



## 1. Operation Information

<b>Operation ID</b> P179539	<b>Operation Name</b> SLU Sustainable Recovery DPC
<b>Country</b> St. Lucia	<b>Practice Area (Lead)</b> Macroeconomics, Trade and Investment

### Non-Programmatic DPF

<b>L/C/TF Number(s)</b> IDA-74810	<b>Closing Date (Original)</b> 31-Dec-2024	<b>Total Financing (USD)</b> 40,301,785.00
<b>Bank Approval Date</b> 11-Jan-2024	<b>Closing Date (Actual)</b> 31-Dec-2024	
	<b>IBRD/IDA (USD)</b>	<b>Co-financing (USD)</b>
Original Commitment	40,000,000.00	0.00
Revised Commitment	40,301,785.00	0.00
Actual	40,301,785.00	0.00

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## 2. Program Objectives and Pillars/Policy Areas

### a. Objectives

The Saint Lucia Sustainable Recovery Development Policy Credit (DPC) was a stand-alone operation designed to support post COVID-19 pandemic recovery while addressing long-standing constraints to fiscal sustainability, climate resilience, and private-sector development. The Program Development Objective (PDO)



for the Saint Lucia Sustainable Recovery Development Policy Credit (DPC) was to: (i) strengthen fiscal revenues and transparency; and (ii) promote green and resilient private sector growth (PD, p. iii).

The financing agreement does not present the PDO.

For the purpose of this ICRR, the objectives of the DPC series against which outcomes will be assessed are:

- **PDO1:** To strengthen fiscal revenues and transparency.
- **PDO2:** To promote green and resilient private sector growth

## **b. Pillars/Policy Areas**

The operation was structured around two pillars corresponding to the PDOs.

Pillar 1: Strengthen fiscal revenues and transparency through:

- Domestic resource mobilization (levies and excise taxes);
- Public debt management (Debt Management Act and reporting);
- Public financial management (PFM regulations and emergency procedures); and
- Public procurement transparency (e-procurement).

Pillar 2: Promote green and resilient private sector growth through:

- Climate policy and adaptation planning (Climate Change Bill, SASAPs);
- Energy transition (National Energy Policy, renewable energy expansion); and
- Financial sector reforms (insolvency framework and secured transactions).

## **c. Comments on Program Cost, Financing and Dates**

The operation was financed through an International Development Association (IDA) credit in the original amount of US\$40,000,000, which was revised and fully disbursed in the amount of US\$40,301,785.

The DPC was approved on January 11, 2024, became effective on March 29, 2024, and closed as scheduled on December 31, 2024. The operation benefited from parallel Caribbean Development Bank financing of US\$40,000,000.

## **3. Relevance of Design**

### **a. Relevance of Objectives**

#### **Country Context**

St. Lucia's Sustainable Recovery DPC was designed in a context of heightened macro-fiscal vulnerabilities following the COVID-19 pandemic, compounded by long-standing exposure to climate shocks, which



disproportionately affected the small island's tourism, agriculture, and public infrastructure (PD, para 1). The pandemic led to a sharp economic contraction and a rapid increase in public debt, which peaked at over 94 percent of Gross Domestic Product in 2020 (PD, para 2), severely constraining fiscal space for recovery, climate adaptation, and public service delivery (ICR, paras 2-3; Table 1). At the same time, weaknesses in public financial management, debt transparency, and procurement systems undermined accountability and limited the effectiveness of public spending.

The PDOs were relevant to Saint Lucia's immediate recovery needs and longer-term development priorities, as well as to the World Bank Group's (WBG) strategic focus for small island developing states.

Strengthening fiscal revenues and transparency under PDO1 directly responded to the sharp fiscal deterioration following the COVID-19 pandemic shock by addressing weaknesses in domestic revenue mobilization, public debt management, procurement, and public financial management—critical enablers of macro-fiscal resilience in a highly shock-prone context (ICR, paras 3-4).

PDO2 appropriately targeted binding constraints to green and resilient private sector growth. High energy costs limited private sector competitiveness, constrained access to credit, particularly for MSMEs and women-owned firms (ICR, paras 5-6). The DPC laid the foundations for greener and more resilient private sector-led growth by supporting climate policy frameworks, energy transition, and financial sector reforms to improve access to finance, reduce vulnerability to climate shocks and high energy costs, and build economic resilience to environmental shocks in the private sector.

The PDOs were well aligned with Saint Lucia's Medium-Term Development Strategy (2023-26). The DPC aligned with the development objectives identified in the Systematic Regional Diagnostic (FY19) and the World Bank Group (WBG) Regional Partnership Strategy for the OECS. It also aligned with the WBG's Green, Resilient, and Inclusive Development approach (2021).

