executive Agency model (GD). Good coordination with other donors, such as EC and CIDA and leveraging of IDA resources. IDF grant delayed due to protracted approval process involving 6 countries. Some progress in training of government staff and in regional integration of procurement. The "Policy Note on Fiduciary Project Management" influenced Bank and donor-financed projects. <u>Lessons</u> Keep project design simple. Politically sensitive interventions need to have a "champion" that will provide support for implementation and broad-base consensus. Impact is enhanced when well sequenced different instruments support same objectives (ESW, Non-lending TA and lending). New lending instruments that take account capacity constraints and can simplified/agreed administrative process for regional projects should be explored.

[66] Indicators in italics had already been achieved at the time of the CAS Progress Report.

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	**PR Intermediate Indicator**[66]	**Status at CAS Completion Report June 2009**	**Bank Support/ Performance**	**Overall Assessment & Key Lessons Learned**
	procurement of at least 5 civil servants per country by mid-2009		Enhancing Public Service Performance (SLU) – IDF Grant (FY09) ESW Country Fiduciary Assessment (FY08)	Well articulated ESW that addresses a specific problem can enhance Bank-lending and can leverage Bank resources.
Improve access, quality and use of Telecommunications ▪ Strengthen sub-regional and national regulatory frameworks ▪ Reduction of communication tariffs as a result of competitive network charges among operators on local and international routes ▪ Reduction in the cost of broadband services	▪ Increase number of trained informatics specialist – 160 trained by end-2008. ▪ *Usage of broadband services triples to 7% by 2008* ▪ Regulations approved; guidelines drafted for Universal Service by 2008	**Dropped.** Other private and public sector initiatives made this activity unnecessary. **Achieved.** Internet penetration at 11.7% as of end-2008, project target 15% by end-2009. **Achieved.** Regulations and guidelines drafted and approved by March 31, 2008.	Lending OECS Telecommunica-tions Reform (FY 98, closed FY05) OECS Telecommunica-tions and ICT Development (FY05)	Positive impact. The regulatory reform introduced under the first project facilitated competition which resulted in significant reductions in tariffs and higher service penetration. The second project consolidated the regulatory reforms but made little progress in implementing a universal access component by the end of the CAS period. Lessons Continuity in support can help consolidate reform and reap benefits such as lower tariffs and increased competition. Time requirements for consensus building should be realistically assessed (e.g. subsidy policy delay). Baseline data is essential to project impact.
Reduce cost and access to public utilities for consumers and potential	▪ Regional and international benchmarks for	**Partially Achieved.** The general principle of a regional energy	Lending St. Lucia Water Supply	Significant improvements in the quality of water services in the north of St. Lucia and temporary improvement of financial position

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	**PR Intermediate Indicator[66]**	**Status at CAS Completion Report June 2009**	**Bank Support/ Performance**	**Overall Assessment & Key Lessons Learned**
investors ▪ Improve operations and oversight of water sector (SLU) ▪ Strengthened regulatory framework to attract private investment (SLU)	utilities. ▪ *Increase extraction capacity of the Roseau dam from 6 to 10 MGD* ▪ *Improve financial performance of WASCO* ▪ PPP established and transaction completed for sale of <50% of shares to private sector	regulator endorsed by OECS Heads of State in January 2007. **Achieved** **Not Achieved** Performance of WASCO deteriorated in the last year **Not Achieved** Bidding process took place but contract not awarded. Gov. assessing alternative service models for WASCO.	Improvement project (FY05, closed FY09) St. Lucia Water Sector Reform TA (FY01, closed FY09) OECS Infrastructure Energy Regulation (planned FY09) <u>ESW</u> PPIAF: "The Feasibility of Regional Cooperation in Regulation of the Electricity Sector of the Eastern Caribbean States", January 2007	of the Water Company. With lengthy delays, the regulatory framework was updated but has not been enforced. Transitioning to a public private partnership did not take place, making sustainability of service improvement uncertain. On Energy, the principle of a regional regulator was endorsed by the heads of State of the OECS in January 2007. <u>Lessons learned</u>: Commitment at the highest level is necessary to carry out public private partnerships. Close coordination with other donors active in the sector is needed for project success.
Strengthen management of natural environment ▪ Stricter enforcement environmental policies for land use, urban-rural zoning regulations and	▪ Completed Environmental awareness study to from basis of public communications strategy	**Achieved**. Implementation ongoing	<u>Grants</u> OECS Protected Areas and Livelihoods Project (OPAAL) (GEF grant FY	Stricter enforcement of policies did not take place as envisioned as the Environmental Management project did not materialize. Strengthening of environmental management through development of management plans, training of staff and involvement in local

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	PR Intermediate Indicator[66]	Status at CAS Completion Report June 2009	Bank Support/ Performance	Overall Assessment & Key Lessons Learned
landscaping. ▪ Conservation and expansion of natural areas ▪ Monitoring of the quality of coastal waters and beaches	▪ Collection of baseline data for the establishment of a region-wide monitoring mechanism of critical ecosystems and water quality by 2009 ▪ *Involvement of civil society and private sector in the participatory management of six Protected Areas by end-2007* ▪ *At least 50% of OPAAL sites adequately staffed by 2008*	**Partially achieved**. A system to monitor 11 endemic species in 6 protected areas is being established. Monitoring of water quality did not take place, it is part of a new project under preparation. **Achieved**. Site Implementation Entities and National Technical Advisory Committee established, participatory agreements formalized the participation of NGOs and civil society. **Achieved**. Extensive training of staff in required skills. Site manager hired for each Protected Area.	04) OECS – Mainstreaming Adaptation to Climate Change (MACC) (GEF - FY03) OECS Caribbean Implementation of Adaptation Measures (GEF-FY07) <u>Lending</u> Coastal Protected Areas Project (under preparation)	communities was successful. Extension of protected area, with 4 additional protected areas approved and 2 protected areas now actively managed. Little progress in Monitoring beyond a few endemic species, no planes for systematic monitoring of coastal waters and beaches. Some progress in regional cooperation through establishment of Project Steering Committee. The GEF grant to adapt to climate change also suffered from implementation delays compounded by lack of funding for the institutional strengthening component that was to be provided by a third party. <u>Lessons learned</u>: Key components should not be left to uncertain third party funding.
Goal 2: Reducing vulnerabilities, by promoting greater social inclusion and strengthening disaster risk management				
Improve quality coverage and sustainability of social protection programs ▪ Rationalized and better	▪ Assessment of social assistance programs with weak systems of monitoring and	**Not Achieved**	<u>Grants:</u> Caribbean MECOVI	Two projects originally envisioned in the CAS were dropped. Some progress in identifying recipients of public assistance through the development of the Beneficiary

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	PR Intermediate Indicator[66]	Status at CAS Completion Report June 2009	Bank Support/ Performance	Overall Assessment & Key Lessons Learned
targeted social assistance programs	targeting ▪ Completed review of financial management reform options, benefit levels and options to extend coverage of social insurance schemes	**Partially achieved** A beneficiary identification system and a Management Information System for social assistance programs being implemented (DM)	OECS Trust Fund for Statistical Capacity Building project approved in December 2008. <u>Additional Lending</u> DM Growth and Social Protection T.A. (FY07) <u>AAA</u> Strengthened Caribbean Pension System (FY09) Caribbean Crime and Violence Study (FY08)	Identification System (BIS) in DM. OECS Secretariat and countries capacity to conduct poverty surveys and analysis, strengthening of statistical offices, and better regional integration of survey information. <u>Lessons</u> Frequent staff turnover requires that training be repeated periodically. Capacity building is more effective if participants can apply learned techniques in the actual implementation of a survey (MECOVI). Pension issues need to be address at the regional level as portability of benefits is one of the concerns. Rationalization of social programs continues to be a priority.
Reduce the incidence of HIV/AIDS and mitigate the impact of HIV/AIDS ▪ Improve knowledge about HIV/AIDS ▪ Increase access to and use of prevention, treatment and care services	▪ Number of people receiving counseling and testing for HIV	**Partially achieved** GND: baseline: 360, actual: 1627 end-2007 , target of 2250 end-2008; SKN: no data SLU: baseline: 2221, Actual: ------; target:	<u>Lending</u> On-going: HIV/AIDS projects: GD (FY03), SKN (FY03), SLU (FY05), SVG (FY05)	General objective of improving knowledge about HIV/AIDs achieved. Input indicators were positive: increase in the number of people counseled, receiving antiretroviral therapy and the number of condoms distributed, albeit, somewhat below targeted levels. Other indicators may be more closely related to the outcome of mitigating

