Report Number: ICRR0022890

1. Program Information

Country	Practice Area (Lead)
Grenada	Macroeconomics, Trade and Investment

Programmatic DPF

Planned Operations	Approved Operations
0	0

Operation ID	Operation Name
P164289	GD Fiscal Resil. & Blue Growth DPC MST

L/C/TF Number(s)	Closing Date (Original)	Total Financing (USD)
IDA-62750	31-Dec-2019	30,000,000.00
Bank Approval Date	**Closing Date (Actual)**	
22-Jun-2018	31-Dec-2019	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	30,000,000.00	0.00
Revised Commitment	30,000,000.00	0.00
Actual	30,000,000.00	0.00

Country	Practice Area (Lead)
Grenada	Macroeconomics, Trade and Investment

Operation ID	Operation Name
P167748	Grenada Blue Growth DPC2 (P167748)

L/C/TF Number(s) IDA-62750,IDA-65210	**Closing Date (Original)** 31-Dec-2020	**Total Financing (USD)** 20000000.00
Bank Approval Date 16-Dec-2019	**Closing Date (Actual)** 31-Dec-2020	

	IBRD/IDA (USD)	Co-financing (USD)
Original Commitment	20,000,000.00	0.00
Revised Commitment	20,000,000.00	0.00
Actual	20,000,000.00	0.00

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2. Program Objectives and Pillars/Policy Areas

a. Objectives

For the purpose of this ICRR, the PDOs of the operation (series) are taken to be the same as in the ICR:

1. Support long-term fiscal sustainability and strengthen fiscal resilience.
2. Support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.

The PDO is not stated in the Financing Agreement of either DPC1 or DPC2. The Financing Agreements only list prior actions.

The Program Document of DPC1 states the PDO as (i) Support fiscal measures and compliance with the Fiscal Responsibility Law; and (ii) support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.

b. Pillars/Policy Areas

Pillar 1: Support long-term fiscal sustainability and strengthen fiscal resilience.

Pillar 2: Support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.

The two pillars supported by this DPC series complemented and reinforced each other. The transition to a blue economy required blue growth and climate resilience (Pillar 2). While it was critical to ensure continued compliance with the established fiscal rules that had recently restored macroeconomic stability and debt sustainability in Grenada, the ongoing threat of frequent exogenous shocks, especially natural disasters, highlighted the urgency of paying attention to fiscal sustainability and fiscal resilience (Pillar 1). A more resilient fiscal framework would contribute to investor interest in the island, lower borrowing costs, and improve growth prospects over the medium term. Given the high level of exposure and the significant risks to fiscal outcomes from climate and environmental vulnerability, strengthening resilience concurrently on both the fiscal and climate/environmental fronts was essential.

c. Comments on Program Cost, Financing and Dates

The Grenada Programmatic Fiscal Resilience and Blue Growth Development Policy Credit (the Program, DPC) was designed as a programmatic series of two Development Policy Operations (P164289 and P167748).

Both operations were financed by IDA. The first operation, DPC1, was approved for US$ 30 million (IDA-62750) and the second operation, DPC2, was approved for US$20 million (IDA-65210). The loans/grants for both operations were fully disbursed in the amounts approved.

DPC1 was approved on June 22, 2018, became effective on July 25, 2018, and closed on December 31, 2019. DPC2 was approved on December 16, 2019, became effective on January 29, 2020, and closed on December 31, 2020. Both operations closed as originally scheduled.

3. Relevance of Design

a. Relevance of Objectives

Relevance to country context

Grenada’s small size, heavy reliance on tourism and susceptibility to frequent natural disasters constrained economic growth, exposed the economy to external shocks and threatened fiscal sustainability. Grenada’s currency is the Eastern Caribbean Dollar, which is pegged to the U.S. Dollar. Therefore, fiscal policy is the main policy instrument for government to stabilize the economy in response to external shocks. After a deep economic crisis triggered by Hurricane Ivan (2004) and Hurricane Emily (2005), which were followed by the global financial crisis, the government sought the IMF’s assistance (Extended Credit Facility (ECF) arrangement between 2014-2017) and implemented a decade of countercyclical fiscal policies and structural reforms to restore fiscal sustainability. A rules-based Fiscal Responsibility Act (FRA) adopted in 2015 was introduced to restore and maintain fiscal discipline. PDO1 was an effort to make fiscal sustainability an overarching economic objective.

In addition to fiscal discipline, Grenada’s government also needed a long-term development strategy to minimize the large-scale physical damage caused by frequent natural disasters in the small island economy. PDO2 was directly pertinent for facilitating Grenada’s transition to a Blue Economy, which would include disaster resilience. Through better marine and coastal management, PDO2 would foster more sustainable sources of growth and livelihoods (agriculture, reefs, forests, and services), enable diversification from tourism and support the transition towards a blue economy. It would focus on reducing marine-pollution and nurturing marine-life (reef development) to improve the health of Grenada's marine and coastal ecosystems. PDO2 would also support a blue economy by centering on regulations to make housing, commercial and public buildings, and infrastructure more hurricane resilient.

Relevance to CPF and country development strategy

The PDO1 and PDO2 were consistent with the relevance of the fiscal sustainability and fiscal resilience themes underscored for Grenada in the Regional Partnership Strategy (RPS, Report No. 85156-LAC) for the Organization of Eastern Caribbean States (OECS) for FY2015-19 and extended through FY2020. The PDOs, especially PDO1 contributed to the following RPS objectives: (i) improved budget management and transparency; (ii) strengthened capacity to manage PPPs; and (iii) increased capacity to manage natural hazards. The PDOs were also aligned with the Systematic Regional Diagnostic (SRD) for the OECS (Report No.127046-LAC, 2018). Of the five priority areas for revamping inclusive and sustainable growth in the SRD, two were directly supported by this DPC series: (i) building resilience to external shocks from a 360° perspective, and (ii) embedding growth in a blue economy. There was no separate CPF for Grenada. A recently completed Country Economic Memorandum, *Taming Volatility,* emphasized the urgency of reducing Grenada's debt, improving its resilience to natural disasters, and protecting its environment.

PDO1 and PDO2 are consistent with the three objectives - fiscal sustainability, strengthening resilience against natural disasters, and Blue Economy – listed as the top national priorities in the government of Grenada's (GoG) long-term development strategy the New Economy Plan (NEP), as well as the Growth and Poverty Reduction Strategy (GPRS) for 2014-18, and the Grenada Blue Growth Coastal Master Plan (2016, Report No. AUS20778). Grenada was the first OECS country to adopt the idea of harnessing the "Blue Economy" to fuel sustainable growth.

b. Relevance of Prior Actions

Rationale

Table 1: Objectives and Prior Actions	
PDO1: Support long-term fiscal sustainability and strengthen fiscal resilience	
DPC1	DPC2
PA1: In accordance with, and to implement the existing Fiscal Responsibility Act (2015), the Borrower has: (a) established and operationalized the Fiscal Responsibility Oversight Committee (FROC) with the responsibility to undertake monitoring of the fiscal rules and key parameters of the Law as evidenced by the adoption and publication of the Notice of Appointment for said FROC (Grenada Government Gazette dated August 18, 2017 and the release of the FROC 2016 Annual Report	