The DPC was coordinated closely with development partners, including the International Monetary Fund (IMF), the Eastern Caribbean Central Bank (ECCB), and the Caribbean Development Bank (CDB) (PD, para 6). The alignment was particularly prominent considering parallel financing and technical assistance from the Caribbean Development Bank (ICR, para 7, Task Team Leader [TTL] interview).

Given St. Lucia's immediate post-COVID financing needs and limited institutional capacity, the design of the DPC favored a standalone, focused operation complemented with technical assistance (TTL interview). A programmatic approach would have required a longer preparatory phase and more intensive administrative engagement during a crisis.

## b. Relevance of Prior Actions

### Rationale

**Table 1. Saint Lucia: Objectives, Policy Areas, and Prior Actions (PAs)**

Policy Area	Prior Actions (PAs)
<b>PDO1: Strengthen Fiscal Revenues and Transparency</b>	



Revenue mobilization	<b>PA1:</b> To enhance tax revenue and support fiscal sustainability, the Recipient has: (a) introduced the health and citizen security levy at a rate of 2.5 percent on goods and services; and (b) increased the excise tax on cigarettes by 102 percent, as evidenced, respectively by: (i) Act No. 16 of 2023, published in the Recipient’s Extraordinary Government Gazette Vol. 192, Issue 22, on July 18, 2023; and (ii) Statutory Instrument No. 80 of 2023, published in the Recipient’s Government Gazette, Issue 29, on July 18, 2023.
Public debt management	<b>PA2:</b> To consolidate and modernize the legislation related to public debt management, the Recipient has enacted the Public Debt Management Act, which specifies the purposes for which the Government can borrow, clarifies the process for the issuing of guarantees and on-lending, and requires annual reporting to Parliament of the implementation of the debt strategy, as evidenced by: (i) the Act No. 22 of 2023, published in the Recipient’s Extraordinary Official Gazette Vol. 192, Issue 34, on October 9, 2023, and (ii) Statutory Instrument No. 140 of 2023, published in the Recipient’s Extraordinary Government Gazette Vol. 192, Issue 37, on November 3, 2023.
Public procurement transparency	<b>PA3:</b> To promote and enforce the Public Procurement Act, the Recipient, through its Minister for Finance, has approved the Public Procurement Regulations, which prescribe requirements for the implementation of the procurement process, including advertisements and notifications, tendering procedures, selection methods, and contract awards and publication, as evidenced by Statutory Instrument No. 133 of 2023, published in the Recipient’s Extraordinary Government Gazette Vol.192, Issue 32, on October 10, 2023.
Public financial management and fiscal resilience	<b>PA4:</b> To promote and enforce the Public Finance Management Act, as well as increase resilience to climate change impacts and better manage risks, the Recipient, through its Minister for Finance, has approved the Public Finance Management Regulations to enhance the budget process, revenue projections, warrants and budget reports, financial management system and operating procedures, and payment instruments; as evidenced by Statutory Instrument No. 52 of 2023, published in the Recipient’s Extraordinary Government Gazette Vol. 192, Issue 12 on May 22, 2023.
<b>PDO2: Promote Green and Resilient Private Sector Growth</b>	
Climate policy and adaptation	<b>PA5:</b> To respond to the current and future risks and impacts of climate change, the Recipient, through its Cabinet of Ministers, has approved for submission to Parliament the Climate Change Bill, which develops a comprehensive approach to climate change, addressing mitigation, adaptation and loss and damage, and embeds climate change considerations into sectoral policies; as evidenced by the Cabinet Secretary’s letter dated November 14, 2023, citing Cabinet Conclusion No.929 dated November 6, 2023.
Energy transition and resilience	<b>PA6:</b> To promote energy efficiency and resilience, the Recipient, through its Cabinet of Ministers, has approved the National Energy Policy (2023-2030), which sets objectives of increasing renewable energy generation and decarbonization of thermal and transport systems, as evidenced by the



	Cabinet Secretary’s letter dated November 14, 2023, citing Cabinet Conclusion No.809 dated October 9, 2023.
Insolvency framework	<b>PA7:</b> To address distressed businesses and the management of non-performing loans, the Recipient, through its Cabinet of Ministers, has approved for submission to Parliament the Insolvency Bill, which includes reforms to insolvency proceedings, the reorganization regime, liquidation process and distribution of claims, as evidenced by the Cabinet Secretary’s letter dated November 14, 2023, citing Cabinet Conclusion No.930 November 6, 2023.
Access to finance and secured lending	<b>PA8:</b> To improve MSMEs’ access to finance and expand the types of collateral available for MSMEs, the Recipient has enacted the Security Interest in Moveable Property Act, which reforms the institutional framework for the use of moveable property as collateral, establishes an electronic registry for moveable assets, and is aligned with the UNCITRAL Legislative Guide on Secured Transactions, as evidenced by the (i) Act No.22 of 2022, published in the Recipient’s Extraordinary Government Gazette Vol. 191, Issue 33, on November 14, 2022, and (ii) Statutory Instrument No. 137 of 2023, published in the Recipient’s Government Gazette, Issue 44, on October 30, 2023.