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	**PR Intermediate Indicator[66]**	**Status at CAS Completion Report June 2009**	**Bank Support/ Performance**	**Overall Assessment & Key Lessons Learned**
	▪ Number of men, women and children with advanced HIV receiving antiretroviral therapy according to national guidelines ▪ % of young people aged 15-24 reporting the use of a condom the last time they had sex with a non-regular sexual partner	8,000 by June 2009. SVG: baseline: no data: Actual:------; target: 2,000 by 5/26/2009. **Partially Achieved.** GND: base: 25; actual: 47 by 12/31/07; target: 50 by 12/31/08 **No Data.** Behavioral surveys to determine extent of change in knowledge about AIDS yet to be conducted.	On-going: Regional Project, HIV/AIDS Prevention and Control (6 OECS countries beneficiaries) (FY03)	the effects such as survival time of persons living with AIDS (remained at 1 year vs. the target of 5 years). Project implementation delays signaled wavering of government commitment across all countries. Monitoring was poor, data unavailable for vulnerable groups. Multi-country project synergies not reaped. Lessons: Projects should be simple, with a few meaningful indicators. Dealing with biomedical waste is complex, sufficient support should be provided to countries with limited specialized skills. Partnering with natural constituents such as OECS could help improve commitment for project. Monitoring should be address at beginning of project. Networking across countries to be included at project from start to reap synergies from multi-country projects. For regional projects: simplified approval procedures should be explored to minimize coordination delays.
Foster higher levels of human capital development and increased and more equitable enrollment in secondary education ▪ Better pipeline of skilled post-secondary workers in	▪ Increase secondary education enrollment by an average of 10% across all islands ▪ *Completion rate in*	▪ **Achieved.** Net secondary enrollment increased to 80% SLU, 98% in SKN, 94.7% in SVG. ▪ **Achieved**.	Lending On-going: Education APL, GD(FY03), SLU (FY03, closed FY09), SVG (FY04) and SKN	Increase in secondary enrollment in the region (GD, SLU,SVG and SKN) and completion rates (GD), but percentage of students that passed at least 5 subjects of the Caribbean Examination Council Exams fell reflecting decision to open schools to lower performing students.

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	**PR Intermediate Indicator**[66]	**Status at CAS Completion Report June 2009**	**Bank Support/ Performance**	**Overall Assessment & Key Lessons Learned**
the labor force ▪ Strengthen equitable access to secondary education ▪ Improved management and efficiency of the education system	*final year (Form 5) increase by average of 12% by 2008* ▪ *Increase*[67] *in non-salary recurrent expenditure out of total recurrent expenditure of average of 2% by 2008* ▪ *Pupil-teacher ratio increases by average of 2 students* ▪ More than 200 unemployed youth to begin training by February 2009 and have completed training by September 2009	Achieved in GD and SLU. Data for SVG and SKN not available. ▪ **Not achieved** ▪ **Not achieved.** Many specialized classes with low enrollment. ▪ **Not Achieved.** First round of training programmed for March 2010.	(FY03, closed FY09(?)) Additional financing approved for Education GD (FY09) Skills Enhancement, SLU (FY06), GD (FY09) <u>AAA</u> OECS Skills Enhancement Report (FY08) Caribbean Knowledge and Learning Network (launched in FY02, on-going)	Delays in implementation of Skills Enhancement SLU. Initial steps in setting standards and in training. Economic downturn expected to adversely impact private sector participation in carrying cost of trainees stipend. GD project awaiting passage of bill to establish National Training Agency for effectiveness. Caribbean Knowledge Learning Network, fully operational with support from 7 donors ($27 million) for CARIFORUM region. CARICOM ICT Committee established. TA to colleges to engage in distance learning. <u>Lessons</u> Need to improve monitoring and evaluation. Better quality indicators need to be developed. In training, close donor coordination and broad support for project needed to make project resilient to changes in government and project staff turnover.
Strengthened disaster risk mitigation ▪ Reduction of vulnerability and strengthening	▪ *Assessment of assets at risk, vulnerability and actual risks for all countries.*	▪ **Achieved**.	<u>Lending</u> Catastrophe Risk Insurance Project – all 7 OECS	All countries have enjoyed Catastrophe Risk Insurance protection since 2007. The premiums have been reduced. The attachment points have been lowered. The CCRIF

[67] The CAS PR indicator reads "Increase" which appears to be a mistake according to the Education Project indicators and to the education project task leader, the indicator should be "Decrease".

Objectives and outcomes that IBRD/IDA expected to influence during the CAS period	PR Intermediate Indicator[66]	Status at CAS Completion Report June 2009	Bank Support/ Performance	Overall Assessment & Key Lessons Learned
response to natural disasters ▪ OECS countries participating in pooled financial mechanism for specified disaster events ▪ Implementation of pooled financial mechanism for specified disaster events (e.g., hurricanes).	▪ *Design of appropriate risk mitigation mechanism (i.e., a combination of pooled insurance and contingent finance)* ▪ *Commitments by each country to implement the recommended catastrophe risk insurance scheme.* ▪ *Commitments by each country to implement the recommended catastrophe risk insurance scheme*	▪ **Achieved.** ▪ **Achieved** ▪ **Achieved**	countries (FY07) On-going: Disaster Management: GD (FY00, closed FY06), SVG (FY01, closed FY06) Emergency Recovery: GD(FY01, closed FY05), SLU (FY01 closed FY08), SKN (FY02 closed FY06), SVG(FY01, closed FY06) Ivan Emergency Recovery GD (FY04, closed FY09) Disaster Management II SLU (FY03)	facility is sound, its governance structure has greater local participation, the facility is working on offering new products such as flood insurance and insurance for electric utilities. Lessons Regional approaches can succeed but requires: (i) strong team work within the World Bank, with collaboration from different units and strong management support; (ii) close staff involvement in all aspects of project, engagement of world experts in field supervised by Bank staff; (iii) close collaboration with regional entity (CARICOM); (iv) strong demand from client; (v) strong donor coordination.

Appendix 2C: OECS: Planned lending Program vs. Actual Deliveries

Country	**CAS Plan (September 6, 2005)**	**US$ M**	**CAS Review (July, 2009)**	**US$ M**
	Programmed		**Actual**	
Antigua & Barbuda	Catastrophe Risk Insurance*	--	Delivered (FY08)	
Dominica	▪ Catastrophe Risk Insurance ▪ Infrastr.& Utilities Reform ▪ PRSCs **Total**	**10.2**	▪ Delivered (FY08) ▪ Dropped ▪ Dropped ▪ Growth and Social Protections TAC (FY07) ▪ E-Government for Reg. Integration (FY08) **Total**	4.5 1.45 2.4 **8.35**
Grenada	▪ Catastrophe Risk Insurance ▪ Skills Enhancement ▪ Public Sector Modernization ▪ Infrastr. & Utilities Reform **Total**	**11.8**	▪ Delivered (FY08) ▪ Delivered (FY09) ▪ Delivered (FY06) ▪ Dropped ▪ T. A. Credit (FY09) ▪ Add. Financing Educ. Dev. APL (FY09) ▪ E-Government for Reg. Integration (FY08) **Total**	4.5 3.0 3.5 1.86 1.9 2.4 **17.16**
St. Kitts & Nevis	Catastrophe Risk Insurance*	--	Delivered (FY07)	
St. Lucia	▪ Catastrophe Risk Insurance ▪ Skills Enhancement ▪ Infrastr.& Utilities Reform ▪ Social Protection Program **Total**	**16.7**	▪ Delivered (FY08) ▪ Delivered (FY07) ▪ Dropped ▪ Dropped ▪ Water Infrastr. (FY07) ** ▪ Disast. Mgmt.II (FY09)** ▪ E-Government for Reg. Integration (FY08) **Total**	4.5 3.5 1.84 3.0 2.4 **14.24**
St.Vincent & the Grenadines	▪ Catastrophe Risk Insurance ▪ Public Sector Modernization ▪ Infrastr. & Utilities Reform **Total**	**12.6**	▪ Delivered (FY08) ▪ Dropped ▪ Dropped **Total**	0.74 **0.74**
OECS-wide	▪ GEF Adaptation to Climate Change Environmental Protection		▪ Delivered (FY07) (Dominica, St. Lucia, St. Vincent & Grenadines)	**2.1**
Total		**51.3**		**50.14**

* The source of Antigua and Barbuda and St. Kitts and Nevis's contribution to the project was anticipated to be through on-lending, possibly through the Caribbean Development Bank.