dated November 10, 2017 as published on the following website: http://www.gov.gd/egov/docs/reports/froc-report.pdf ; and (b) caused FROC to present said report to Parliament, as evidenced by the letter dated November 21, 2017 sent by FROC Chairman to the Clerk of Parliament to submit the FROC 2016 report, published on page 3 of said report.	
	PA2: The Recipient has approved amendments to the National Transformation Fund Regulations to: (a) define the use criteria for the Contingency Fund; and (b) establish its governance framework, including its reporting and public accountability mechanisms, as evidenced by the National Transformation Fund (Amendment) Regulations, 2019 published in the Recipient's Government Gazette No. 47, Volume 137 of October 31, 2019.
PA3: The Recipient's Cabinet of Ministers has approved the Compensation Management Policy Framework for the public sector in line with the parameters of the Fiscal Rule, as evidenced by the Advance Cabinet Conclusion dated April 3, 2018.	PA4: The Recipient has adopted the Public Sector Wage Negotiation Policy to operationalize the Compensation Management Policy Framework in alignment with its national budget process and the Fiscal Responsibility Act, as evidenced by Cabinet Conclusion No. 856 dated June 17, 2019.
PA5: The Recipient has established an Appeals Commission for the Customs and Excise Division with a view to improving trader services and enhancing compliance, as evidenced by the Cabinet Conclusion [No. 273] dated February 27, 2017.	PA6: The Recipient has established collaboration between the Customs and Excise Division and the Inland Revenue Division with a view towards applying a risk-based approach to conduct post clearance audits, as evidenced by Cabinet Conclusion No.1028 dated July 29, 2019.
PA7: The Recipient has amended the Customs Act No. 9 of 2015 with a view to strengthen customs administration and improve the adoption of electronic declarations and other automatic processes, as evidenced by the enactment of Act No. 32 of 2017 dated December 22, 2017 and Act No. 35 of 2017 dated December 28, 2017, both published in the Grenada Government Gazette on December 29, 2017 ; as well as the enactment of Act No. 6 of May 8, 2017, as published in the Grenada Government Gazette on May 19, 2017.	
PA8: The Recipient, through its Ministry of Finance, has established a report card system to track key performance indicators (KPIs) of the commercial SOEs, as evidenced by the Cabinet Conclusion [No.297] dated March 5, 2018.	PA9: The Recipient has: (a) approved the publication of SOE's aggregate annual financial information to enhance the fiscal transparency and accountability of SOEs; and (b) adopted a fiscal risk framework for quantifying contingent liabilities in SOEs to inform its annual fiscal risk statement, as evidenced by: (i) Cabinet Conclusion No. 721, dated May 27,

	2019; and (ii) Cabinet Conclusion No. 695 dated May 27, 2019.
PDO2: Support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.	
PA10: The Recipient has: (a) established the Grand Anse Marine Protected Area as evidenced by the Advance Cabinet Conclusion, dated March 5 2018; and (b) established the Blue Innovation Institute, as evidenced by the Cabinet Conclusion [No. 1245] dated August 28, 2017.	PA11: The Recipient has enacted the Integrated Coastal Zone Management Act to regulate the integrated use, development, and protection of the coastal zone; as evidenced by the Recipient's Act No. 8 of 2019 dated August 22, 2019, as published on the Recipient's Government Gazette on August 23, 2019 (No 36, Volume 137).
	PA12: The Recipient, through the GSDTF, has entered into a partnership agreement with the Caribbean Biodiversity Fund to strengthen the funding arrangements for Blue Economy initiatives (environmental management, ecosystems conservation and climate resilience), as evidenced by the Partnership Agreement between the GSDTF and the CBF signed on June 17, 2019.
PA13: The Recipient's Cabinet of Ministers has approved: (a) a total ban on Styrofoam food containers; and (b) a total ban on plastic shopping bags (single use bags), disposable plastic plates, spoons and forks, with a view to facilitating optimal conditions for ecosystem restoration, rehabilitation and recovery and improving the quality of the marine environment, as evidenced by the Advance Cabinet Conclusion, dated March 5, 2018.	PDO14: The Recipient has approved an implementation schedule for the phase out of single-use plastic food containers, cutlery and plastic straws; as evidenced by the Non-Biodegradable Waste Control (Plastic Food Products) Order, 2019 (S.R.&O. No. 30 of 2019) issued by the Recipient's Minister with Responsibility for the Environment on October 31, 2019 and published in the Recipient's Government Gazette No. 50, Volume 137 of November 8, 2019.
PA15: The Recipient has updated its National Climate Change Policy and National Adaptation Plan, with a view to reiterating its commitment to the Nationally Determined Contributions (NDCs) as evidenced by the Cabinet Conclusion [No. 1568] dated October 30, 2017.	
	PA16: The Recipient has adopted a policy framework on sustainable public procurement introducing environmental sustainability requirements for public procurement contracts, as evidenced by Cabinet Conclusion No. 985, dated July 22, 2019.
PA17: The Recipient has modified its building codes with a view to improve resilience of housing infrastructure, as evidenced by the enactment of Act No. 23 of 2017 dated September 29, 2017 amending the Physical Planning and Development Control Act No. 23 of 2016, published in the Grenada Government Gazette on October 6, 2017.	

The two operations had a total of 17 prior actions (PAs; 9 in DPC1; and 8 in DPC2) in 2 pillars of reforms.

The operation supported the first pillar by focusing on fiscal measures and institutional reforms to increase compliance with the Fiscal Responsibility Act (FRA), and second pillar by advancing Grenada's transition to a Blue Economy. The reforms under the two pillars were expected to make Grenada's economy more resilient to economic and climate-related shocks and were essential to reap the benefits of the most abundant natural resource available to Grenada in an economic and environmentally sustainable way.

The design of the first pillar of the operation built on the success of GoG's efforts to regain fiscal discipline and strengthen long term fiscal sustainability supported by the World Bank through the previous DPC series - Grenada First, Second and Third Programmatic Resilience Building Development Policy Credits, and the arrangement under the IMF's ECF that had just concluded. The operation was complemented by several World Bank financed projects. Notable among them were the Disaster Risk Management DPC with a Catastrophe Deferred Drawdown Option (Cat DDO) under preparation, the Regional Fiscal ASA Caribbean Project, the Revisiting Resilience in the Caribbean project and the Support for Economic Management in the Caribbean Program (SEMCAR Phase 1 with Canadian funding) that advanced SOE, tax and customs reforms on which several PAs were based; as well as the Inclusive Economic Management in the Caribbean Program (SEMCAR Phase II; P160774) that focused on building resilience to natural disasters by strengthening PFM capacity through custom-made tools and TA. TA would be provided to enable GoG to build its contingency funding, advance the sustainable procurement agenda, and achieve climate resilient public investments, in addition to continuing tax and SOE reforms.

The design of PAs in pillar 2 drew upon a sizeable volume of Grenada-specific and OECS/Caribbean-focused technical work on the Blue Economy. The reforms for pillar 2 of the operation were also complemented by different instruments. Notable among them was the Caribbean Regional Oceanscape Project that would strengthen GoG's capacity to establish a coordinated and integrated policy framework in support of the country's blue growth vision. Through marine spatial analysis, mapping, improved data, and knowledge services, CROP would build GoG's capacity to develop, implement, and monitor marine/coastal policies in line with the Blue Growth and Coastal Master Plan. Grenada would also benefit from the Caribbean Oceans and Aquaculture Sustainability Facility (COAST) which was being designed as a climate risk parametric insurance product for vulnerable fishing communities. The Bank's non-lending Technical Assistance Program supported GoG in the development of the Blue Growth Vision and Coastal Master Plan.

The design of the operation drew upon a large volume of Grenada-specific and region-specific World Bank-led and donor-led technical studies on fiscal sustainability and blue economy challenges (Table 4 in PD1 and Table 5 in PD2. Hence, while DPC1 and DPC2 contained several useful PAs with strong analytical foundations, the PAs failed to take into account capacity weaknesses, so the PAs could not reasonably be expected to make a meaningful contribution to the objective in their present forms.

PDO1: Support long-term fiscal sustainability and strengthen fiscal resilience

Overview of PAs supporting PDO1: PDO1 was supported by 9 PAs which focused on the following policy clusters: fiscal sustainability (PA1 and PA2); public sector wage bill (PA3 and PA4); customs/trade facilitation (PA5 – PA7); and SOEs' contingent liabilities (PA8-PA9).