Source: ICR

The DPC comprised eight prior actions (PAs) organized under two PDOs, each supported by four PAs. While each PA addressed a distinct policy area, several were complementary in strengthening resilience to shocks, particularly the interaction between fiscal/PFM reforms and climate, energy, and private-sector measures forming a coherent reform package. The PAs were well aligned with the PDOs.

**PDO1: Strengthen fiscal revenues and transparency.**

**PA1** directly strengthened domestic resource mobilization through a new health and citizen security levy and an excise tax on cigarettes that were expected to raise fiscal revenues equivalent to about 0.4 percent of GDP, and improve the primary fiscal balance, putting central government debt on a downward trajectory (ICR, para 17), making an essential contribution to restoring fiscal space, and debt sustainability (PDO1). **Relevance of PA1: Highly Satisfactory (HS).**

**PA2** tackled long-standing weaknesses in debt transparency by consolidating public debt legislation and mandating regular reporting to Parliament, thereby strengthening investor confidence in financing public debt. Under the new Public Debt Management Act, the government would publish two quarterly debt reports annually. Consolidation of public debt through prudent debt management would help in reducing central government debt, which stood at 89 percent of GDP in 2020, thus reinforcing the PDO1 goal of improved fiscal transparency (PD, Table 1 and ICR, paras 18, 29). In addition, PA2 was also expected to improve the average time to maturity of debt maturing within one year, and the percentage of debt refixing (PD, para 29). **Relevance of PA2: Highly Satisfactory (HS).**

**PA3** would enhance fiscal transparency and competition (PDO1) through the approval of the Public Procurement Regulations that would enforce the Public Procurement Act by prescribing standardized procedures and the rollout of e-procurement (ICR, paras 19-20), thus addressing governance weaknesses that constrained public investments. The government also developed a phased e-procurement implementation



strategy, which would be implemented on major value transactions processed by the five major spending agencies (Health, Infrastructure, Finance, Agriculture, Education) to improve transparency in procurement processes (ICR, para 19). Improved procurement transparency would reduce fiscal leakages and support fiscal transparency under PDO1. **Relevance of PA3: Highly Satisfactory (HS).**

**PA4** sought to strengthen budget execution, public debt and cash management, treasury management, financial control, external audit and emergency financing procedures by approving the Public Finance Management (PFM) Regulations to improve transparency and incorporate climate change considerations into the legal and regulatory PFM framework. In the medium term, PA4 was expected to increase fiscal revenues through accurate costing and management of contingent liabilities, which could be controlled at a ministerial level. With the adoption of disaster-responsive emergency procedures by ministries and agencies, the government could respond more effectively, enable faster post-disaster financing, reduce fiscal shocks, improve transparency and resilience, and strengthen PDO1 outcomes with spillovers to PDO2. The government also developed a phased e-procurement implementation strategy for major value transactions processed by the five major spending agencies to improve transparency in procurement processes (PD, para 19). **Relevance of PA4: Highly Satisfactory (HS).**

#### **PDO2: Promote green and resilient private sector growth.**

**PA5** led to the submission of the Climate Change Bill, which proposed an overarching legal framework for mitigation and adaptation, embedding climate considerations across sectoral policies and providing a foundation for long-term resilience (ICR, para 21), albeit with impacts expected over a longer horizon (ICR, para 32). WBG TA would ensure that both Sectoral Adaptation Strategies and Action Plans (SASAPs) and mitigation through private sector engagement would be addressed as the transport and energy sectors transitioned towards a low-carbon and climate-resilient future. The Bill laid the institutional groundwork for more resilient private sector growth (ICR, para 32), strengthened long-term climate resilience, and supported the green and resilient growth objective under PDO2. **Relevance of PA5: Highly Satisfactory (HS).**