** Additional financing for on-going project.

Appendix 2D: OECS: Planned vs. Actual Non-Lending Service Program FY06-FY09

	CAS Plan (September 6, 2005)	**CAS Review (July,2009)**	
FY	**Product**	**Status**	**Type**
06	ESW: ▪ Caribbean Air Transport Rationalization ▪ OECS Skills Enhancement (Policy Note) ▪ Caribbean Social Protection Strategy Review (on-going) Non-Lending TA: ▪ Ongoing support (through MECOVI IDF grant) and TA for poverty and social indicators measurement	ESW: ▪ Delivered, Sept. 2006 ▪ OECS: School & Work, November 2007 ▪ Delivered, October 2005 Non-Lending TA: ▪ MECOVI (on-going) ▪ CARTAC (on-going)	Formal Formal Formal IDF IDF
07	ESW: ▪ OECS Investment Climate Assessments (ICA) ▪ Caribbean Skills and Curriculum Study ▪ Caribbean Recent Economic Developments in Infrastructure ▪ OECS Country Fiduciary Assessment (CFA) ▪ Crime, violence and exclusion in the Caribbean Non-Lending TA: ▪ Ongoing support (through the MECOVI IDF grant) and additional TA for poverty and social indicators measurement	ESW: ▪ Grenada ICA, completed ▪ Dropped (?) ▪ Dropped (?) ▪ Project Fiduciary Management, Nov. 2007 ▪ Delivered, April 2007 ▪ OECS: Private Sector Financing, June 2007 ▪ OECS: Energy Issues and Options Non-Lending TA: ▪ CARTAC (on-going) ▪ Caribbean Knowledge and Learning Network ▪ OECS: Strengthening Inst. Capacity for Project Management, June 2007 ▪ The Feasibility of Regional Cooperation in Regulation of the Electricity Sector of the Eastern Caribbean, January 2007	Policy Note Formal Formal ESMAP report IDF EU IDF PPIAF
08	ESW: ▪ Caribbean Financial Sector Regulations ▪ Caribbean Pension Reform ▪ Caribbean Health Financing	ESW: ▪ Dropped ▪ Delivered, May 2008 ▪ Dropped ▪ ROSC Accounting and Auditing, June 2008	Formal Report Policy Note Formal

	CAS Plan (September 6, 2005)	CAS Review (July,2009)	
FY	**Product**	**Status**	**Type**
09	ESW	ESW ▪ OECS: Increasing Linkages of Tourism with Ag., Manufacturing and Service Sectors, September 2008 ▪ Trade Integration in the Caribbean, Dec. 2008 Non-Lending TA ▪ TSFB Grant, Statistical Development for the OECS, December 2008	Formal Report Formal Report IDF
FY06-09	Economic monitoring; just-in-time policy notes, ongoing support for CARTAC; OECS Capacity Building Program	CARTAC, Capacity Building, Knowledge Network	

Appendix 2E: Ratings of Ongoing Projects as of July 30, 2009

Project Name	Country	Approval Date	Closing Date	Age years	Commitment Amount US$ m		% Disbursed	Latest DO Rating	Latest IP Rating	Data Quality
					IBRD	IDA				
Ongoing from Previous CAS Period										
HIV/AIDS Prevention & Control	Grenada	25-Jul-02	30-Jun-09	3	3.04		44	MU	MU	
Education Development	St. K & N	13-Jun-02	30-Jun-09	6	5		88	S	S	Good
Education Development	St. Lucia	13-Jun-02	30-Sep-08	6	6	6		MS	MS	Fair
HIV/AIDS Prevention & Control	St. K & N	22-Jan-03	30-Jun-09	6	4.05	0	90	MS	MS	Fair
OECS Education Development	Grenada	27-Jun-03	30-Jun-11	6.1	2.9[68]	5.9	71	S	S	Fair
Pan Caribbean Partnership Against AIDS	OECS	25-Mar-04	30-Jun-10	6		9[69]	44	MS	MS	Fair
GEF-OECS Protected Areas	OECS	20-May-04	30-April-10			3.7[70]		S	S	?
Disaster Management II	St. Lucia	22-Jun-04	31-Dec-11	5	3.7	6.77	70	S	S	Good
OECS Education Development	St. V & G	29-Jun-04	30-Jun-10	5	3.1	3.1	31	MS	MS	?
HIV/AIDS Prevention & Control	St. Lucia	6-Jul-04	30-Jun-10	5	3.2	3.2	84	S	S	Fair
HIV/AIDS Prevention & Control	St. V&G	6-Jul-04	31-Dec-10	5	3.5	3.5	50	S	S	Good
Hurricane Ivan Emergency	Grenada	17-Nov-04	30-Jun-09		5	5		S	S	Good
OECS-Telecomm & ICT Devel,	OECS	12-May-05	31-Dec-09	4.2		2.71	50	S	MS	Good
Approved during CAS Period:										
Public Sector Modernization	Grenada	15-Dec-05	31-Dec-10	4.6	0	3.5	15	MU	MU	Fair
GEF-Implementation of	OECS	7-Sep-06	30-Jun-11			2.1		MS	MU	Good

[68] Original commitment was US$4 million but $1.1 million were cancelled.
[69] Grant funds.
[70] Grant funds.

Project Name	Country	Approval Date	Closing Date	Age years	Commitment Amount US$ m		% Disbursed	Latest DO Rating	Latest IP Rating	Data Quality
					IBRD	**IDA**				
Adaptation Measures				2.8			28			
Growth and Social Protection Technical Assistance Credit	Dominica	27-Feb-07	1-Jun-10	2.5	0	1.45	45	S	S	Good
OECS Catastrophe Insurance	GD,SLU,SV GSKN	8-Mar-07	31-Dec-10	2.3		14.2	79	S	S	Good
OECS (LC) Skills for Inclusive Growth	St. Lucia	8-May-07	15-Mar-12	2.1	0	3.5	5	MU	MU	Good
TAC	Grenada	13-Mar-08	31-Oct-11	1.2	0	1.86	0	S	S	Fair
OECS E- Government for Regional Integration	OECS	08-May-08	30-Jun-12		0	7.20		----	-----	-----
OECS Skills for Inclusive Growth	Grenada	14-Jan-09	1-Sep-13		0	3	0	S	S	Good
Total Active Portfolio										

Appendix 2F: Ratings of Projects Closed During CAS Period

Project Name	Country	Approval Date	Closing Date	Commitment Amounts US$ million		Total Disbursed US$ m	Rating ICR			
				IBRD	IDA		Out-come	Institutional Dev.	Sustainability	Bank Performance
Emergency Recovery & Disaster Management	GD	17-Oct-00	31-Dec-05	5.06	5.01	10.7	S	L	M	S
Emergency Recovery	SKN	7-Mar-02	31-Dec-05	4.4	0	4.4	S	L	M	S
Water Sector Reform Technical Assistance	SLU	20-Dec-01	31-Dec-08	1.3	1.3		U	--	--	MS
Water Supply Improvement	SLU	19-May-05	15-Jan-09	3.85	3.85	9.7				
Emergency Recovery	SLU	7-Mar-02	31-Dec-05	1.89	4.41		S	L	M	S
Emergency Recovery and Disaster Management	SVG	29-May-02	30-Jun-06	3	2.91		S	L	SU	S
Emergency Recovery Project	SVG	7-Mar-02	31-Dec-05	0.96	2.24		S	L	M	S

Appendix 2G: List of Non-Bank Staff Interviewed by Phone for input to the CAS CR

Name	**Position**	**Country/Agency**
Annelle Bellony	Former- Project Officer	EC Delegation
Cheryl Mathurin	Project Coordinator	St. Lucia, PCU
Crispin Frederick	Staff	Grenada, PCU
Daniel Arthurton	Deputy Director	ECCB
Hubert Perr	Head of Operations	EC Delegation- Barbados and the Eastern Caribbean
Jose Maria Medina Navarro	Project Officer	EC Delegation
Karina Dzialowska	Head of Section	EC Delegation
Laurel Bain	Senior Director	ECCB
Marcelle Edwards	Staff	St. Vincent and the Grenadines, PCU
Marilyn Morris	Staff	Dominica, PCU
Maurice John	Staff	St. Vincent and the Grenadines, PCU
Pierre Nadji	Senior Strategy Officer	IFC
Randolph Cato	Director, Economic Affairs	OECS Secretariat

Appendix 3: Donor Coordination

1. The Bank Group's program represents a very small portion of the total external assistance programs supported by a large number of development partners (See Table 3.2). The CDB, CIDA, DFID, the EU, the UN system and USAID have the largest assistance program in the OECS and for most their individual programs are facilitated by regional offices based in Barbados. Over the FY06-09 CAS period, greater participation from non-traditional bilateral development partners, such as Japan, France, and Taiwan, China and Venezuela has been observed and this is expected to be continued.

Table 3.1: 10th EDF Allocations for the OECS

Country	Allocation in Euro	Focal Sector
Antigua & Barbuda	€3.43M	Fiscal & Public and Sector Modernisation
Dominica	€5.7M	Macro-economic, General Budget Support
Grenada	€6M	Human Settlement
St. Kitts & Nevis	€4.5M	Safety & Security Improvement
St. Lucia	€8.1M	Private Sector Development
St. Vincent & the Grenadines	€7.81M	Public Sector Modernisation
Regional	€165M	Regional Integration EPA

2. The EU is the largest donor to the sub-region. Next to the traditional project/program support, budgetary aid is utilized as principal instrument of country specific assistance if the eligibility criteria are fulfilled. The total amount of funds allocated through the 10th European Development Fund (EDF) for 2009-2013 is €201M[71] with the bulk amount (€165M) being used to fund regional integration and the implementation of the European Partnership Agreement (EPA)[72]. Table 3.1 shows the allocation and focal sectors for the EU. In addition to the EDF allocations, the EU provides considerable grant funds through other programs, mainly Stabex[73], Accompanying Measures to the Sugar Protocol (AMP) and the Special Framework Assistance (SFA)[74].