PA1 implemented the Fiscal Responsibility Act (FRA) by "(a) establishing and operationalizing the Fiscal Responsibility Oversight Committee (FROC) with the responsibility to undertake monitoring of the fiscal rules and key parameters of the FRA of 2016 … and (b) caused FROC to present said report to Parliament…" (ICR p. 11). The arrangement under the IMF's ECF in 2015 had established the FRA with the rules-based overarching framework (a debt ceiling of 55 percent of GDP for the general government, and a debt target to be achieved via a primary balance target of 3.5 percent of GDP on average) to maintain fiscal discipline. As ongoing external shocks continually posed substantial fiscal risks, it was appropriate for the FROC to monitor and report key fiscal indicators to Parliament. The concept was that in the event of fiscal excesses, FROC's reports would lead to parliamentary debates and provide government an opportunity to take timely corrective action to restore fiscal discipline, thus supporting PDO1. PA1 ensured FROC's presentation of the 2016 Annual Report to Parliament in 2017. Although, PA1 did not mandate annual reporting, it was a reasonable first step toward fiscal discipline. Relevance of PA1: Moderately Satisfactory (MS))

PA2 approved the "National Transformation Fund (NTF) regulations to (a) define the use criteria for the Contingency Fund; and (b) establish its governance framework, including its reporting and public accountability mechanisms, as evidenced by the NTF (Amendment) Regulations," (ICR p.9). As Grenada had the legal framework to institute a contingency fund to accumulate adequate fiscal buffers over the medium-term to provide government a source of liquidity for disaster relief in the aftermath of a disaster or other external shocks, PA2 could directly support fiscal resilience (PDO1). The approval of three items was necessary for the Contingency Fund to become operational – (i) define use criteria, (ii) governance framework, and (iii) a funding arrangement for the transfer of revenues to the Fund. PA2 addressed the first two items. (Relevance of PA2: Moderately Satisfactory (MS))

PA3 and PA4: PA3 approved "the Compensation Management Policy Framework (CMPF) for the public sector in line with the parameters of the Fiscal Rule..," (ICR p.9). The FRA mandated that the public sector wage bill was not to exceed 9 percent of GDP. As the public sector wage bill constituted the largest proportion of government expenditures, PA3 contributed directly to fiscal sustainability. PA3 was timely as public sector wages were frozen during the ECF (2014-2017) and there was pent-up pressure for a wage increase in 2019. A drawback of PA3 was that if a period of high GDP growth and high wage growth was followed by a period of low GDP growth, there was a risk that the 9 percent rule would be violated even if there was no increase in wages. This shortcoming was rectified during DPC2 by PA4 which approved the adoption of the "Public Sector Wage Negotiation Policy to operationalize the CMPF in alignment with its national budget process and the FRA.." (ICR p.10). By aiding in designing and adopting regulations to fully implement the CMPF including regulating the payroll system which necessitated payroll audits, PA4 contributed critically to fiscal sustainability (PDO1). The compensation reforms set the parameters for a sustainable and affordable wage bill, rationalizing disparities in compensation, and strengthening the alignment of pay to performance. They would also guide reforms for a functional review with TA from the Bank. (Relevance of PA3: Moderately Satisfactory (MS). Relevance of PA4: Satisfactory (S))

PA5- PA7 focused on trade facilitation reforms. During 2015-16, government undertook a strategic restructuring of the Inland Revenue and Customs and Excise Divisions (CED) which increased tax revenue collection. PA5 "established an Appeals Commission for the Customs and Excise Division with a view to improving trader services and enhancing compliance…." (ICR p. 12). While PA5 enhanced investor confidence, the formal appeals process had weak implications for PDO1. While the Program Document (PD) for DPC1 does not list the appeals process as a key issue for PDO1, it contends that in the longer-term, improvements in customs administration will improve revenue collections.

To improve inter-agency coordination, PA6 “established collaboration between the CED and the Inland Revenue Division with a view towards applying a risk-based approach to conduct post clearance audits…” (ICR p.12). PA6 did not have any direct implications for fiscal sustainability in the short term but in the longer-term, it was expected to “contribute to improved service delivery and transparency,” as well as revenues (PD1, para 44). PA7 “amended the Customs Act No. 9 of 2015 with a view to strengthen customs administration and improve the adoption of electronic declarations and other automatic processes….” (ICR p. 12). PA7 aided in trade facilitation; the improved flow of information for better monitoring would make a minor contribution to PDO1. PA5 – PA7 were not backed by analytic work pointing to trade facilitation being a constraint for PDO1. The ICR notes: “Most of the prior actions are judged to be directly relevant to the development objectives of the program. The one exception is in the area of customs, where the reforms were more focused on trade facilitation than fiscal sustainability,” (p. 17). (Relevance of PA5: Moderately Unsatisfactory (MU); Relevance of PA6: Moderately Unsatisfactory (MU); Relevance of PA7: Moderately Satisfactory (MS)).

PA8 and PA9 were related with the contingent liabilities of SOEs. PA8 “established a report card system to track key performance indicators (KPIs) of the commercial SOEs…” (ICR p 12). Some SOEs had large future capital spending plans but funding was uncertain, while others faced commercial risks or had large unfunded pension liabilities. As these contingent liabilities amounted to 16.5 percent of GDP in 2018, they posed a fiscal risk that could jeopardize compliance with the FRA. The GoG established an SOE monitoring unit within MoF mandating the SOEs to report their KPIs to the MoF. Through the production of regular performance reports and monitoring, MoF would enhance the transparency of SOE financial accounts in priority sectors. Non-compliance could result in withholding of subsidies from government. PA8 filled an important gap (related with SOE finances) in Grenada’s overall fiscal accounts, and directly supported PDO1. In DPC2, PA9 reinforced this reform as it “(a) approved the publication of SOE’s aggregate annual financial information to enhance the fiscal transparency and accountability; and (b) adopted a fiscal risk framework for quantifying contingent liabilities in SOEs to inform its annual fiscal risk statement….” (ICR 12). Prior to PA9(a), the SOEs were a threat to overall fiscal sustainability as they were excluded from Grenada’s official fiscal and debt indicators and there was no publicly available information regarding their finances. By making such information publicly available, PA9(a) directly supported PDO1. PA9 (b) contributed to PDO1 by requiring that the financial information reported by the SOEs was translated into a fiscal framework that could be used to inform Grenada’s annual fiscal risk statement. PA8 and PA9 laid the foundation for corrective measures on the part of the MoF and enabled it to alert the government in the event of signs of a SOE debt-triggered fiscal crisis. (Relevance of PA8: Satisfactory (S); Relevance of PA9: Satisfactory (S))

PDO2: Support Grenada’s transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.

PA10 “(a) established the Grand Anse Marine Protected Area (MPA)….; and (b) established the Blue Innovation Institute…” (ICR p 13). The Grand Anse MPA would protect the area as a habitat for aquatic flora and fauna; enhance and maintain the quality of the marine resources for sustainable livelihoods; and improve user experiences in the MPA.[1] Under the Caribbean Challenge Initiative (CCI 2013), Grenada had committed to placing under management 20 percent of its coastal and marine ecosystems by 2020. With the establishment of the Grand Anse MPA, the percentage of coastal and marine ecosystems under protection would increase from 3 to 15 percent. The implementation of the MPA Management Plan would achieve these objectives by establishing zones within the MPA, specific uses and prohibitions, and the management of activities to promote blue growth in balance with the protection of natural assets, thus directly advancing the vision of a blue economy and PDO2. The new Blue Innovation Institute (PA10b) was a component of the Blue Growth Coastal Master Plan, with the objective to develop innovative blue financing instruments and support ocean research. Neither the ICR nor Program Document for DPC1 offer any details on how GoG would attract technical expertise, foster research or finance the Blue Innovation Institute. The latter is also not flagged as a constraint to PDO2. Therefore, the results chain linking the Blue Innovation Institute to PDO2 is not convincing. The inclusion of PA10(b) pulled down the Satisfactory rating for PA10(a). (Relevance of PA10: Moderately Satisfactory (MS))

PA11 in DPC2 continued to support the development of the newly created Grand Anse MPA (PA10(a)) and "enacted the Integrated Coastal Zone Management Act (ICZMA) to regulate the integrated use, development, and protection of the coastal zone…" (ICR p. 13) for fostering a blue economy in Grenada. The ICZMA provided a more comprehensive framework for the integrated management of the coastal resources of Grenada (including the Grand Anse MPA), Carriacou and Petite Martinique (about 26,000 square kilometers compared to a land mass of 400 square kilometers) for their conservation. It established a coastal zone management area and authority, ICZM Plan, and regulations and policies for the preservation and enhancement of coastal resources. Grenada's marine and coastal zone was huge but was threatened by habitat degradation, destruction of marine ecosystems, unsustainable fishing, and other activities. As the ocean and coastal environment were essential for tourism and other key economic activities, protecting them and increasing their resilience to climate change was critical for fiscal and economic resilience. PA11 was highly relevant for Grenada's vision of a blue economy (PDO2). (Relevance of PA11: Satisfactory (S))