**PA6** approved the National Energy Policy (NEP) 2023-2030 that sought to address key structural constraints, high energy costs and fossil-fuel dependence, by establishing a new national target of 50 percent power generation from renewable energy sources by 2030, decarbonization of thermal and transport systems (ICR, para 22), and enabling greater private sector participation in power generation (ICR, para 33). PA6 envisaged solar photovoltaic (PV) capacity doubling from its baseline of 1.7 MW by the end of 2024 and reducing reliance on imported fossil fuels that accounted for 92 percent of the primary energy supply, thereby lowering the economy's exposure to energy price shocks. The NEP was also supported by an implementation plan. PA6 directly supported green and resilient private sector growth under PDO2. **Relevance of PA6: Highly Satisfactory (HS).**

**PA7** sought to address the insolvency constraint of distressed businesses, and the management of non-performing loans (domestic creditors and foreign investors) by submitting to Parliament an Insolvency Bill that would modernize the legal framework for corporate and personal insolvency (ICR, para 12). The Bill would assure creditors that their recovery on defaulted loans would be maximized and would enable entrepreneurs and individuals to seek a discharge and re-enter the economy without excessive penalties. This was particularly relevant for MSMEs. **Relevance of PA7: Highly Satisfactory (S).**

**PA8** reinforced PA7 by enacting the Security Interest in Moveable Property Act, which sought to directly expand access to finance for MSMEs by enabling the use of moveable assets as collateral through a modern registry, addressing a critical binding constraint for private investment and growth. The Act was expected to significantly



boost the value of secured lending to MSMEs. The new registry would also enable the collection of gender-disaggregated data to facilitate the government in targeting women-owned businesses, and improving access to finance, directly supporting inclusive and resilient private sector growth under PDO2. **Relevance of PA8: Highly Satisfactory (HS).**

## Rating

Highly Satisfactory

## 4. Relevance of Results Indicators

### Rationale

**Table 2: Results Indicators by Objective and PAs; Baseline and Target Values; Status and Achievement**

Results indicator (RI)	Associated PAs	RI Relevance	Baseline (2022)	Target	Actual (2024)	Actual as % of targeted change	RI Achievement rating
<b>PDO1: Strengthen fiscal revenues and transparency</b>							
RI1: Amount of tax revenues generated by the health and citizen security levy and increase in excise tax rate on cigarettes.	PA1	HS	EC\$0.00	EC\$33.00 million	EC\$40.46 million (Sept 2024)	123%	High
RI2: Number of publications of quarterly debt reports.	PA2	HS	0	2	3 (Dec 2024)	150%	High
RI3: Share of major value transactions processed by the five major spending agencies through the e-procurement system.	PA3	HS	0%	80%	81% (Sept 2025)	101%	High



RI4: Number of ministries, departments, agencies (MDAs) that have an emergency procedure in the event of climate-induced disasters consistent with the PFM Regulations to expedite financing for recovery in states of emergency of post-disaster.	PA4	HS	0	3	4 (Dec 2024)	133%	High
<b>PDO2: Promote green and resilient private sector growth</b>							
RI5: Number of Sectoral Adaptation Strategies and Action Plans (SASAPs) fully developed in line with the new Climate Change Act.	PA5	S	0	1	0 (Feb 2025)	0%	Negligible
RI6: Capacity of solar photovoltaic (PV) systems (Megawatt)	PA6	HS	1.70 MW	2.70 MW	3.54 MW (Dec 2024)	153%	High
RI7: Number of insolvency cases filed to the High Court	PA7	MS	3	6	110 (Dec 2024)	3,567%	[High]
RI8a: Total value of financing to MSMEs using secured transactions	PA8	U	US\$8.60 million (2019)	US\$9.50 million	US\$29.85 million (Sept 2025)	247%	[High]
RI8b: Data and information gathered and disaggregated by sex of business	PA8	HS	No	Yes	Yes	100%	High



owner, size of firm, and type of movable collateral.							
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Source: ICR, Table 2.

Note: RI achievement ratings in [...] denote a downgrade in the calculation of the Objective-level rating. A relevance rating of MS implies a downgrade from [High] to Substantial, while a relevance rating of U implies a downgrade from [High] to Negligible.

The operation had nine RIs, including one with gender disaggregation (RI8b).