3. The USAID is in the planning stage of its 2011-2014 Strategy, which will be comprised of three areas: (i) investing in people (US$13.5M for 2010-11), with strong focus on HIV/AIDS and related health and education systems; (ii) economic growth (US$ 23.3M for 2010-11), improving business climate and focusing on youth and their preparedness for the workforce, and possible use of funds for energy efficiency for climate change activities; and (iii) governing justly and democratically (US$3M for 2011), focusing on social justice programs for young offenders.

4. The CDB prepares individual country strategy papers for each of the OECS countries valid over a three year period. It supports 13 thematic areas, through policy-based lending, investment and technical assistance projects and grants, with recent approvals in the following sectors: supporting macro-economic management (St. Lucia and St. Vincent and the Grenadines); infrastructure, such as the construction of a bypass road (St. Kitts and Nevis);

[71] The EU has allocated an additional €37M to Anguilla, Barbados and Montserrat.
[72] The EPA is a trade and development agreement which aims to bring the Cotonou trade regime between the EU and the Caribbean in compliance with WTO regulations. Under the EPA, trade preferences will be replaced by reciprocal liberalization, albeit on an asymmetrical basis favoring the Caribbean.
[73] Transfers representing compensation for losses of export earnings in relation to the export of bananas to the EU.
[74] A financial mechanism aimed at assisting traditional banana producing countries of the African, Caribbean and Pacific Group of States to enhance their competitiveness and diversify the agricultural sector.

education through student loan (Grenada, St. Kitts and Nevis, and St. Vincent and the Grenadines); basic education (St. Lucia), and education enhancement projects (Dominica); private sector development through a Port Rationalization and Development Study (St. Vincent and the Grenadines); and disaster response and mitigation projects (Grenada and Dominica). CDB is also involved with the financial sector as exemplified by the recently provided lines of credit for the Bank of St. Lucia and the Dominica Agricultural, Industrial and Development Bank. Furthermore, although the OECS countries are not members of the IDB, they benefit from IDB resources as the IDB channels funds through the CDB for on-lending to OECS countries. Specific areas of focus of this support include regional integration, managing distributional risks of liberalization, addressing institutional capacity and supporting economic diversification. Additionally, the OECS benefits from IDB resources through a number of small grants that are executed on a sub-regional or regional basis.

5. In the period of this RPS, the IDB will partner with DFID and CIDA in funding the Compete Caribbean Program which is a pan-Caribbean initiative from which OECS countries will also benefit. This US$ 34 million, five year program will aim to increase: (i) donor harmonization and coherence, equity and sustainability of the national and regional private sector strategies; (ii) the efficiency and effectiveness of Caribbean governments to promote a competitive, growth-oriented business and investment climate; and (iii) innovation, productivity, value added production, sales and sustainability in key Caribbean pillars and value chains, and product sophistication, productivity and exports of individual firms.

6. CIDA's Caribbean Program, which includes but is not limited to the OECS countries, focuses on the major thematic priority of sustainable economic growth (sub-themes are public financial management, skills training, entrepreneurship, rule of law and disaster risk reduction). In public financial management, CIDA has provided C$25 million to the Caribbean Regional Technical Assistance Centre (CARTAC, Phase 3), which provides short-term technical assistance and training in core areas of economic and financial management. CIDA is providing C$7.2 million to the Eastern Caribbean Central Bank to help its member countries better manage their debt stock. It will invest C$20 million in the World Bank-managed Supporting Economic Management in the Caribbean (SEMCAR) to strengthen government IT systems for more effective and regionally integrated tax, customs, budget and treasury processes. In the area of entrepreneurship, CIDA will contribute C$20 million to the above mentioned joint IDB-DFID-CIDA Compete Caribbean initiative. The Caribbean Trade and Competitiveness Project provides C$13.5 million to the CARICOM Secretariat to support the implementation of the CSME and support the work of the Office of Trade Negotiations. CIDA's ongoing support in the area of disaster risk reduction includes C$20 million to capitalize the Caribbean Catastrophe Risk Insurance Facility, and C$20 million to support implementation of CARICOM's enhanced regional comprehensive disaster risk management framework.

7. Some donors have selective country focused or sector specific programs. For example, JICA supports Dominica in fisheries, disaster management and poverty reduction, and the OAS is involved with: social protection through the transfer of knowledge, skills and lessons learnt from the Chile Puente Program; and education in a partnership with UNESCO on higher education.

8. On the other hand, DFID (16 projects totaling £33.68M), has focused its efforts on Caribbean regional projects, with a view to fostering Caribbean regional integration, in the following areas : trade, disaster vulnerability and climate change, heath and crime and violence.

In particular, DFID is assisting CARICOM, and other regional institutions through sharing ideas and providing funds (especially disadvantaged countries) to get agreement for and assistance in adjusting to the Caribbean Single Market Economy and support the implementation of the Economic Partnership Agreement. DFID is providing support to assist with improving prediction and co-ordination responses to disasters through CDERA and CCCCC; and in health, where it has supported the creation of a regional response to HIV/AIDS, it is supporting the preparation of a strategy to reduce stigma and discrimination against people living with HIV.

9. Finally, the UN system's 2005-2009 strategy, which will continue to be in effect until 2011, outlines the following thematic areas: (a) governance reform and institutional development; (b) poverty reduction and social sector development; (c) capacity building for environment and natural resource management; and (d) risk reduction and disaster management. Further, UNICEF has specific involvement in education, judicial and legal reform and is looking into issues regarding the debt burden of OECS countries and its impact on children and youth, specifically dealing with fuel, finance and food.

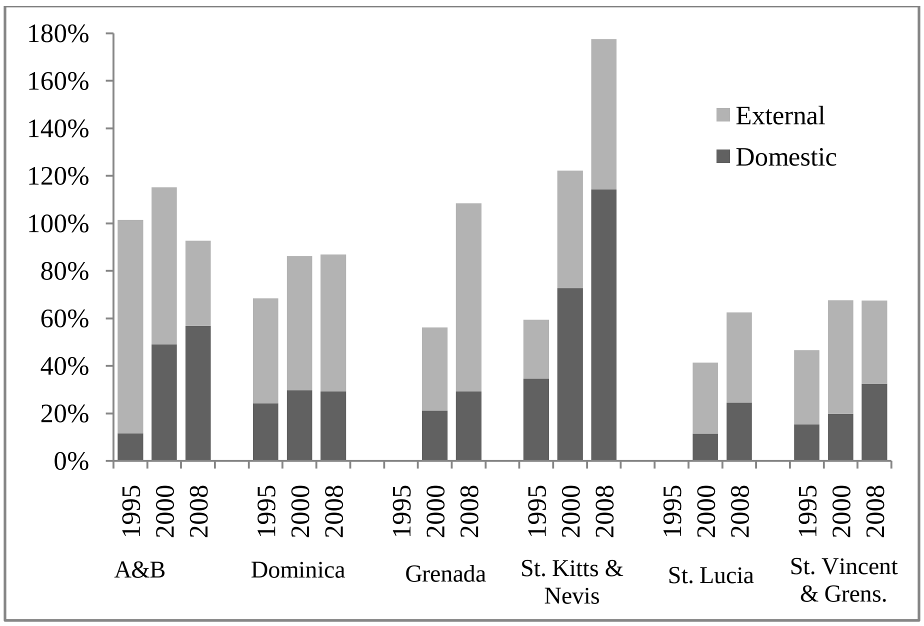
Table 3.2: Areas of Donor Support

Development Partner	Thematic Areas																		
	Private Sector	Financial Sector	Energy	Infrastructure/ Transport	ICT	Trade	Agriculture & Rural Dev.	Health	Education	Environment/Climate Change	Tourism	Water & Sanitation	Social Protection	Macro/Fiscal/Debt	Public Sector	Judicial & Legal Reform	Capacity/Inst. Building	Disaster Management	Security & Stability
CDB	X	X	X	X			X		X	X		X	X	X	X		X	X	
CIDA	X								X					X		X		X	
DFID	X					X		X		X			X	X				X	X
European Union	X		X	X	X	X	X	X	X	X	X	X	X	X	X		X	X	X
JICA							X											X	
IDB	X	X	X			X	X		X	X		X			X		X	X	
OAS									X				X						
PAHO								X											
UN System		X			X		X			X			X		X		X	X	
USAID						X		X	X	X									
World Bank	X	X	X		X			X	X	X			X	X	X		X	X	

Appendix 4: Public Debt and Debt Sustainability Analysis

1. **The OECS countries are characterized by very high indebtedness levels**. Total public debt at end-2008 averaged at 99 percent of GDP in the OECS, with wide variation among the member states. St. Kitts and Nevis holds the highest ratio by far—177 percent at the end of 2008. St. Lucia and St. Vincent and the Grenadines rank the lowest at 67 percent. The other members range between 87 percent and 109 percent. About half of current debt is external, but even domestic debt is pegged to foreign currencies by virtue of the fixed exchange-rate regime of the ECCU. This leaves the OECS economies highly vulnerable to external shocks, limiting government flexibility to engage in countercyclical fiscal policies. In addition, very high public debt service payments in several countries are crowding out other public and private expenditures.

