Report Number: ICRR13872

IEG ICR Review
Independent Evaluation Group

1. Project Data:		Date Posted:	04/19/2012	
Country:	Grenada			
	Is this Review for a Programmatic Series?			○ Yes ● No
Series ID:				
First Project ID:	P117000		Appraisal	Actual
Project Name:	Economic And Social Development Policy Loan	Project Costs (US$M):	8.00	8.00
L/C Number:		Loan/Credit (US$M):	8.00	8.00
Sector Board:	Economic Policy	Cofinancing (US$M):	0	0
Cofinanciers:		Board Approval Date:		06/08/2010
		Closing Date:	06/30/2011	06/30/2011
Sector(s):	Central government administration (34%); Other social services (22%); Non-compulsory pensions and insurance (22%); General finance sector (11%); General industry and trade sector (11%)			
Theme(s):	Other financial and private sector development (35% - S); Social safety nets (22% - S); Public expenditure; financial management and procurement (16% - S); Macroeconomic management (16% - P); Regulation and competition policy (11% - P)			
Evaluator:	Panel Reviewer:	ICR Review Coordinator:	Group:	
Brian Ames	Michael R. Lav	Ismail Arslan	IEGPS2	

2. Project Objectives and Components:

a. Objectives:

The Economic and Social Development Policy Loan and Credit (ES DPL/DPC) was a single tranche and stand-alone Development Policy Operations (DPL/DPC). Its overarching goal was to provide timely financial support to the Government of Grenada in managing the impact of the global financial crisis on the country while accelerating the structural transformation of the economy to improve public service delivery, enhance the country's competitiveness position, and better manage the inherent vulnerability of a small island open economy.

The program development objectives for the ES DPL/DPC were: (1) improved public sector governance and economic management; (2) improved effectiveness and efficiency of social safety nets; and (3) financial sector stability and an improved business environment (Program Document pp. 6-7). The ES DPL/DPC was also envisaged to be the beginning of a multi-year engagement to create a policy platform for medium-term reforms to be supported by the Bank and other donors in the future.

b. If this is a single DPL operation (not part of a series), were the project objectives/ key associated outcome targets revised during implementation?

No

c. Policy Areas:

The ES DPL/DPC covered three main policy areas:

1. Public sector governance and economic management. The focus was on supporting government reforms to increase the efficiency of tax collection, improve public service delivery, enhance debt management, reduce waste in the provision of public services, and help cope with adverse consequence of the global economic downturn.

2. Social safety nets . The focus was on supporting government efforts to develop objective beneficiary selection criteria and transparent targeting mechanisms and prioritize social spending to vulnerable groups .

3. Financial sector and business environment : The focus was on supporting measures aimed at strengthening the financial sector regulatory environment, mitigating regional contagion risks, promoting investments, and substantially lowering the existing barriers to registering companies and properties .

There were 12 prior actions for ES DPL/DPC: five in policy area 1, three in policy area 2, and four in policy area 3. These 12 prior actions were conditions for Board presentation and all were met prior to the approval of the Loan and Credit.

d. Comments on Project Cost, Financing, Borrower Contribution, and Dates:

Both the DPL and the DPC were single tranche and stand-alone operations. They were appraised on March 25, 2010, approved by the Executive Board on June 8, 2010, fully disbursed upon effectiveness on August 2, 2010, and closed on schedule on June 30, 2011

3. Relevance of Objectives & Design:

a. Relevance of Objectives:

The overarching goal and development policy objectives of the ES DPL /DPC were consistent with both the government's and the Bank's strategies for the country. They were consistent, with and relevant to, the government's medium-term economic reform program launched in 2006 whose objectives were to sharply reduce the public debt, reinvigorate economic growth through structural reforms, reduce vulnerabilities, and further the country's social development agenda. They were also consistent with the government's objectives as set forth in the Minister of Finance's 2010 Budget Speech. Moreover, the ES DPL/DPC's overarching goal and development policy objectives were consistent with the Bank's objectives of engaging with OECS countries under the Regional Partnership Strategy FY2010-14, whose pillars were to build resilience, enhance competitiveness, and stimulate sustainable growth. Specifically, the ES DPL/DPC supported government actions aimed to maintain an enabling macroeconomic framework, improved governance and public expenditure management, strengthened social safety net programs, improved competitiveness and financial sector stability, and better policy coordination and economic management. **The relevance of objectives was high .**

b. Relevance of Design:

The ES DPL/DPC was designed to support the achievement of government's objectives through the implementation of a set of key measures. The selection of reforms in *public sector governance and economic management* (i.e., enactment of VAT act, public institutions' staffing/expenditure reviews, appointment of Ombudsman and Integrity Unit Head, restructuring of key units in the Ministry of Finance, and establishment of a Waste Reduction Unit), *social safety nets* (i.e., completion of social safety net assessment, establishment of social safety net committee, and launching of selected crisis-mitigating priority investment projects), and *financial sector and business environment* (i.e., appointment of the BAICO judicial manager, enactment of Insurance Act and Investment Promotion Act, and enactment of Deeds and Land Registry Act and Corporate Affairs and Intellectual Property Act) was appropriate. Moreover, the selection of specific policy actions benefited from wide consultation within the country, including nongovernmental organizations, the private sector, and other key stakeholders.