According to PA12, "through the Grenada Sustainable Development Trust Fund (GSDTF)…GoG entered into a partnership agreement with the Caribbean Biodiversity Fund (CBF) to strengthen the funding arrangements for Blue Economy initiatives ..." (ICR, p. 13). The GSDTF was designed to award grants to government agencies, NGOs and other qualifying entities for priority conservation and environmental management projects, including projects to support tourism, livelihoods, and other sustainable initiatives. The CBF was a significant regional source of funding but required matching funds from the GoG or some other source. Since financing for the blue economy initiative was a direct constraint, and the modality for fund raising was not specified, the availability of CBF funding was uncertain and extended the uncertainty to the implementation of the first GSDTF grants, as well as PA12's support for PDO2. (Relevance of PA12: Moderately Unsatisfactory (MU))

Under DPC1, PA13 "approved: (a) a total ban on Styrofoam food containers; and (b) a total ban on plastic shopping bags (single use bags), disposable plastic plates, spoons and forks, with a view to facilitating optimal conditions for ecosystem restoration, rehabilitation and recovery and improving the quality of the marine environment…." (ICR p. 14). Under DPC2, PA14 "approved an implementation schedule for the phase out of single-use plastic food containers, cutlery and plastic straws as evidenced by the Non-Biodegradable Waste Control (Plastic Food Products) Order…" (ICR p.14). PA13 and PA14 aimed to reduce marine litter and plastic pollution and improve ecosystem restoration, rehabilitation, and recovery in Grenada thereby directly supporting PDO2. The "'plastic and Styrofoam ban' was considered a major policy measure, given that plastic pollution represented one of the Caribbean's main environmental challenges that was polluting watersheds, coastal areas, the ocean, and posed a threat to ocean biodiversity and tourism development," (ICR p.17-18). Following 10 countries in the Caribbean and 50 around the world that had legislated a tax, a partial tax, or ban on use on plastic items, Grenada hoped to leverage the ban to enhance the "Pure Grenada" brand-name and boost tourism. The bans were phased and affected firms were compensated. Through PA13, GoG established a National Sustainable Waste Management Task Group comprised of private and public sector members to guide Cabinet in selecting the non-biodegradable materials to be banned. (Relevance of PA13: Satisfactory (S); Relevance of PA14: Satisfactory (S))

Through PA15, and in line with the Paris Convention, GoG "updated its National Climate Change Policy (NCCP) and National Adaptation Plan (NAP) with a view to reiterating its commitment to the Nationally Determined Contribution (NDC)…" (ICR p.14). The NAP would use the Climate Change Online Risk Adaptation Tool (CCORAL) to develop its capacity to mainstream climate change adaptation activities into Grenada's national development planning and the NCCPAP for 2017-21, and future revision for 2022-27. These policies would enhance the development of climate change-related opportunities. Although PA15 was general and lacked clarity on how CCORAL would be implemented, it was a first step toward the goal of climate resilience and PDO2. (Relevance of PA15: Moderately Unsatisfactory (MU))

PA16 "…adopted a policy framework on sustainable public procurement introducing environmental sustainability requirements for public procurement contracts," (ICR p.15). As the absence of environmental standards led to significant and recurring physical and financial damage from natural disasters, PA16 was a notable step toward climate resilience (PDO2). GoG's policy framework policy was binding on all public agencies and would materially change the way GoG purchased by introducing mandatory requirements relating to, initially, environmental sustainability of its purchases and, incrementally, social and economic sustainability requirements. Early actions predetermined by the GoG included adopting a coordinated approach to purchasing high-volume / high-value goods starting with office equipment and stationery, which offer an opportunity to make products and services more sustainable, and delivering value for money by consolidating spending. Further, in procuring these items, the Government would define minimum environmental requirements in technical specifications and apply environmental criteria in the evaluation of bids leading to the award of government-financed contracts. (Relevance of PA16: Moderately Satisfactory (MS))

PA17 "modified its (Grenada's) building codes with a view to improve resilience of housing infrastructure…" to natural disasters (ICR p.14). PA17 was highly relevant for PDO2 given Grenada's vulnerability to natural disasters, especially hurricanes. The Grenada Building Code (amended in October 2017) introduced additional regulations to make infrastructure design, including for housing, more resilient to extreme weather events. The new building codes applied to new and existing buildings. In addition to strengthening the resilience of the overall built environment to torrential rains and hurricanes (from category 1-3 to category 4-5 strengths), the codes would help to reduce GHG emissions. Energy efficiency improvements in lighting, appliances, and equipment, with the retrofit of existing buildings would enable the reduction of energy consumption. Despite its direct implications for PDO2, the results chain of the PA is only partly convincing as it does not specify an implementation plan for raising public awareness and education regarding the new building code during the life of the operation. (Relevance of PA17: Moderately Unsatisfactory (MU))

[1] As noted in F. Homer's (2016) G*rand Anse Marine Protected Area Management Plan, 2016-2020*. The Nature Conservancy. February 21, 2016.

Rating

Moderately Satisfactory

4. Relevance of Results Indicators

Rationale

Table 2: Relevance Results Indicators (RI)								
RI (no & desc)	Associate PA	RI Relevance	Baseline units/date	Target units/date	Actual value as of target date	Actual change in RI relative to targeted change	Most recent value available (if not target date)	RI achievement rating
PDO1: Support long-term fiscal sustainability and strengthen fiscal resilience								
RI1: Aggregated inflows into the Contingency Fund	PA2	MS	EC$ 0 (2019)	EC$10 mln (2020)	EC$ 0 (2020)	0% of target was achieved	EC$ 0 (2021)	Negligible
RI2: Real aggregate increase in public wage bill at the central government level.	PA3 and PA4	S	0% (Dec. 31, 2019)	9% real increase (Dec.31, 2020)	7.5% (Dec. 31, 2020)	Exceeded. Actual was 17% less than maximum increase allowed by fiscal rule		High
RI3: Improved effectiveness and increased compliance in customs as measured by the increase in number of successfully targeted annual post-clearance audits.	PA6	U	3 (2016)	5 (2020)	4 (2020)	50% short of target		Negligible
RI4: Proportion of SOEs that follow the new monitoring and reporting framework	PA8	S	0 (Dec. 30, 2016)	100 (Dec. 31, 2020)	100 (Dec. 31, 2020)	100% of target achieved		High

produced by the Ministry of Finance								
RI5: The quantification of contingent liabilities is included in the annual Fiscal Risk Statement	PA9	S	No (Dec. 30, 2016)	Yes (Dec. 31, 2020)	No (Dec. 31, 2020)	Target not achieved by close of operation	Yes (Nov. 30, 2021)	Negligible
PDO2: Support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.								
RI6: Increased coverage of Marine Protected Areas	PA10	S	3 % of Grenada's territory (Dec.30, 2016)	20% of Grenada's territory (Dec.31, 2020)	15% of Grenada's territory (Dec.31, 2020)	71% of target achieved		Substantial
RI7: Increased number of GSDTF's revenue sources	PA12	U	0 (Dec.30, 2016)	2 (Dec.31, 2020)	1 (Dec.31, 2020)	50% of target achieved	2 (2021)	Modest
RI8a: Import volume of Styrofoam food containers, single use plastic bags, and disposable plastic plates, forks and spoons	PA13	S	Imports of Styrofoam food cont.: 3007 (Dec.30, 2016)	0 (Dec.31, 2020)	0 (Dec.31, 2020)	100% of target achieved	0 (2021)	High
RI8b:	PA13	S	Single use plastic bags: 6,975,308(Dec.30, 2016)	0 (Dec.31, 2020)	0 (Dec.31, 2020)	100% of target achieved	0 (2021)	High
RI8c:	PA13	S	Disposable plastic plates: 2697 (Dec.30, 2016)	0 (Dec.31, 2020)	0 (Dec.31, 2020)	100% of target achieved	0 (2021)	High
RI8d:	PA13	S	Forks and spoons: 1838 (Dec.30, 2016)	0 (Dec.31, 2020)	0 (Dec.31, 2020)	100% of target achieved	Zero imports except for	High

							certain Styrofoam food containers for meat and vegetables which were exempted in the regulations.	
RI9: Percentage of annual government contracts for the purchase of goods that are governed by sustainability requirements	PA16	U	0% (Dec. 30, 2016)	25% (Dec. 31, 2020)	0% (Dec. 31, 2020)	0% of target achieved		Negligible
RI0: The share of new building applications approved in accordance with the amended building codes.	PA17	U	0% (Dec.30, 2016)	100% (Dec.31, 2020)	0% (Dec.31, 2020)	0% of target achieved	0% (Dec. 31, 2021)	Negligible

While there are no dedicated RIs for 5 Prior Actions (PA1, PA5, PA7, PA11 and PA15), the Efficacy section evaluates achievement using other information.