Figure 4.1: Debt Dynamics for the OECS



Source: Staff calculations

2. **The creditor composition of both domestic and external debt varies substantially across countries (Table 4.1).** In external debt, bilateral and multilateral debt feature prominently in Dominica, Grenada and St. Lucia at around 50 percent of external debt. Commercial debt is particularly substantial in Antigua and Barbuda, at 53.5 percent of external debt. The external debt holdings of non-central government bodies exceed 10 percent of total external debt in all countries. The domestic debt decomposition is similarly heterogeneous.

Table 4.1: Creditor Composition of Public Debt (end-2008, % share)

	Antigua and Barbuda	Dominica	Grenada	St. Kitts and Nevis	St. Lucia	St. Vincent and the Grenadines
External debt	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Central government	83.6	71.3	88.1	77.2	81.7	84.9
Multilateral	5.6	47.0	33.0	21.0	47.6	47.0
Official bilateral	24.5	10.9	15.7	12.9	4.5	16.2
Commercial	53.5	10.6	39.4	14.0	19.2	21.7
Other	0.0	2.8	0.0	29.2	10.4	0.0
Arrears, total	n.a.	0.0	0.0	0.0	0.0	0.0
Other public sector	16.4	28.7	11.9	22.8	18.3	15.1
Domestic debt	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**
Central government	94.5	94.6	82.5	77.9	93.7	59.0
ECCB	0.0	1.8	0.0	0.5	0.4	1.2
Private domestic banks	20.5	29.7	11.6	51.2	51.3	43.9
Nonbank financial institutions	0.0	11.0	0.0	3.5	8.7	0.0
Insurance funds	0.0	47.6	0.0	4.9	2.9	3.5
Other	16.1	4.6	68.9 2/	17.8	30.3	10.4
Arrears, total	57.9	0.0	1.9	0.0	0.0	0.0
Other public sector	5.5	5.4	17.5	22.1	6.3	41.0
Memorandum items:						
Public debt (percent of GDP)	92.7	81.8	108.6	177.6	70.1	67.5
Of which						
External debt	35.8	57.8	79.2	63.3	43.6	35.0
Public debt (millions of U.S. dollars)	1134.6	305.1	693.3	969.9	719.6	405.6
Of which						
External debt	438.4	215.6	506.0	345.8	447.8	210.0

Source: ECCB and IMF.

**No creditor breakdown is available for restructured and un-restructured domestic bonds.*

3. **The driving forces behind the rise in debt have been fiscal loosening and external factors (many of the latter linked to natural disasters).** Four characteristics stand out in looking at the contributions to debt ratios since 1999 (Table 4.2 below). First, the contributions from primary fiscal deficits have largely been positive, indicating that governments have been unable to consistently record primary surpluses. Second, high interest payments—driven by the large debt overhang and substantial share of commercial debt—also constraint fiscal space by imposing a significant burden on government budgets. Third, moderate real growth across the region has kept the debt from rising even higher, as did grants in Dominica and Grenada. Fourth, debt-creating exogenous shocks such as natural disasters and external shocks have played a role (as reflected in the residuals in Table 4.2).[75] Eight of the 25 residuals that exceed 5 percent of GDP coincide with hurricanes or tropical storms. Also, global economic shocks have contributed to rising debt levels. The Asian Financial Crisis of 1997 and the economic aftershocks from the 9/11 terrorist attacks in 2001 have a high incidence of large residuals. More recently, sharply declining growth in advanced economies stemming from the global financial crisis, particularly in the US, has undermined important mainstays of the OECS economies, such as tourism, remittances and foreign direct investment. This has undermined the stabilization of debt ratios achieved through moderate growth rates between 2006 and 2008.

[75] Debt write-downs contributed to debt-reducing residuals in some cases such as Antigua and Barbuda and St. Vincent and the Grenadines.

4. **However, weak debt management has also been an underlying factor across the OECS.** Three recently completed Debt Management Performance Assessments (DeMPAs) for Dominica, Grenada, and Antigua and Barbuda, evaluating the strength of debt management operations, reveal that the minimum requirements for effective performance were not met for a majority of the performance criteria assessed. Cross cutting issues include: i) weak analytical capacity to undertake debt sustainability analysis, risk analysis and analysis of the most cost-effective terms for borrowing, ii) weak auditing of debt management activities, iii) weak cash flow forecasting and operational risk management, iv) incomplete records of debt and of debt guarantees, v) lack of transparency in debt operations, particularly on borrowing from the domestic market, and vi) weak strategy development for debt management.

Table 4.2: Debt Decomposition for the OECS 1/

		Primary Fiscal Balance (less grants)	Grants	Interest payments	Growth in real GDP	Growth in GDP deflator	Residual	Change in debt to GDP ratio
Antigua & Barbuda	**1991-97**	-1.5	-0.4	7.2	-3.1	-2.8	-1.2	-1.7
	1998-02	5.1	-1.7	4.4	-3.1	-1.1	6.3	9.9
	2003-05	3.0	-0.4	4.8	-6.6	-2.1	-9.6	-10.9
	2006-08	3.0	-	4.6	-7.0	-4.4	-2.1	-6.0
Dominica	**1991-97**	4.7	-4.0	2.3	-1.5	-2.3	-0.3	-1.1
	1998-02	8.7	-4.5	4.4	1.0	-0.7	3.3	12.3
	2003-05	2.1	-7.3	5.4	-2.4	-1.7	-4.6	-8.4
	2006-08	6.8	-10.6	2.1	-2.7	-1.9	1.6	-4.6
Grenada	**1991-97**	3.5	-2.9	2.4	-2.0	-0.2	-3.0	-2.1
	2001-02	13.3	-3.2	3.6	0.9	-0.9	12.5	26.3
	2003-05	6.1	-8.3	4.6	-3.6	-3.8	5.6	0.5
	2006-08	9.1	-4.7	2.3	-0.9	-4.3	-2.1	-0.6
St. Kitts & Nevis	**1991-97**	0.1	-0.7	2.7	-2.4	-1.8	6.5	4.5
	1998-02	8.5	-0.8	5.0	-2.2	-2.3	10.2	18.4
	2003-05	0.6	-1.2	7.6	-6.4	-6.7	17.4	11.3
	2006-08	-2.3	-2.3	9.0	-5.0	-8.3	2.5	-6.4
St. Lucia	**1999-02**	2.6	-1.4	1.9	0.1	-0.9	3.1	5.4
	2003-05	2.1	-0.6	2.9	-2.3	-1.3	0.7	1.5
	2006-08	1.5	-0.9	3.3	-1.5	-1.1	-1.2	0.1
St. Vincent & the Grenadines	**1998-02**	1.5	-1.5	2.5	-1.5	-0.7	4.2	4.5
	2003-05	4.6	-0.9	2.7	-2.8	-1.7	1.2	3.2
	2006-08	2.4	-1.5	3.0	-3.7	-3.4	-1.1	-4.2

Source: World Bank, IMF and government sources.

1/ The methodology decomposes the change in debt to GDP ratio into factors affecting it, which are primary balance, grants, interest payments, real GDP growth and change in GDP deflator. The residual is the part unexplained by these factors and it captures the effect of exogenous factors including natural disasters, debt restructuring and the realization of certain contingent liabilities outside the central government. The exchange rate is fixed in the countries analyzed and therefore there is no exchange rate effect.

Public Debt Sustainability

5. **This section presents a public debt sustainability exercise for the OECS, using both a deterministic model and stochastic simulations.** The main focus is on public debt dynamics rather than rollover risks. It begins with a baseline scenario, drawing on the IMF's most recent economic projections for the six countries. This scenario shows that some countries already face

severe situations—which will only get worst unless specific measures are taken to impede debt from growing. Next, the section examines the current global crisis, showing that it has had substantial impacts on some countries. Finally, the section undertakes several vulnerability exercises—considering, for example, devaluations and natural disasters. The exercise does not take into account other often-critical debt management issues, such as rolling over debt. This is certainly an issue when financial markets are tight. The risk is switching to finance with forced domestic borrowing, which is already beginning to happen. Overall, the exercise concludes that the level of public debt is already an issue for most OECS countries, one that requires careful strategic thinking to assure that solutions are favorable to economic and social development.