**PDO1: Strengthen fiscal revenues and transparency**

**RI1** tracked PA1’s contribution to PDO1 by measuring the additional revenues generated by a Health and Citizen Security Levy and higher excise taxes. PA1 introduced a 2.5 percent health and citizen security levy on goods and services, and a 102 percent increase in the excise tax on cigarettes. The additional revenues were expected to generate a primary fiscal surplus and support the strengthening of fiscal revenues under PDO1. **Relevance of RI1: Highly Satisfactory (HS).**

**RI2** was directly attributable to PA2, which introduced a modern Public Debt Management Act mandating regular debt reporting to Parliament. The indicator provided evidence of improved debt transparency and accountability by tracking the publication of quarterly public debt reports. However, it did not cover the quality of reporting. **Relevance of RI2: Highly Satisfactory (HS).**

**RI3** contributed to fiscal transparency by improving the efficiency of procurement transactions through better monitoring and the use of competitive processes. While there were initial challenges in applying this indicator to establish a credible actual value, this was resolved (ICR, para 25). **Relevance of RI3: Highly Satisfactory (HS).**

**RI4** was directly linked to PA4 and was a relevant measure of PFM emergency plans as it provided evidence that key agencies had developed their plans under the new PFM regulations for post-disaster response, promoting more transparent management during emergencies related to climate-induced disasters. **Relevance of RI4: Highly Satisfactory (HS).**

**PDO2: Promote green and resilient private sector growth**

**RI5** tracked the completion of Sectoral Adaptation Strategies and Action Plans (SASAPs) linked to PA5 and was relevant for promoting green and resilient private sector growth. However, the ICR notes that RI5 needed to be supplemented with additional evidence that assessed the quality of SASAPs to be an adequate measure of PA5 (ICR, para 24). **Relevance of RI5: Satisfactory (S).**

**RI6** measured the PV systems to gauge the increase in renewable energy through PV capacity, which was one of several major outcomes of the energy reform and would enhance green resilience by substituting renewable energy for fossil fuels. It established a relevant baseline of PV capacity, which was well monitored. **Relevance of RI6: Highly Satisfactory (HS).**



**RI7** was intended to track PA7 by measuring the number of insolvency cases resolved in the High Court following the enactment of the insolvency reform. However, as PA7 only involved a submission of the new law to the Parliament and not its enactment, RI7 faced measurement challenges as it could only measure the number of cases filed, instead of the number of resolved cases using the new insolvency law, which was a more meaningful outcome, but one that also required at least a two-year horizon. IEG rates this RI as moderately satisfactory, as it tracked the PA's credible movement in the initial uptake of the reform towards a critical private sector development priority (PDO2). **Relevance of RI7: Moderately Satisfactory (MS).**

**RI8a** was intended to track progress in PA8 towards improving the financing constraint facing businesses, by measuring the value of MSME financing using secured transactions through the moveable collateral registry. However, RI8a could not be reliably measured as establishing a reliable baseline required substantial groundwork since it was not a part of the central bank's routine data gathering system (ICR, para 25). The ICR states that "At the ICR stage, the counterpart had difficulty in explaining how the indicator was calculated and acknowledged data impurities..." (ICR, para 25). These measurement flaws raise doubts about the accuracy of the RI8a achievement data (US\$29.85 million), which shows an increase of 247 percent over the modest target of US\$9.5 million from a baseline of US\$8.6 million. A more measurable, but less outcome-oriented RI would have been the number of properties collateralized under the new system (ICR, para 25). **Relevance of RI8a: Unsatisfactory (U).**

**RI8b** was designed to correct the information gap related to gender-disaggregated data in Saint Lucia's financial system by tracking the availability of disaggregated financing data (by sex of business owner, size of firm and type of movable collateral) through the moveable collateral registry. It was a relevant indicator as the data made available would facilitate the government's monitoring of inclusiveness and targeting of finance towards women-owned MSMEs. **Relevance of RI8a: Highly Satisfactory (HS).**

## Rating

Satisfactory

## 5. Achievement of Objectives (Efficacy)

### OBJECTIVE 1

#### Objective

Strengthen fiscal revenues and transparency

#### Rationale

**RI1** was achieved, as revenues generated through the Health and Citizen Security Levy and the increase in excise taxes exceeded the target by 123 percent. While part of the cigarette tax-related revenue increase reflected post-pandemic economic recovery, the magnitude and timing of collections indicate that gains were largely attributable to PA1, which directly expanded the tax base, restoring fiscal space and strengthening debt sustainability. **Achievement Rating RI1: High.**



**RI2** exceeded its target, with the publication of three quarterly public debt reports against a target of two, exceeding the target (150 percent). **Achievement Rating RI2: High.**

**RI3** met and marginally exceeded the target, with 81 percent of major value transactions processed through the e-procurement system relative to the target of 80 percent. While the indicator did not measure procurement efficiency or value-for-money outcomes, it credibly demonstrated progress toward enhanced transparency and competition. **Achievement Rating RI3: High.**

**RI4** exceeded the target (133 percent), with emergency PFM procedures established in four MDAs against a target of three, providing concrete evidence that the PFM Regulations were operationalized in practice rather than remaining purely legal reforms. **Achievement Rating RI4: High.**