RI1: RI1 sought to capture the impact of PA2 which established the contingency fund to improve fiscal resilience (PDO1). By measuring the accumulation in the Contingency Fund relative to the baseline, RI1 would signal improvement in government’s capacity to respond to disasters without undermining fiscal consolidation. It was designed to record the regular transfer of funds into the Contingency Fund within the NTF and was consistent with the FRA. The RI1 target was set at EC$ 10 million (US$ 37,000) as a first step for 2020. Although data on the balances in the Contingency Fund was unavailable on the NTF website, by the time of the ICR’s production in 2021, a line item for the Contingency Fund had been added. (Relevance of RI1: Moderately Satisfactory (MS)).

RI2: was highly relevant in capturing the impact of PA3 and PA4 in achieving PDO1 as it ensured that the overall wage bill at the central government level did not exceed the limits set by the fiscal rules-based FRA designed during the ECF arrangement. RI2 supported PA3 and PA4 by providing a measure of continued fiscal discipline that was well-defined, transparent and easy to monitor. It was modified between DPC1 and DPC2 as the initial 9 percent limit it set on the ratio of public sector wages to GDP was later deemed inappropriate for preserving fiscal sustainability. During DPC2, the Bank team modified RI2 to ensure that going forward, the real growth in public sector wages would be adequately contained to ensure that the 9 percent limit set by the FRA was preserved during years of high and low GDP growth. This ensured fiscal sustainability per the FRA and supported PDO1. (Relevance of RI2: Satisfactory (S)).

RI3: This RI measured the number of successfully targeted post-clearance customs audits which were the focus of PA6. The number of audits was an inappropriate indicator as it provided no indication of the impact on revenue collections (the increase in additional revenue collected as a share of total customs revenues), and the related financial and time costs of each audit. Thus, RI3 fell short of measuring the likely impact of PA6 in supporting PDO1 as it was unclear whether achieving the RI3 target of 6 audits compared to a baseline of 3 audits would have any credible fiscal impact on PDO1. (Relevance of RI3: Unsatisfactory (U)).

RI4: By measuring the proportion of commercial SOEs that followed the government's new monitoring and reporting framework (PA8), RI4 informed the government and public about SOE compliance with government's request for financial information (KPIs). RI4 was precisely defined, transparent and monitorable, and captured PA8's impact on PDO1. (Relevance of RI4: Satisfactory (S)).

RI5: By reporting a quantification of the contingent liabilities in SOEs in the annual Fiscal Risk Statement of the government for the first time, RI5 measured PA9's contribution to strengthening the future fiscal sustainability of the SOE sector and overall fiscal sustainability (PDO1). If the government was not committed to addressing the risk posed by SOEs in the future, it would have continued to exclude their contingent liabilities from its annual Fiscal Risk Statement (Relevance of RI5: Satisfactory (S)).

RI6: By measuring the increase in the coverage of Marine Protected Areas in Grenada, RI6 provided an efficient measure of PA10's likely impact on achieving PDO2. Grenada already had a small Marine Protected Area. A measured expansion would demarcate the new boundaries within which the government would implement improved marine and coastal management policies to accelerate the transition to a Blue Economy. RI6 was well defined, measurable, and monitorable by global standards. (Relevance of RI6: Satisfactory (S)).

RI7: While new donors were important for adequately funding GSDTF to finance Grenada's initiatives to transition to a Blue Economy, RI7's sole focus on measuring the change in their number did not capture the likely impact of PA12's contribution to PDO2. Counting the number of donors provided no information about the adequacy or level of funding commitments related with each source; hence, RI7 was an ineffective measure. The ICR notes "A better indicator might have been the number of grants issued, to confirm that the trust fund was operational," (p. 24). (Relevance of RI7: Unsatisfactory (U))

RI8: By recording the exact volume and various types of Styrofoam food containers imported in Grenada before the operation and at its end, RI8 provided a useful, precise and well-known measure of the actual contribution of PA13 and PA14 on controlling marine and coastal pollution by banning imports (PDO2). In fact, given that nurturing its marine and coastal ecosystems was a crucial aspect of the transition to a Blue Economy, RI8 was one of the most relevant and celebrated indicators of this operation. (Relevance of RI8: Satisfactory (S))

RI9: RI measured the share of annual government contracts for publicly procured goods governed by sustainability requirements and captured the likely impact of PA16 in supporting PDO2. However, the indicator was not amenable to efficient measurement because government's guidelines for public procurement did not spell out the sustainability attributes of a wide variety of products or information on alternative sources of supply.

Consequently, government officials did not know how to strike a balance between sustainability and higher procurement costs. Hence, RI9 was only weakly relevant in gauging PA16's support for PDO2. (Relevance of RI9: Unsatisfactory (U))

RI10: Prior to the operation, Grenada's building codes did not meet the environmental/construction standards for climate-resilient buildings. RI10 would measure the number of buildings under the new code, thus capturing PA17's support for climate resilience (PDO2). However, in the absence of public awareness and education about climate-resilient construction standards, neither contractors, nor the public and government officials tasked with approving building permits knew how to accurately measure compliance with the new building codes. (Relevance of RI10: Unsatisfactory (U))

Rating

Moderately Satisfactory

5. Achievement of Objectives (Efficacy)

OBJECTIVE 1

Objective

PDO1: Support long-term fiscal sustainability and strengthen fiscal resilience.

Rationale

The efficacy of the operation in achieving PDO1 is assessed in the context of 9 PAs (PA1 – PA9) and 8 RIs presented in the ICR. The ICR has 3 missing RIs for PA1, PA5 and PA7. This ICRR assesses the contribution of these PA in the context of the missing RIs.

Fiscal Resilience – Contingency Fund

RI1 was not achieved as the governance framework established by PA2 did not legislate/approve a mechanism for systematic transfers from the NTF into the Contingency Fund. Evidently, 40 percent of the NTF revenues (sourced from the Citizenship-by-Investment fund) were supposed to be transferred into the Contingency Fund annually. Despite adequate funds in the NTF, no transfers occurred in 2020 and 2021.[1] The COVID-19 pandemic was precisely the type of external shock for which the Contingency Fund was designed. However, the glitches were resolved in 2021 and the Contingency Fund became fully operational in 2022. [Achievement of RI1: Modest]

Fiscal transparency - FROC

PA1, which did not have a dedicated RI, was designed to contribute to the fiscal resilience objective (PDO1) through FROC's annual reports to the Parliament. An RI with an annual target could have been included. Evidently, the 2016 report was presented by the FROC in 2017. There were no reports for 2018 and 2019 but they were resumed in 2020 and 2021. The ICR (p. 23) notes that the FROC "has indeed functioned as expected and its published reports …. are very professional and should help Grenadian society better understand the macroeconomic context and fiscal issues." [Contribution of PA1 to PDO1 (missing RI): Modest].

Fiscal Sustainability – public sector wage bill

RI2 was achieved in 2020 when the long overdue (2016 – 2020) public sector wage negotiations occurred in compliance with the FRA, preserving the targeted wage-GDP ratio, and overall fiscal sustainability envisioned by PA3 and PA4. [Achievement of RI2: High]

Fiscal transparency – reporting SOEs contingent liabilities

RI4 was fully achieved as 100 percent of the commercial SOEs complied with the government's new monitoring and reporting framework (PA8) for financial information, enhancing fiscal transparency. [Achievement of RI4: High]

RI5: Despite the government's commitment to reporting the contingent liabilities in SOEs in its annual Fiscal Risk Statement for the first time (PA9), RI5's target was missed due to delays in the Bank's sharing of the model that was to be used for the quantification of the contingent liabilities task and the pandemic. The target was achieved in 2021, confirming the government's commitment to strengthening the future fiscal sustainability of the SOE sector and overall fiscal sustainability (PDO1). [Achievement of RI5: Modest]

Trade facilitation reforms

RI3: as only 1 of 2 post-clearance customs audits were completed, RI3 achieved 50% of the targeted increase during the operation due to delays caused by the pandemic. Evidently, the second audit was completed soon after the operation closed. While it is unclear whether one or two new audits would generate much new revenue, it is expected that more audits will lead to increased revenue generation in the longer-term. [Achievement of RI3: Modest]

PA5's contribution to PDO1 through the establishment of a customs appeals committee is assessed as Negligible because there is no RI to measure progress and it is unclear whether the appointment of a committee was a constraint to fiscal sustainability. [Contribution of PA5 to PDO1 (missing RI): Negligible].