A. Baseline Scenario

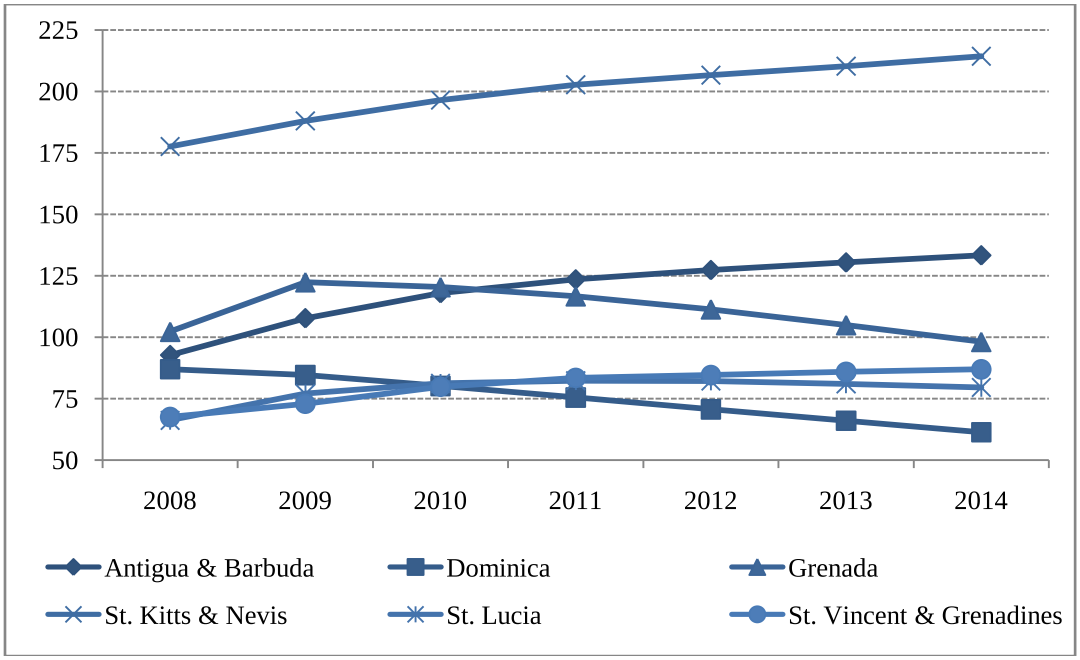
6. **Baseline projections are built on the latest macroeconomic forecast and assume an estimated deterioration of economic growth in 2009.** The rate of real GDP contraction is expected to be highest in Antigua and Barbuda, Grenada, and St. Lucia, all heavily dependent on tourism. A gradual economic recovery is projected for the medium term. Inflation is expected to remain low in all countries throughout the forecast period. The forecast assumes a gradual improvement in primary fiscal balances.

7. **Under the baseline scenario, only two countries exhibit steady declines in public debt ratios; some countries are on an increasing path.**[76] The current economic policies and initial debt dynamics put the public debt-to-GDP ratio on a steadily declining path in Dominica and Grenada. In contrast to the steep increase in Grenada's debt-to-GDP ratio between 2008 and 2009 (by 20 percentage points of GDP), a 24 percentage point reduction is forecasted for the period 2009-2014. Under the current assumption, Dominica is expected to achieve the ECCB's debt-to-GDP benchmark of 60 percent by the end of 2015 (Figure 2). The debt-to-GDP ratio is projected to increase initially in St. Lucia, reflecting the impact of the global economic crisis, before starting to decline after 2010/2011.[77] Debt-to-GDP ratios for Antigua and Barbuda, St. Kitts-Nevis, and St. Vincent and the Grenadines rise over the whole projection period, suggesting an increasing trend.

[76] The debt-to-GDP ratios are not in Net Present Value (NPV) terms. However, an NPV analysis is not expected to change the main results because the sample period is short.

[77] The public sector debt projections for St. Lucia assume that the government withdraws fiscal stimulus and implements a moderate degree of fiscal consolidation from 2011 onwards. However, if the government maintains the current expansionary fiscal stance, the public debt-to-GDP ratio could rise to 83.3% by 2014, instead of falling to 79.6% under the baseline.

Figure 4.2: Public Debt-to-GDP Ratio (baseline scenario)



Source: Staff projections
Note, Realized values for Dominica, Grenada and St. Lucia in 2009.

8. **Among the six countries, St. Kitts and Nevis appears to be an outlier.** Under the baseline scenario, the country's public debt rises to 214 percent of GDP by the end of 2014. Annual primary surpluses averaging 4.4 percent of GDP in 2006-2008 did not place the debt ratio on a downward path. Strong economic growth, averaging 2 percent a year during this period, contributed to these surpluses. A similar medium-term growth performance is not likely amid the global crisis. The baseline scenario's annual average primary budget surplus of 2.6 percent for the whole public sector is far below what is required to put the debt to GDP ratio on a declining path.

B. Impact of the Crisis

9. **A no-crisis scenario helps determine the impact of current economic conditions on debt ratios.** Recent declines in economic growth and fiscal revenues and pressures to expand government expenditures have severely affected the public debt ratios in the OECS countries. The no-crisis scenario uses IMF macroeconomic projections made before the outbreak of the current global crisis. Compared to the baseline, these scenarios generally assume higher growth rates and primary surplus-to-GDP ratios in the medium-term.[78]

10. **Estimates of the impact of the global crisis on most countries' debt-to-GDP ratios are substantial.** The adverse effects of the current global crisis have not been uniform across countries; therefore, the impact on debt-to-GDP ratios varies significantly. Based on public debt projections for year-end 2011, the debt ratios in all the OECS countries are higher in the no-crisis

[78] The source of the macroeconomic assumptions are IMF Staff Reports, published in July 2008 for Antigua and Barbuda, September 2008 for Dominica, October 2008 for Grenada, April 2008 for St. Kitts and Nevis, November 2007 for St. Vincent and Grenadines, and October 2008 for St. Lucia.

scenario than in the baseline. Antigua and Barbuda and St. Vincent and the Grenadines are the most heavily affected by the crisis. Under the no-crisis assumption, end-of-2014 debt-to-GDP ratios would be lower by more than 20 percentage points in Antigua and Barbuda and St. Vincent and the Grenadines. On the other hand, the crisis' impact on the debt-to-GDP ratios of Dominica and St. Kitts and Nevis are rather negligible. In these two countries, debt ratios follow similar patterns under both the baseline and the no-crisis scenarios.

C. Sensitivity to Shifts in Interest Rates, Growth, and Exchange Rates

11. **Standard tests are conducted on the baseline scenario to analyze the sensitivity of debt ratios to key economic variables.** Real interest rates, GDP growth, exchange rates, and primary surpluses are assumed to vary from their 10-year historical means by two standard deviations. In addition to tests involving one risk factor at a time, a combined shock scenario assumes one standard-deviation movement from mean for real interest rates, real GDP growth, and primary surplus-to-GDP ratios.

12. **Public debt ratios are highly sensitive to changes in exchange rates**. The results indicate that OECS countries' debt ratios are most sensitive to changes in exchange rates. This is expected because the countries have been relying heavily on international borrowing. External debt averages 53 percent of total debt in these countries. Hence, a sharp devaluation would significantly increase debt-servicing costs, resulting in larger borrowing requirements and higher debt ratios. For example, a one-time 30 percent real devaluation would raise the St. Kitts and Nevis debt ratio to about 276 percent by end-2014, compared to 214 percent under the baseline. For Dominica, the debt ratio would rise to 85.8 percent, up from 58 percent under the baseline. Maintaining exchange-rate stability is of great importance for the sustainability of public debt in the region.

13. **A combined shock scenario has the potential to significantly increase debt burdens.** Compared to the baseline, the combined shock of one standard deviation to primary balance-to-GDP ratios, real GDP growth, and real interest rates in 2009 and 2010 raises debt-to-GDP ratios significantly in all countries except Antigua and Barbuda and St. Kitts and Nevis. These exceptions occur because of the large impact of the two countries' current crisis on real GDP growth rates, which fall below their respective historical means minus one-standard deviation in 2009. As a result, projected debt-to-GDP ratios for Antigua and Barbuda and St. Kitts andNevis are lower under the combined shock scenario than the baseline.

14. **An alternative approach to fiscal sustainability uses a stochastic simulation tool to take interactions among key variables into account.** The common practice is to estimate a VAR model to obtain the correlation matrix of key macroeconomic variables assumed to impact debt ratios. These are: (a) domestic interest rates, (b) the real GDP growth rate, (c) exchange rates, and (d) foreign interest rates. The next step uses these correlations to carry out Monte Carlo simulations to generate a large sample of bound tests. As a result, frequency distributions for debt ratios can be derived for each year, providing a probabilistic assessment of debt sustainability. The aim of the analysis is not to determine the debt ratio's path but to produce "fan charts" that display confidence bands for varying degrees of uncertainty around median projections. The analysis shows the probability that simulated debt ratios exceed or fall below certain levels.

15. **Stochastic simulations show that extreme scenarios have low probability and baseline projections are valid overall.** In the case of Dominica, for instance, the probability of a debt

ratio above 85 percent is only 2.5 percent throughout the projection period. Furthermore, the upper and lower bounds for the debt ratio are both declining, mirroring the baseline path. With 95 percent probability, estimated debt ratios are between 115 percent and 160 for Antigua and Barbuda and 175 percent and 260 percent for St. Kitts and Nevis. After initially moving upwards, debt ratios for Grenada and St. Lucia show declining paths—with 95 percent probability.

D. Natural Disaster Scenario[79]

16. **Recurrent losses due to hurricanes are a concern to the Caribbean countries**. The Caribbean Basin lies directly in the track of storms originating in the Atlantic Ocean. Storm losses to private and state property can be considerable. When Hurricane Ivan struck Grenada in 2004, the loss was calculated at US$800 million—about two times GDP. Government losses accounted for about 30 percent of the damage. The impact of hurricanes is highly variable. In 1979–2005, 13 years were “loss free,” with no significant damage to any Caribbean country, while for eight of these years single storms caused some losses in the Caribbean. Over the remaining six years, significant damage was caused by multiple storms. In 2004, for example, Charley, Frances, Ivan, and Jeanne wreaked havoc as they crossed the region, causing combined losses of almost US$4.5 billion. In rare instances, storms can damage several countries, for example, Hurricane Ivan that affected eight nations.