Efficacy rating for PDO1: **Highly Satisfactory (HS).**

## Rating

Highly Satisfactory

## OBJECTIVE 2

### Objective

Promote green and resilient private sector growth

### Rationale

**RI5** was not achieved, as no Sectoral Adaptation Strategy and Action Plan (SASAP) was fully finalized by the end of the evaluation period, against a target of one. While progress was made, most notably the preparation and circulation of a draft Education SASAP, the indicator was not achieved due to delays reflecting capacity constraints and the complexity of cross-sector coordination required under the new Climate Change framework. **Achievement Rating RI5: Negligible.**

**RI6** exceeded its target (153 percent), with installed solar photovoltaic (PV) capacity increasing from a baseline of 1.7 MW to 3.54 MW, well above the 2.7 MW target. The indicator credibly captured a core intended outcome of the reform - reduced dependence on imported fossil fuels and improved energy resilience—and demonstrated strong uptake within the operation’s short timeframe. **Achievement Rating RI6: High.**

**RI7** significantly exceeded its target (3567 percent), with 110 insolvency cases *filed* under the new insolvency framework against a target of six but did not measure the number of cases *resolved* using the new legal framework for insolvency, which was the intended outcome of PA7. IEG notes that since the intended outcome would be available only after the operation’s closing, the number of filed cases was an interim process-related achievement. Given the MS relevance rating of RI7, achievement is downgraded from High to Substantial. **Achievement Rating RI7: Substantial.**

**RI8a** substantially exceeded its target (247 percent), showing an increase in MSME financing using secured transactions. However, as noted by the ICR itself (Para 25), the reliability of the data is doubtful as there was no existing system in the central bank to collect or monitor this data. Therefore, it is not clear how the indicator was calculated. There were also likely “data impurities,” (ICR, para 25). As a result of its



Unsatisfactory relevance rating, the achievement of RI8a is downgraded to Negligible. **Achievement Rating: RI8a: Negligible.**

**RI8b** was achieved, with secured-transactions data successfully collected and disaggregated by sex of business owner, firm size, and collateral type through the new registry. **Achievement Rating: RI8b: High.**

Efficacy rating for PDO2: **Moderately Unsatisfactory (MU)** as two of the five RIs are rated Negligible.

Renewable energy capacity expanded beyond targets, and climate adaptation planning progressed, but did not fully meet targets due to delays in finalizing SASAPs. While access to finance facilitated by Insolvency reforms showed a strong uptake, the intended resolution outcomes will take time. Access to finance through secured transactions presumably made progress, but the corresponding RI's achievement in excess of 247 percent of the target seems unreliable, given the RI's measurement challenges (as also confirmed by the ICR).

### Rating

Moderately Unsatisfactory

## Overall Achievement of Objectives (Efficacy)

### Rationale

With PDO1 rated as Highly Satisfactory (HS), and PDO2 rated Moderately Unsatisfactory (MU), the overall Efficacy rating is **Moderately Satisfactory (MS)**.

## Overall Efficacy Rating

Moderately Satisfactory

## 6. Outcome

### Rationale

With the relevance of PAs rated **Satisfactory (S)**, and Overall Efficacy rated **Moderately Satisfactory (MS)**, the overall Outcome rating is **Moderately Satisfactory (MS)**.

### a. Rating

Moderately Satisfactory



## 7. Risk to Development Outcome

Despite minor delays and shortfalls in some results, reforms supported by the operation are largely sustainable, as the Government of Saint Lucia continues to advance and deepen fiscal, financial sector, and climate-related reforms. Renewable energy reforms are progressing on multiple fronts and are expected to yield medium-term fiscal and resilience gains, reinforcing the sustainability of outcomes.

However, the sustainability of results will also depend on the government's capacity to implement reforms amid frequent climate-related shocks. Institutional and technical capacity constraints stemming from a small pool of skilled staff, high turnover, and reliance on a limited number of key officials continue to slow implementation of complex reforms and are often intensified following disasters, when staff are redirected to emergency response. Although ongoing technical assistance (TA) and close engagement with development partners help to mitigate these risks, persistent exposure to climate shocks and structural capacity limitations result in an overall moderate risk assessment.

## 8. Assessment of Bank Performance

### a. Bank Performance – Design

#### Rationale

The WBG group demonstrated strong performance, particularly in supporting Saint Lucia to capitalize on opportunities to implement long-standing reform initiatives. Consistent with lessons learned from earlier engagements, the WBG designed an operation that was impactful yet selective and relatively simple, focusing on a limited number of high-priority reforms aligned with Saint Lucia's binding constraints.