PA7's contribution to PDO1 is assessed as Negligible as there is no RI to measure the additional revenue generated by switching to the electronic customs declarations system. [Contribution of PA7 to PDO1 (missing RI): Negligible].

Overall efficacy of PDO1

PDO1 is evaluated for 8 RIs (5 discrete and 3 missing). Two RIs (25 percent) are rated High as strong progress was made in achieving the PDO through the ceiling on the wage bill-to-GDP ratio set by the FRA and in reporting the SOE's contingent liabilities. Progress on other PAs was weak. 50 percent or 4 RIs are rated Modest, and 25 percent or 2 RIs are rated Negligible. As 75 percent of the RIs are rated Modest or better, the overall efficacy rating for PDO1 is Moderately Satisfactory (MS).

[1] Evidently, a line item for the Contingency Fund was added in 2021 in the Ministry of Finance's website (ICR p. 22).

Rating

Moderately Satisfactory

OBJECTIVE 2

Objective

PDO2: Support Grenada's transition to a Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience.

Rationale

Rationale

The expected outcomes of PDO2 are assessed through 8 RIs (5 discrete and 3 missing) covering 8 PAs centered on an enlargement of Grenada's marine protected areas that would foster more climate resilient economic activity consistent with the transition to a Blue Economy. The PAs and RIs for PDO2 are assessed under the 3 broad headings of the PDO.

Strengthening marine and coastal management

RI6 measured the expansion in the coverage of Marine Protected Areas (PA10a) from a 2016 baseline of 3 percent to a target of 20 percent (2020). With 71 percent of the target achieved, RI6's achievement was Substantial at the time of the operation's closing. [Achievement of RI6: Substantial]

PA10 centered on the Blue Innovation Institute but had no RI. According to the ICR (p.24), "No target was set for the Blue Innovation Institute, which was created legally in the first operation. It appears that it began some small activities but may no longer be operational." It therefore not assessed as a part of PDO2.

PA11 in DPC2 focused on a comprehensive framework for the integrated management of Grenada's coastal resources and was highly relevant for its vision of a blue economy but does not have a RI1. Therefore, its role in monitoring Grenada's blue economy cannot be measured. [Contribution of missing RI for PA11: Negligible.]

RI7 (for PA 12) was mildly helpful in measuring progress of PA12 toward PDO2. Although it focused only on the number of new donors/sources of funding for the GSDTF instead of a financial target, soon after the operation's closing, a second donor was identified and the target was achieved. Considering the difficulty that small/micro states like Grenada have in finding donors, RI7 is rated Substantial.

Strengthening marine ecosystem health

This sub-objective was to be achieved through a substantial reduction in pollution and environmental damage to marine life caused by the disposal of large volumes of imported Styrofoam and plastic food utensils/containers in the ocean surrounding Grenada.

RI8 (for PA 13) sought a target of zero imports of Styrofoam food utensils/containers with the exception of certain containers for meat and vegetables by December 31, 2020 and was fully achieved. As part of PA14 (missing RI) GoG approved a timeline for phasing out single-use plastic food products (between March 2020 and 2021). Affected firms were compensated – they were offered a zero rate on the VAT for one year on the alternative to the non-biodegradable materials, and a one-year grace period to deplete the stock of the banned plastic products. [Achievement of RI8 for PA 13: High. Achievement of missing RI for PA 14: High]

Strengthening climate resilience

The expected outcomes for strengthening climate resilience were policies for public procurement of goods, and codes for buildings and infrastructure that satisfied government's climate/environmental sustainability requirements. By fostering more climate-resilient consumption and construction, these regulations would accelerate the transition to a Blue Economy. Two RIs (RI9 for PA 16 and RI10 for PA 17) would signal progress towards climate resilient buildings. While each RI would have been efficient in countries with a tradition of such regulations, neither RI was a meaningful indicator for Grenada where prior to the introduction of the regulations, the public, government officials and suppliers were not made aware of the new sustainability requirements, amendments to buildings codes, and their merits and centrality for a Blue Economy. As the underlying local conditions were ignored, there was zero (Negligible) progress in achieving the targets.

RI9: which targeted the share of annual government contracts for public procurement that met the sustainability requirements, achieved 0 percent of the target. Prior to the introduction of the regulations, the government officials and suppliers were not sensitized to the new sustainability requirements. [Achievement of RI9: Negligible]

RI10: which measured the share of new building applications approved as per the new codes, achieved 0 percent of the target. In the absence of prior introduction of the building code regulations, the public, government officials and suppliers did not know how to comply with the new regulations. According to the ICR (p. 25) "The target of 100 percent was achieved according to the authorities, but when the person responsible for reviewing building applications was interviewed, he was not aware of the amendment supported by the DPC series. For this reason, the status of this indicator is left as "unclear." [Achievement of RI10: Negligible]

PA15 which focused on Grenada's commitment to the Paris Convention and stipulated that the GoG would use the CCORAL to mainstream climate change adaptation activities into Grenada's national development planning does not have a RI. [Contribution of PA15 in achieving PDO2 (missing RI): Negligible.]

Overall efficacy of PDO2

Of the 8 RIs for PDO2, 4 RIs (50 percent) were rated Negligible, 2 were rated Substantial (25 percent), and 2 were rated High (25 percent). As greater than one third of the RIs were rated Negligible, the efficacy of PDO2 is pulled down (MU). The operation scored High in strengthening the marine and eco system health-related objective which involved bans on plastic products. It also made Substantial progress in moving toward marine and coastal management. As progress was Negligible on all RIs related with climate resilience, the overall rating for PDO2 was pulled down. PDO2 is rated Moderately Unsatisfactory (MU).

Rating

Moderately Unsatisfactory

Overall Achievement of Objectives (Efficacy)

Rationale

The individual objective level efficacy rating is Moderately Satisfactory (MS) for PDO1 and Moderately Unsatisfactory (MU) for PDO2, and leads to an Overall Efficacy rating of Moderately Satisfactory (MS).

The operation had distinct areas of strengths and weaknesses within each PDO. Even for fiscal sustainability (PDO1) in which both the GoG and the Bank have a rich and long experience, the rating was MS indicating as many weaknesses as strengths in progressing toward the PDO. It seems that the operation did well in areas which required GoG to stay the course compared to areas where it was breaking new ground. For example, even after a four-year freeze on public sector wages, the GoG was successful in observing FRA ceilings on the wage-to-GDP ratio while managing a wage increase in the public sector. Its experience with the IMF's ECF arrangement was useful in achieving this. In comparison, the operation's achievements in utilizing the existing governance framework to operationalize the new Contingency Fund that would have supported the GoG during external shocks such as COVID-19 ran into hurdles and pulled down the rating. The trade facilitation reforms were another new area whose Negligible ratings pulled down the overall ratings for PDO1.

With the commendable exception of the ban on plastics, the operation's ratings were weak on most of the other aspects of the Blue Economy. The Negligible ratings for all climate resilience RIs suggest that this area was new to Grenada and the Bank team and reflected quality at entry issues. With the "stroke-of-the-pen," it was easier for GoG to implement the Styrofoam ban as enforcing a 'total' ban at customs/border was easier compared to introducing new building codes or new procurement policies which required government officials to have specialized knowledge of new sustainability-related building codes and procurement rules, and apply them selectively. These reflect the typical challenges of a small state where local capacity, experience, and knowledge to implement are limited and external TA is critical.

The ratings for both PDOs were pulled down by missing RIs for 6 PAs. In the case of at least two PAs (PA1 and PA11) data was available to inform the RIs.