17. **The impact of natural disasters is integrated into the analysis by estimating a likely average annual cost of the decline in real GDP growth and the increase in fiscal expenditures.** This approach calculates the expected annual average impact of natural disasters for each country and then calculates the evolution of the debt burden under the revised scenario. The exercise is not an estimation of the impact on debt ratios of a specific natural disaster; rather, it distributes the impact across time as a yearly cost with an impact on growth and fiscal outcomes. The total annual expected cost of hurricanes is estimated as the sum of the cost of each type of hurricane multiplied by its probability of occurrence, taken from a 2006 World Bank study for the Caribbean Risk Insurance Facility (Table 4.3).[80] These annual cost estimates are used to project the impact of hurricanes on growth and fiscal policy. The scenario assumes that costs of 1 percentage point of GDP reduce real GDP growth by 0.5 percentage point a year. One-third of the cost is directly financed by government; the rest is a welfare loss to society.[81] Consequently, annual GDP growth is reduced by half the expected annual cost, while fiscal expenditures increase by a third of the costs throughout the projection period.

[79] This section benefits from World Bank, 2006, “Background Document—Initial Results of Preparation Work: Caribbean Catastrophic Risk Insurance Facility,” (Washington D.C.: World Bank) and Rasmussen, T.N. (2004) Macroeconomic Implications of Natural Disasters in the Caribbean, IMF WP 04/224.

[80] World Bank, 2006, “Background Document—Initial Results of Preparation Work: Caribbean Catastrophic Risk Insurance Facility,” (Washington D.C.: World Bank).

[81] See Rasmussen, T.N. (2004) Macroeconomic Implications of Natural Disasters in the Caribbean, IMF WP 04/224 for a discussion of the impact of natural disasters on economic growth.

Table 4.3: Annual Expected Costs of Hurricanes

Country	Annual Expected Cost (% of GDP)
Antigua & Barbuda	1.3200
Dominica	1.9250
Grenada	0.4060
St Kitts & Nevis	1.6440
St Lucia	0.8500
St Vincent & Grenadines	0.8200

Source: Staff calculations

18. **Debt ratios shift upward when the expected cost of natural disasters are included**. Debt ratios increase the most for St. Kitts and Nevis, Dominica, and Antigua and Barbuda. The impact is relatively moderate in St. Lucia and St. Vincent and the Grenadines. It is small in Grenada because the country is relatively less prone to hurricanes. Overall, the inclusion of the expected cost of natural disasters significantly slows the decline in debt ratios in countries where the baseline scenario estimates a declining debt-to-GDP ratio, further reducing the sustainability of the debt burden.

19. **Stochastic simulations show OECS countries' vulnerability to natural disasters puts non-negligible risks on public debt sustainability and could result in explosive debt-to-GDP paths in some cases**. There is a 97.5 percent probability that the St. Kitts and Nevis debt ratio would be between 180 percent and 257 percent by year-end 2014 without natural disasters. This interval shifts upward to 190 percent to 272 percent with natural disasters. For Dominica, the baseline public-debt ratio rises above 66 percent, and the probability of meeting the ECCB target of 60 percent by the end of 2014 declines from 75 percent to 50 percent.

20. **The results are based on conservative assumptions and impacts could be larger.** The analysis assumes that a natural disaster costing 1 percentage point of GDP reduces real growth by 0.5 percentage point and government directly finances one-third of the costs. If these estimates were higher, natural disasters' impact on debt ratios would be larger. In addition, natural disasters' actual impact between now and 2014 would be different because the simulations assume costs can be spread out over time—as would take place under an insurance scheme. The exercise above is akin to annual payment in exchange for spreading out the short-term impact of the natural event over time.

21. **Under a no reform scenario debt can be explosive in some countries but this can be avoided through implementation of difficult, yet feasible measures.** Such measures should include (i) macro-fiscal measures to ensure the efficient use of tight public resources; (ii) a fundamental approach to reduce the existing debt burden; (iii) development of efficient insurance mechanisms to mitigate the adverse impact of natural disasters; and (iv) structural reforms to enhance growth and social stability.

Table 4.4: Summary of Debt Sustainability Scenarios (public debt as %GDP)

	2009	2010	2011	2012	2013	2014
Baseline						
Antigua & Barbuda	107.7	117.9	123.5	127.3	130.4	133.3
Dominica	84.5	80.1	75.4	70.6	66.0	61.3
Grenada	122.3	120.3	116.6	111.3	104.9	98.1
St. Kitts & Nevis	188.0	196.5	202.7	206.6	210.3	214.3
St. Lucia	77.0	81.2	82.3	82.2	81.0	79.6
St. Vincent & Grenadines	72.9	79.8	83.4	84.5	85.8	86.9
Combined scenario						
Antigua & Barbuda	101.3	109.7	115.3	119.5	123.3	126.8
Dominica	84.5	88.5	93.9	89.0	84.3	79.3
Grenada	122.3	133.9	146.7	140.8	133.9	126.3
St. Kitts & Nevis	181.3	186.0	191.7	195.4	199.0	203.3
St. Lucia	77.0	87.0	96.2	97.3	97.1	96.7
St. Vincent & Grenadines	78.2	91.7	95.2	96.4	97.7	98.8
No-crisis scenario						
Antigua & Barbuda	104.2	102.7	102.3	100.7	99.0	97.4
Dominica	76.5	71.8	68.2	63.7	59.0	54.4
Grenada	99.1	96.7	94.5	92.5	88.2	84.3
St. Kitts & Nevis	186.0	190.9	195.9	201.1	206.1	211.0
St. Lucia	68.7	69.3	70.2	69.5	68.3	67.1
St. Vincent & Grenadines	64.3	63.8	63.2	63.3	63.4	63.6
Natural disaster scenario						
Antigua & Barbuda	108.7	120.1	126.8	131.8	136.0	134.6
Dominica	84.5	82.5	79.2	76.8	73.4	69.8
Grenada	122.3	122.3	116.7	112.4	107.1	100.8
St. Kitts & Nevis	190.2	200.8	209.1	215.1	220.9	226.8
St. Lucia	77.0	81.8	84.3	86.3	87.0	87.3
St. Vincent & Grenadines	73.4	80.9	85.0	86.6	88.3	89.9

Source: Staff projections

Appendix 5: RPS Consultations

Background

1. The preparation of this Strategy followed a continuous and in-depth dialogue involving the Governments of the OECS, sub-regional organizations, representatives of civil society and development partners. Engagement between the Caribbean Country Management Unit, the Governments and the ECCB increased significantly as the effects of the global economic and financial crisis began to affect the region. The highlights are as follows:

i. In January 2009 a team including the Country Economist, the Country Officer and specialists in social protection visited the OECS to discuss the impact of the crisis on the OECS economies and how the World Bank could assist. The brief aide-memoire prepared at the close of the visit contributed to the intensive dialogue the Governments were conducting amongst themselves to determine ways of mitigating the impact of the crisis.

ii. During the Country Portfolio Performance Review conducted during May through September 2009, the Country Officer consulted with senior officials in the Ministries of Finance and at the OECS Secretariat on what they perceived as the OECS' development priorities in the short to medium term.

iii. Finally, in September 2009 the Bank provided technical resource persons and the Country Director engaged in dialogue with the Ministers of Finance, during the "Bootcamp to Facilitate Economic and Financial Adjustment in the ECCU" organized by the ECCB, where participants looked at the concrete steps that the sub-region could take with a view to improving the coordination of the ECCU member countries' policy responses to the global economic and financial crisis within the context of the regional integration arrangement.

2. The formal country consultations, which began in January and continued in February 2010, consisted of a brief presentation by the Bank team, setting out the Bank's diagnosis of challenges and regional priorities, describing the proposed Partnership Strategy including areas of intervention and outcomes to which the interventions are expected to contribute; and the rationale for the selection of these areas. This was followed by comments questions and answers on the proposed strategy as well as on broader issues and concerns.

3. Country consultations were organized and hosted by the Ministry of Finance (in the case of St. Vincent by the Ministry of Planning). In Antigua and Grenada, the meeting was chaired by the Minister of Finance; in Dominica and St. Kitts by the Financial Secretary; in St. Lucia by the Deputy Permanent Secretary and in St. Vincent by the Director of Planning. All meetings were attended by representatives from the public sector, the private sector and civil society. A total of 225 persons attended the country consultations, broken down as follows according to country: Antigua 76; Dominica 19; Grenada 22; St. Kitts 32; St. Lucia 38; and St. Vincent 38.

4. Finally, a late draft of the Strategy document was shared with the governments, ECCB and OECS Secretariat and discussions held among senior official of these institutions and senior Bank officials including Yvonne Tsikata, Director, Caribbean Country Management Unit (Bank) and Eduardo Wallentin, Acting Country Manager, Caribbean Region (IFC) via a video conference arranged by the ECCB on April 8, 2010.