The design of the operation incorporated lessons from peer countries and regional experience to enhance feasibility and reduce implementation risks. For example, Saint Lucia's debt management reforms drew on lessons from Ghana and Kenya. Similarly, experiences from Jamaica and Trinidad and Tobago informed the decision to advance Saint Lucia's Medium-Term Debt Strategy through Cabinet and Parliament to reinforce sustainability. In PFM and disaster-related financing, Jamaica's 2019 disaster expenditure review and Caribbean experiences proved valuable. Financial sector reforms benefited from regional peer-to-peer learning, including Caribbean roundtables and exposure to reform paths in Jamaica and Trinidad and Tobago.

The WBG coordinated closely and consulted with IMF, Eastern Caribbean Central Bank (ECCB), Caribbean Development Bank (CDB), Organization of Eastern Caribbean States (OECS), the Canadian Caribbean Facility (CCF), and the Green Climate Fund, through technical assistance, diagnostics, workshops, and regional peer-learning forums.

WBG TA supported the preparation and implementation of the Public Debt Management Act, PFM Regulations, Public Procurement Regulations, the Insolvency Bill, and the Security Interest in Moveable Property Act. The WBG and the Eastern Caribbean Central Bank supported the preparation of the Insolvency Bill and the Security Interest in Moveable Property Act, drawing on the United Nations



Commission on International Trade-based assessments. The fiscal, public financial management, and debt reforms drew on IMF Article IV analyses, and IMF/WBG's debt sustainability analysis.

Preparation and implementation of the operation involved consultations with a wide range of stakeholders, including the Prime Minister's Office, the Ministry of Finance, major spending agencies, procurement entities and MDAs, and Parliament. The operation also engaged the private sector, financial institutions, energy sector stakeholders, MSMEs, and firms participating in SASAPs, and the public and civil society.

At the design stage, several risks to the DPF were appropriately identified in the areas of revenue reforms, debt management and e-procurement reforms, insolvency reforms, and secured lending reforms. Reforms to increase excise taxes carried risks of public resistance as they were introduced amid high inflation. The WBG mitigated the politically sensitive risks to revenue reform through a Prime Minister-led public communication campaign and multiple stakeholder consultations, which helped secure acceptance and avoid adverse outcomes such as increased smuggling. Technical capacity-related risks affecting reforms to debt management and e-procurement were mitigated through intensive TA and the use of Performance and Policy Actions (PPA) to secure continuity. For insolvency and secured lending reforms, the WBG supported a targeted public awareness campaign, pre-design insolvency diagnostics, tailored legal design, and expert advisory inputs, including funding for specialized consultants and guidance from global teams and the ECCB.

However, there were some weaknesses in design. The implementation of reforms such as business insolvency and MSME financing using secured transactions was better suited to a programmatic series that would have allowed for a longer implementation phase. The design of some results indicators (RIs) made tracking actual achievements difficult and compromised the outcome of PDO2. For example, the baseline for RI7 included cases that were not covered by the new Insolvency Act as it had not been passed. The achievement data for RI7 was based on the number of cases filed instead of the intended number of cases *resolved* through the new Insolvency framework. At appraisal, it was known that this would take a minimum of 2 years to reach any resolved cases. RI8a achievement was measured by data with an unknown source as acknowledged by the ICR: "RI8 was not clearly understood by the counterpart, and results were difficult to confirm during the ICR mission, which compounded the initial issues related to inputting a backlog of data into the new system" (ICR, para 53). Due to their long-term nature, support for insolvency and secured lending reforms may have been more effective as part of a series than as a single operation.

## Rating

Satisfactory

## b. Bank Performance – Implementation

### Rationale

WBG TA played a critical role in enhancing the technical capacity within St. Lucia's Debt Management Unit by appointing two experts on investment and asset management to ensure that the debt management and implementation plans were relevant. The government and consultants exchanged drafts of regulations. Peer-to-



peer knowledge was effective as the Jamaica and Trinidad and Tobago cases were used in getting the Medium-Term Debt Sustainability framework to Parliament.

WBG supported procurement through national bidding documents and subsequent funding for consultants. Further support was provided through a Canadian Caribbean Trust Fund TA. The MoF and the Organization of Eastern Caribbean States (OECS) provided capacity-building support.

The IMF and WBG funding of TA laid the groundwork for PFM regulations and PFM Act. A consultant funded by the Canadian Caribbean Facility (CCF) worked with the first draft of regulations produced by the government. Workshops were held for the line ministries and informed by the 2018 PEFA exercise. Stakeholder consultations were key to winning support across agencies.