Overall Efficacy Rating

Moderately Satisfactory

6. Outcome

Rationale

The Overall Outcome rating is Moderately Satisfactory (MS) derived from MS ratings for both the Relevance of PAs and Overall Efficacy. Several factors pulled down the ratings not the least of which were QAE issues. There were too many (17) PAs which made the operation unnecessarily complex for a small state government with severe capacity constraints, and little TA support from the Bank or other partners to support the operation. A large share of PAs and RIs of this operation were not aligned adequately with the objective (PDOs) – examples include customs and excise related PAs. Several PAs and RIs required additional government capacity and TA to implement new regulations and educate the public. The PAs and RIs for public procurement and building codes are examples. The outbreak of the Covid-19 pandemic in 2020 when DPC2 was launched slowed the achievement of a few RI targets. However, in most cases, as the RIs were not directly pertinent to the PDO, delays in achieving the targets did not affect efficacy much. There were also RIs related with the blue economy that could not be achieved within the timeframe of the operation.

a. Rating

Moderately Satisfactory

7. Risk to Development Outcome

The risks to development outcomes seem low given that there is strong ownership from GoG from the initial stages of the operation. The establishment of the FROC for DPC1 was deliberate and signaled GoG's commitment to stay the course in maintaining a fiscal rules based approach to fiscal management set during the ECF. By formalizing the public reporting of SOE contingent liabilities and adopting the Bank-facilitated model for quantifying them, GoG signaled interest in attending to the issue in future years. The adoption of the public sector wage negotiation framework also signals GoG's commitment to maintaining the public sector wage bill at no more than 9 percent of GDP to preserve fiscal discipline recommended by the FRA.

The GSDTF became operational in 2021 and will funding the public and private sectors to advance the agenda for environmental protection. The Cat DDO, approved in 2020, included policy actions which strengthen disaster risk management and monitoring of contingent liabilities, and fiscal risks associated with climate change and natural disasters. The COVID-19 Crisis Response and Fiscal Management DPC (P174527) approved in 2020 provided further support to debt management and transparency, financial-reporting and auditing. The government remains fully committed to the broad objectives of fiscal discipline, environmental sustainability, and disaster risk management, with continued support from a new World Bank programmatic DPC (P176663). It has recently passed comprehensive disaster risk management legislation and a new National Ocean Policy which is expected to improve Grenada's ability to mitigate, adapt to climate change and contribute to the transition to a Blue Economy. A new regional Blue Economy IPF is also under preparation (P171833).

8. Assessment of Bank Performance

a. Bank Performance – Design

Rationale

The operation benefitted from several complementary pieces of analytic work although some of it was not specific to Grenada. The Regional SCD and the Regional Partnership Strategy for the OECS for FY2015-19 and extended through FY2020 had a special chapter on Grenada. The Blue Growth Coastal Master Plan for Grenada developed with support from the World Bank addressed environmental protection, climate change and disaster risk management. The climate/disaster risk management actions of the operation drew from the Regional Disaster Vulnerability Reduction Project which was one of the few investment projects supported by the World Bank in Grenada. Three programmatic resilience building previous Bank operations during 2014 – 2016 also informed this operation and provided a good background for policies and prior actions (PAs) that would foster Grenada's transition to a blue economy. Within the OECS, Grenada was the first country to take up the challenge of a blue economy. On the macro-side, the operation benefited from the rich macroeconomic research and macro monitoring reports prepared during the IMF's ECF arrangement during 2014 – 2018.

Strong ownership from the government played an important role during the design phase. TA from the Bank and other partners facilitated a design for DPC1 that did not require major modifications during DPC2. The COVID-19 pandemic delayed the achievement of some RI targets. It could not have been foreseen. Nevertheless, regardless of the pandemic that happened in the last year of the operation, there were several ex-ante risks to achieving the PDOs that were not adequately identified during the preparation stage or mitigated through appropriate TA during the implementation stage. Grenada's suffered from the typical disadvantages of a small state where weak and limited client capacity to implement was cross-cutting across the PAs and RIs.

Several quality-at-entry issues were reflected in overambitious PAs and RIs. There were simply too many PAs and several of them were not relevant for the two PDOs. Ex-ante and adequate training of government officials and public awareness/education about new regulations and their merits related with climate resilience could have led to positive outcomes in the case of public procurement regulations that required compliance with sustainability requirements, and operationalization of building codes to promote climate-resilience. The establishment of a contingency fund without a credible transfer mechanism to ensure the inflow of funds from the NTF reflected a design flaw that prevented it from being operationalized during the Covid-19 pandemic – the very type of emergency that it was intended for. The establishment of a Blue Innovation Institute that never became functional was another example of a PA that was unrealistic as Grenada had neither the financial resources nor the local expertise to make the Institute operational. It was cheaper to borrow/import foreign skills and knowledge. Mitigating measures for these risks were missed.

Other quality-at-entry issues were reflected in the design of PAs and RIs that were not aligned with the PDOs and were outright inappropriate indicators of progress. Examples include the RIs related with simply counting the 'numbers' of donors or audits instead of their fiscal impact or additional revenue generated. The 3 PAs related with customer service/trade facilitation in customs were unrelated with fiscal sustainability and are not flagged as constraints to the PDOs in the program documents (PD1 and PD2) or the ICR. This operation followed larger trade reforms that addressed revenue generation issues. The trade-facilitation agenda could have been addressed elsewhere. In any case, either no or only superficial attempt is made to link the trade-facilitation PAs with the operation's PDO. Similarly, when new funding for the GSDTF was the primary goal, monitoring the number of new donors reflected inappropriate design. Quality at entry was also an issue in the choice of RIs that would not materialize within the timeframe of the operation. For small states, if the budgets for TA and preparatory work to assess government capacity are not feasible as per the conversation with the current TTL, the DPO instrument may not be the best instrument for a blue economy project. PDO2 related to the environment/climate change including the Blue Economy goals needed a longer timeframe and abundant technical capacity from the outset. (Bank Performance – Design rating: Unsatisfactory (U))

Rating

Unsatisfactory

b. Bank Performance – Implementation

Rationale

Notwithstanding the Covid-19 pandemic that preempted physical missions in 2020, there were several issues with the quality of Bank supervision that compromised the quality of the related outcomes.

There was a high degree of turnover in Bank staff working on the operation which explains why some of the follow-up was missed. One of the TTLs left before the DPC1 was approved. The two TTLs who took DPC1 to the Board moved to other units before DPC2 was approved. They were replaced by three new TTLs, two of whom had been part of the team for the first operation. However, all three of them had moved to other units by the time of the ICR. These staffing changes had nontrivial consequences for the operation resulting in a lack of supervision and follow-up actions to redress areas of concern.

Except for a lone Aide Memoire (AM) from a February 2019 mission, other ISRs for this operation are unavailable. The discussion with the TTL reveals that there was only one supervision mission that coincided with the appraisal of DPC2. This section of the ICRR relies on information in the 2019 AM, discussion with the TTL, as well as the Borrower's report which confirms several concerns that can also be gleaned from the information in the ICR. Several key concerns warranting Bank TA emerged after the start of the operation in 2018 and were noted in the February 2019 AM. However, TA was only provided for a few areas of concern in 2021, after the operation's closure in December 2020. The lone Aide Memoire explicitly lists early problems with the operationalization of the contingency fund and flags the need for TA for the Contingency Fund, Customs

Authority to improve the implementation of post-clearance audits, toolkit for quantifying the contingent liabilities of the SOE sector to inform the Annual Fiscal Risk Statement, and sustainable public procurement.

Lack of timely attention to problematic issues led to at least two missed targets. The model provided by the World Bank to quantify SOE contingent liabilities had technical shortcomings that surfaced in early 2019. However, TA was not organized until 2021 after the project had closed, resulting in a missed RI target. The contingency fund was established as a prior action under DPC2 but was not operationalized due to a design flaw that was detected and documented in early 2019. Regular supervision would have detected this design flaw and found a corrective solution to activate the inflow of funds that were central for fiscal resilience.

The operation had several PAs and RIs that were not aligned with the PDOs. Their missed targets or slow progress would have normally been detected during routine supervision and resolved but the lack of supervision during implementation preempted timely correction and better outcomes as is reflected in the Negligible ratings of many RIs.

The Borrower's report is of the view that "the program outcomes would have benefitted from regular and structured supervisions missions (virtual or in person) by Bank staff to continually assess implementation progress and guide the Program towards meeting agreed objectives and results…. A Mid-term review (MTR) at the start of the appraisal of DPC2 would have provided an opportunity to identify corrective actions as needed to meet set targets, or adjust targets based on implementation status and likelihood of achievement, especially in the context of COVID-19…. An Aide Memoire documenting the findings of the MTR and attendant recommendations would have redressed implementation issues timely….Hand-holding and timely TA from the Bank could have been more effective with regular and more frequent follow-up had the staffing changes not happened. Indeed, operational challenges were encountered by the authorities from DPC1 to DPC2, including: (i) shifting procedures (for example, what constituted satisfactory means of verification for completion of prior actions); and (ii) varying feedback by one TTL or another (for example, on the required contents of the Letter of Development Policy),” Borrower’s Report (Annex 3, ICR).