Summary of comments received during the national consultations

5. Overall the thrust of the proposed strategy was broadly endorsed by the governments, sub-regional organizations, development partners, the private sector and other representatives of the civil society. There was agreement on the Bank's diagnosis of the sub-regional challenges and priorities, the benefits of the sub-regional/multi-country approach to implementing the proposed Strategy and the focus (principal but not exclusive) on crisis response interventions in the short term. The participants stressed the need for flexibility in the design of the programs to permit a degree of country level customization as countries are sometimes at differing stages in tackling the same issue.

6. There is a significant overlap in the areas of support identified in the proposed Strategy and the priorities identified by the participants, in particular representatives of the government who consistently referred to priorities as reflected in national budget speeches and strategic plans. However, Agriculture and Crime and Violence were raised consistently, from country to country as priorities for the region. While the Bank's support will not be focused on these areas, other development partners are active in these areas. The Bank clarified that although its preference is to focus on areas where it has a comparative advantage and a proven track record, it will discuss and liaise with other donors to seek to ensure that high priority areas will not be left unaddressed.

7. Government representatives stressed the fact that borrowing even at the Bank's concessional rates would still add to their debt stock, and encouraged the Bank to provide more grant funding, given their high levels of indebtedness. While acknowledging the importance of fiscal and debt management, government representatives commented that growth is not being placed as centrally as debt and fiscal issues in their engagement with IFIs; economic growth and mechanisms to stimulate growth must be addressed. Participants welcomed the RPS' focus on stimulating growth but stressed the need for transformative Bank Group support in this regard. In that connection, the IFC's presentation stimulated much interest and discussion and there was also broad agreement on the importance of the four areas for IFC interventions: (i) financial markets; (ii) infrastructure, (iii) investment climate; and (iv) growth sectors and sustainable tourism.

8. Non-governmental organizations stressed that this engagement should not occur only when a Strategy is being drafted but consistently throughout the process of implementation of the Strategy, in the design and implementation of projects, where they felt that they could add in ensuring that the most vulnerable were in fact benefitting from the Bank's development assistance.

9. The following is a summary of the issues that were brought to the Bank's attention:

- ***Energy***: All countries as well as the donors emphasized the importance of the Bank's support in this area, given the need to reduce the region's dependency on imported fossil fuels by fostering energy efficiency and alternative and renewable energy solutions.
- ***Ports***: There was a request for regional analytical work to assess the feasibility of instituting a regional approach to foster the competitiveness of the ports and establish a comprehensive framework for consolidated trans-shipment. (Antigua)
- ***Sewage and solid waste***: Attention to sewage and waste water treatment as well as proper handling of solid waste was emphasized to safeguard the environment.

- ***Disaster risk reduction*:** Support to the region with strong early warning systems in climate change adaptation planning across sectors was requested.
- ***Agriculture*:** Strong desire to maintain agricultural base to ensure viable rural livelihoods. There was an expressed request for assistance to modernize the agriculture sector and enhance food security and self sufficiency.
- ***Tourism***: There is a need for support towards the expansion and development of the industry, including training persons to deliver quality services and carrying out analytical work to measure the economic impact of the industry to guide public investments.
- ***Private sector***: Most countries expressed a desire for developing a culture of entrepreneurship among the youth, nurturing small business by providing training in basic business management and helping entrepreneurs translate business ideas into concrete enterprises through support to small business incubation centers for example. Concern was raised regarding large share of public investments captured by private sector and tax privileges for certain sectors only (distortions). Frustration and confusion was expressed regarding Bank procurement rules which were deemed to discriminate in favor of foreign enterprises which benefit from tax privileges.
- ***Labor markets***: Participants expressed the need: to establish information centers and data collection systems that would provide information on availability of jobs and on the skills that are needed by the labor markets; and to provide opportunities for job creation outside the traditionally male dominated sectors, given the large number of female headed households (54% in Grenada).
- ***Education***: Improving the quality of education and ensuring that the education and training systems were responsive to the labor market demand were highlighted as priorities.
- **Safety Nets**: All countries underscored the need for improving their social safety net systems to support vulnerable groups including the disabled.
- ***Health***: Support to the health sector to improve life expectancy (linked to addressing non-communicable diseases) and improving health systems (looking beyond HIV/AIDS-Dominica) were emphasized.
- ***Crime and Violence***: All countries expressed their preoccupation with increased levels of C&V and overall citizen security and noted that this was a significant challenge in the OECS. The impact of crime on the tourism sector, joblessness and a feeling of "hopelessness" among youth could develop into a social crisis of sorts. C&V was subsequently tabled at the donors' meeting and a summary account was provided of the various ongoing efforts.
- ***Enhancing Access to finance for private-sector led growth***: The issue of liquidity in the banking system was raised. IFC's support was called upon to address the challenges that the SMEs are facing in access to liquidity. The crisis has exacerbated this challenge. The need for improving information on the credit worthiness and profitability of the SMEs was also raised. With these observations as a backdrop, support for the establishment of a regional credit bureau and a deposit insurance scheme for local banks was suggested.
- ***Debt Management and Sustainability*:** Questions were raised on details about the Bank's support and policy in debt management. It was emphasized that the Bank needs to be a

development partner (not just a Bank), and be flexible. In that connection, some countries raised perceived incompatibility/contradiction between taking IDA credits/IBRD loans while trying to reduce debt. Countries also emphasized the importance of supporting growth to improve the GDP and thus contribute to reducing the Debt/GDP ratio.

- ***Public Sector***: Support for designing and implementing coherent Public Sector Investment Programs (PSIP) was emphasized.

Cross-Cutting Themes:

- ***Capacity building***: The need to build capacity in PPPs was raised, as domestic investors would like to successfully compete when opportunities arise in the region, as was the need to build capacity in particular areas to support regional integration, especially in view of the commitments in the recently signed the Economic Union Treaty. Other countries have developed a culture of quality service-delivery (Barbados, Belize), and there is scope for improvement in the OECS.
- ***National statistics:*** All countries requested Bank support for establishing a sound and reliable statistics and data collection systems to enable evidence-based policy making.
- ***Monitoring and evaluation***: There is a need for a regional approach in strengthening the M&E systems and sharing information on impact assessments (request for the Bank to disseminate lessons learned).
- ***Governance and transparency***: There is a need to improve corporate governance and to improve transparency, particularly as regards government decisions relative to distribution of incentives to the private sector.
- ***Donor coordination***: Donors and Governments need to deepen their understanding of the challenges and priorities and to discuss jointly their approach to addressing those challenges.

Meeting with Donors

10. A consultation with development partners was hosted by UNDP involving representatives from CARTAC, CDB, DFID, EU, IDB, PAHO, UNICEF, UNIFEM, and USAID. The Bank presented the Strategy but also shared highlights of the feedback received during the country consultations.

11. Participants received the presentation of the Strategy with interest, noting that many areas of focus overlap between the Bank Group's proposed Strategy and theirs. Participants underscored their desire to collaborate to share a common understanding of the countries' challenges and to strengthen coordination of mutual areas of focus to improve aid effectiveness. However, it was also noted that there are some obvious constraints to coordination such as the fact that some of the programs operate at a pan-Caribbean level, while others operate at a country level and the fact that all donors do not lend to the same group of countries. UNDP (chair of the Eastern Caribbean Donor Group (ECDG)) emphasized that the Group's 2010 agenda will include a greater emphasis on aid effectiveness and increasing donor harmonization.

12. Participants welcomed the inclusiveness of the Bank's Strategy preparation process. They expressed concern that the Bank had no lending program and was not more active in Antigua and Barbuda and St. Kitts and Nevis; the countries that seemed to need the Bank's support most, given the seriousness of their financial sector vulnerabilities and its potential to

jeopardize the stability of the sub-regional economy. They agreed that the sub-region's weak capacity in data collection and analysis to facilitate evidence-based policy making is a concern for all donors and could potentially be a prime area for coordinated action going forward.

Appendix 6: IDA/IBRD Indicative Lending Program FY10-12

Fiscal year	**RPS Pillars***	**IBRD/IDA Lending**	**Commitment in millions (US$)**
FY10	Pillar 1	Economic and Social DPLs – Grenada St. Lucia OECS EGRIP Project (St. Vincent APL2)	 8 12 2.4
	Pillar 2	OECS Regional Energy Regulator Project (3 countries)	6.2
		FY10 Total	**28.6**
FY11	Pillar1	Debt Sustainability Programmatic DPLs *(potential)* Strengthening Social Safety Nets Project/SWAp	**undefined 10
	Pillar 2	OECS Financial Sector Strengthening and Regulation Project Caribbean Regional Communications Infrastructure Program (OECS IDA Blend)	6 6
		FY11 Total	**22**
FY12	Pillar1	OECS Education Sector SWAp OECS Disaster Vulnerability Reduction Project (4 countries)	18 20
	Pillar 2		
		FY12 Total	**38**
		FY10-12 Total	**88.6**

Pillar 1 – Building Resilience and Pillar 2 – Enhancing Competitiveness and Stimulating Sustainable Growth