The WBG provided support to the PA5-Climate Bill and SASAPs through recommendations that were implemented by the government. The SASAPs were supported by the Green Climate Fund funded by South Korea. Preparation of the NEP policy was financed by WBG TA and underwent extensive public consultation. The WBG also financed expert support for PAs 6, 7, and 8. For PA6, WBG hired a consultant to develop the NEP on the Energy Policy side. The WBG provided expert assistance for PA7, part of which was necessary to help citizens overcome common fears that debtors would be able to take their house, which was explicitly exempted from the insolvency process. WBG-supported stakeholder consultations were important in this regard. The CDB supported the entire operation with US\$40 million of budget support and TA support.

## Rating

Highly Satisfactory

### c. Overall Bank Performance

#### Rationale

Overall Bank performance is rated Satisfactory (S) based on Satisfactory (S) rating for Design and Highly Satisfactory (HS) rating for Implementation.

### Overall Bank Performance Rating

Satisfactory

## 9. Other Impacts

### a. Social and Poverty

The reforms supported under the operation had overall positive social and poverty impacts, mainly by strengthening fiscal sustainability and preserving the government's ability to finance public services and social programs. Revenue mobilization measures including the Health and Citizen Security Levy and higher excise taxes generated significant additional resources that created fiscal space with potential longer-term benefits for



poverty reduction (ICR, para. 28). Other governance, climate, and energy reforms were assessed as having neutral to positive social impacts, with climate resilience and renewable energy measures expected to benefit vulnerable groups over time (ICR, paras. 41–42).

However, the ICR also recognizes potential short-term regressive effects of the new tax measures, as consumption-based levies can disproportionately affect lower-income households. These risks were mitigated through targeted exemptions for essential goods such as food items, medicines, and medical supplies. A Poverty and Social Impact Assessment (PSIA) found that the incidence of the Health and Citizen Security Levy fell mainly on higher-income households and that, over time, the fiscal space created could support enhanced social spending and poverty reduction (ICR, paras. 38–39).

## **b. Environmental**

The operation is assessed as having positive and no significant adverse environmental impacts. Key prior actions supported environmental sustainability and climate resilience, notably through the Climate Change Bill, which established a comprehensive framework for mitigation and adaptation, and the National Energy Policy, which promoted renewable energy and reduced reliance on fossil fuels, contributing to lower greenhouse gas emissions and improved environmental outcomes over time. While renewable energy expansion may involve localized environmental risks, the ICR notes that appropriate legal and institutional safeguards are in place, and no negative environmental impacts were identified during implementation (ICR, paras 41–42).

## **c. Gender**

The operation had a modest but positive gender impact, particularly through financial sector reforms that expanded women's access to finance. Reforms to the secured transactions framework under PA8 enabled the use of moveable assets as collateral and introduced a modern electronic registry with gender-disaggregated data, helping address documented constraints faced by women-owned MSMEs, who are more likely to lack traditional collateral. While most reforms were gender-neutral by design and no explicit gender targets were set, the availability of sex-disaggregated data and expanded credit access are expected to support women's economic participation over the medium term (ICR, paras. 36, 40).

## **d. Other**

n/a

# **10. Quality of ICR**

## **Rationale**



The quality of the ICR is rated High. The ICR was comprehensive, evidence-based, and analytically sound. The narrative adequately linked prior actions to outcomes and drew on relevant indicators and supporting data. The analysis was internally consistent, and the lessons learned were appropriately derived from implementation experience, particularly in relation to St. Lucia’s capacity constraints and reform sequencing.

**a. Rating**

High

**11. Ratings**

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Satisfactory	Moderately Satisfactory	The Negligible rating for two of five RIs under PDO2 led to a MU rating for PDO2
Bank Performance	Satisfactory	Satisfactory	
Relevance of Results Indicators	---	Satisfactory	
Quality of ICR	---	High	

**12. Lessons**

IEG agrees with the five lessons identified in the ICR and proposes one additional lesson:

**The selective design of the reforms supported with substantial technical assistance is critical in low-capacity, small-state environments.** The DPC demonstrates that in small countries with limited institutional capacity, development policy operations are more likely to succeed when they focus on a small number of high-priority, well-sequenced reforms, supported by sustained technical assistance and close coordination with development partners. In Saint Lucia, extensive WBG and partner TA in areas such as debt management, PFM, climate governance, and financial sector reforms helped mitigate capacity constraints and supported implementation of legally and institutionally challenging reforms.

**13. Project Performance Assessment Report (PPAR) Recommended?**

No