It bears noting that in the exceptional circumstance when the Bank team was supervising, the intended outcome was achieved successfully. A Bank team was proactive in supporting the ban on the import of Styrofoam containers to contain plastics pollution. After approving the ban, the government realized the difficulties related with identifying and procuring appropriate replacements. A communication strategy was essential to ensure compliance. The Bank team helped in developing a phase-out strategy which became a new prior action (PA14) in DPC2.

Overall, the lack of supervision and timely assistance through TA despite prior knowledge of Grenada’s weak capacity to implement even traditional fiscal measures such as the contingency fund or customs reforms let alone more challenging PAs related with the transition to a Blue Economy reflects unsatisfactory implementation by the Bank team. The February 2019 mission provided the Bank team ample opportunity to act timely, provide adequate TA and take correction action by modifying/adapting the problematic PAs and RIs and aligning them better with the PDO. There was a 12-month interval between February 2019 and February 2020 prior to the pandemic when these and other mitigating measures/actions could have been initiated/implemented and then continued virtually during the pandemic. There is no evidence of monitoring of progress toward targets for RIs. (Bank Performance – Implementation rating: Unsatisfactory (U))

Rating

Unsatisfactory

c. Overall Bank Performance

Rationale

The Unsatisfactory ratings for Bank design and implementation indicate an Unsatisfactory rating for overall Bank performance. While the GoG could have done more on its part to improve the overall outcome rating of MU, its well-known weak capacity and the challenges posed by a first-time operation focused on the transition to a Blue Economy jointly suggest that it was unrealistic to expect this very small state’s government to fix the issues locally when the need for Bank TA for specific objectives was documented by the Bank team itself as early as February 2019 (AM). It is unclear how much TA was delivered and when. There were several key QAE issues, a glitch in the delivery of TA for assessing contingent liabilities of SOEs, an unnecessarily complex design with too many PDOs, PAs and RIs, some of which were pitched too high and some which extended beyond the timeframe of the operation. There was a glaring lack of supervision because the project team had too many staffing changes. (Overall Bank Performance rating: U)

Overall Bank Performance Rating

Unsatisfactory

9. Other Impacts

a. Social and Poverty

The operation is likely to affect incomes positively in two ways: (i) indirectly through better fiscal management under Pillar 1; and (ii) directly through Pillar 2 when more sustainable marine and coastal management, reduction in marine pollution, and more climate-resilient consumption and infrastructure have a positive impact on the poor and the vulnerable in fisheries and aquaculture. The fisheries sector employs approximately 3,500 Grenadians and accounts for almost 9 percent of total employment in Grenada. As more than half of the Grenadian fishermen/women are unskilled workers from the bottom 40 percent of the asset distribution, the operation will help in dampening poverty. The ban on Styrofoam containers will reinforce the positive poverty effect in the fisheries sector. In addition, the GSDTF for a Blue Economy is designed to support sustainable livelihoods through small grants to communities.

b. Environmental

The program should have a significant positive effect on the environment, especially through Pillar 2 which directly supports Grenada's Blue Economy by strengthening marine and coastal management, marine ecosystem health, and climate resilience. The creation of the Grand Anse marine protection area and the adoption of the Integrated Coastal Zone Management Act will protect and enhance management in coastal zones and the marine environment. The GSDTF will also promote environmental protection. The ban on Styrofoam food containers and single-use plastics and plastic bags will contain marine pollution and strengthen ecosystem restoration. Policies supported under the first pillar are not expected to have any significant negative effects on the environment, forests and natural resources.

c. Gender

The fisheries sector accounts for about 9 percent of total employment in Grenada. Moreover, more than half of Grenadian fishermen/women are unskilled workers from the bottom 40 percent of the asset distribution. Pillar 2's policies and PAs aimed at containing pollution and damage to the coast and marine life, and restoring marine and coastal health are expected to have a direct and positive impact on incomes in the fisheries sector which will also benefit the women it employs. Women will also benefit from the GSDTF that is designed to support sustainable livelihoods through small grants to communities, among others.

d. Other

The program supported the establishment of three small but significant institutions – the Fiscal Responsibility Oversight Committee (FROC), the Appeals Commission for Customs, and the Grenada Sustainable

Development Trust Fund. The first two will also serve to strengthen two larger institutions – Ministry of Finance, and Customs – by improving their accountability.

Other Unintended Outcomes and Impacts

The operation showed the risks of leveraging the 2 part-DPC instrument (though with shortcomings) to support the Blue Growth model for similar economies. The pioneering work in Grenada seems to have become a model for other OECS member countries to replicate and enhance. Following the Grenada Blue Growth DPC, a series of operations supporting the “Blue Growth” or “Blue Economy” have been initiated across regions, including Jamaica (P176291), OECS (P171833), Dominican Republic (P172898), Gabon (P177788), Morocco (P172926), Somalia (P178032), Albania (P176163), among others.

10. Quality of ICR

Rationale

The ICR presents a fair overview of the project, well organized tables and is lucid in narrating various developments that shaped the operation between 2018 and 2020. It is remarkably candid in its assessment of what went well and why, and most impressively, what could have been done better. It presents a frank discussion of why some PAs and targets were overly ambitious or suffered from inadequate preparation or follow-up. It offers specific suggestions on how some of the PAs or targets that were missed could have been designed more efficiently to improve outcomes. Its account of how frequent turnover of Bank staff affected supervision and outcomes is fair and reasonable. The ICR’s treatment of the discussion on PAs is uneven – some have adequate detail while others have almost none. It could have provided more information on the role of other donors/agencies during the operation and presented a discussion of the TA that was provided. It notes that ‘considerable TA’ was provided but offers no details while the 2019 AM and the government’s account suggest that urgently needed TA was missing. Not all the lessons provided are real lessons. Several are recommendations.

a. Rating

Modest

11. Ratings

Ratings	ICR	IEG	Reason for Disagreement/Comments
Outcome	Moderately Satisfactory	Moderately Satisfactory	Many PAs and RI were not relevant for the PDO; Missing RIs; where they were relevant, government lacked capacity to implement.
Bank Performance	Moderately Satisfactory	Unsatisfactory	Bank performance was U for Design and Implementation.

			QAE issues, lack of supervision, late/no TA.
Relevance of Results Indicators	---	Moderately Satisfactory	
Quality of ICR	---	Modest	Very slim on details about PA and RIs, role of donors and Bank TA.

12. Lessons

The ICR (p. 27-28) presents a series of lessons and recommendations emerging from the operation's experience. IEG summarizes the two most persuasive lessons below:

(1) In small states, in-depth assessments of capacity are essential for ensuring that design incorporates capacity issues from the outset. In the absence of supporting IPFs, adequate technical assistance is critical for the success of a DPC in very small countries. Small countries typically have limited capacity and little or no support from IPFs. In larger countries, DPFs are often most successful when they leverage IPFs, supporting reforms which are designed and/or implemented in complementary projects. There were no IPFs supporting this DPC series in Grenada. The TA that was provided seemed considerable but did not cover all reform areas. Since environmental reforms can be particularly demanding especially because they have few stroke-of-the-pen options and involve significant institutional change, the role of technical assistance becomes even more important.

(2) Close coordination and communication with the Ministry of Finance (MoF) are a fundamental aspect of an engagement strategy for a DPC in a small state without a local office. Generally, the MoF plays a key role in coordinating projects and advancing the reforms, including DPCs and other WB engagements. However, since DPCs are not earmarked and their funds may not always be allocated to the line ministries that contribute to the DPC PAs, the line ministries can be less motivated to prioritize the reforms underlying the DPC. Without a local country office, it is challenging for Bank TTLs to partner closely and follow-up with line ministries on timelines and progress. In contrast, as the main implementing agency, the MoF is motivated and appreciates the internal challenges to accelerating certain processes. Hence, close coordination and communication with the MoF is important. When line ministries present over-ambitious targets or do not respond, the MoF can be instrumental in following up and adjusting expectations.

13. Project Performance Assessment Report (PPAR) Recommended?

No