There had been substantial debate and discussion by Bank staff as to whether the ES DPL /DPC should be designed as a single tranche, stand-along operation or as part of a programmatic series of operation. Staff recognized that most of the challenges facing the country went beyond the one-year period of a stand-along DPL/DPC and would require long-term government support. However, given the need for urgent support in light of the ongoing global crisis, and given that the operation was to be presented to the Executive Board ahead of the new regional Country Regional Partnership Strategy for FY2010-14, staff decided to proceed on the basis of a stand-alone operation but viewed this as the beginning of a multi-year engagement that would be defined in a follow-up programmatic series,

The Results Framework provided a clear statement of objectives and the causal chain that was linked to the final outcomes. The prior actions were appropriate and relevant to the key measures required for achieving the development policy objectives. There were no intermediate outcomes as such, given that these were single -year DPLs/DPCs. At the same time, the authorities and Bank staff recognized that the country 's long-term development outcomes could not be expected to be achieved in the context of a single -year program. Hence, the development outcomes targeted in the ES DPL /DPC were effectively intermediate outcomes that would need to be reinforced in subsequent policy operations .

Finally, the program document and ICR appropriately specified that exogenous factors (such as the negative impact of the global financial crisis on private investment) could have a negative impact on certain outcome indicators and would therefore need to be taken into account . All in all, the relevance of the design of the program was substantial, particularly when one takes into the account that the country was in the midst of an international, regional, and domestic financial crisis at the time . **The relevance of design was substantial .**

4. Achievement of Objectives (Efficacy):

Efficacy is determined by assessing the achievement of prior actions, PDO indicators, and structural change . The ICR reviewed progress of 6 PDO indicators identified in the ES DPL/DPC, as well as progress towards macro-economic stability and structural reform.

Objective 1: Improving Public Sector Governance and Economic Management

The ES DPL/DPC had four areas of focus regarding achieving the objective of improving public sector governance and economic management, including improving the efficiency of indirect tax collection, strengthening public service delivery, consolidating economic planning and debt management activities, and reducing government waste.

Indirect tax collection: The targeted outcomes were broadly achieved . The VAT (prior action) was enacted by Parliament. Indirect tax collection increased by 1.7% of GDP, well above to target of 1% of GDP (outcome indicator), and tax policy was simplified to four standard VAT rates, including a standard rate of 15%, a 0% rate on basic food items, a 10% rate on tourism, and a 20% rate on mobile communications. The tax base was therefore expanded and efficiency in tax collection was increased, supported by technical assistance provided by the Bank and other donors.

Public service delivery: The targeted outcomes were partially achieved . The cabinet approved staffing and expenditure reviews of public sector institutions (prior action) and appointed an Ombudsman and Head of the Integrity Unit (prior action). Although there were no explicit development outcome indicators in this area, the government expected to put in place basic information and data systems for making informed decision on public sector human resource matters and institutional structure for the development, publication, and enforcement of ethics guidelines. In reality, while a pilot of five human resource audits was launched, only two were completed and three remain pending. Moreover, while the draft Public Conduct Code was completed, it has yet to be published and enforced.

Economic planning and debt management: The targeted outcomes were broadly achieved . The Department of Economic Affairs was restructured and an Economic Management and Planning division was created (prior action). Coordination for economic management has improved through the merging of responsibilities for macroeconomic analysis into a single unit in 2010 with a manager and two other professional staff who produce quarterly economic reviews and analysis for decision makers . Similarly, debt management responsibilities were consolidated into a single unit in early 2010 which was sufficiently staffed with a manger and three other professional staff and which produces both monthly reports for senior decision makers on the debt repayment outlook as well as longer term debt and risk management reports (outcome indicator).

Waste reduction: The targeted outcomes were partially achieved (note: the ICR states “not achieved”). A Waste Reduction Unit was established in 2010 to improve efficiency and introduce cost cutting measures with respect to fuel consumption, government vehicles, and other potential sources of waste (prior action). However, the unit lacked adequate staffing and its first report was submitted only in July 2011. The report, which did not produce the required data on the number of miles driven, indicated that fuel consumption by government vehicles increased by 50% (rather than decreased) and maintenance expenditure increased by 11%.

Efficacy in achieving the objectives in policy area 1 is rated substantial.

Objective 2: Improving Effectiveness and Efficiency of Social Safety Nets

The ES DPL/DPC had three main areas of focus regarding achieving the objective of improving the effectiveness and efficiency of social safety nets, including development of objective beneficiary selection criteria, transparent delivery mechanisms, and prioritization of vulnerable groups .

Beneficiary selection criteria: The targeted outcomes were partially achieved . A Social Safety Net Assessment was completed and a stakeholders consultation on the results of the assessment was conducted (prior action). Although there were no explicit development outcome indicators in this area, the government had expected to put in place a system that allowed for the collection of critical information to develop objective selection criteria for beneficiaries and to put in place functional targeting mechanisms for social programs . While targeting mechanisms have yet to be put in place, information is now available that allows for the development of objective criteria to select beneficiaries . The authorities also plan to conduct a household survey in early 2012 to provide more data for a proxy means test that can be used as the objective criteria .

Transparent delivery mechanisms: The targeted outcomes were achieved . A social safety net committee was established in early 2010 and an Action Plan was elaborated to consolidate the current cash transfer system and to create a cash grant unit (prior action). The country's three cash transfer programs were subsequently consolidated into a single program which began paying out jointly in October 2011 (outcome indicator).

Prioritization of vulnerable groups: The targeted outcomes were partially achieved . The government launched a stimulus package of selected priority investment projects in early 2010 to mitigate the impact of the crisis on the poorest and most vulnerable (prior action). Moreover, it had expected to create at least 250 new employment opportunities on account of the fiscal stimulus package . However, due to a lack of data on employment generated due to the stimulus, a proxy had to be used (i.e., the number registered employees of the National Insurance Scheme) which is neither fully reliable nor coherent with the targeted newly generated employment .

Efficacy in achieving the objectives in policy area 2 is rated modest.

Objective 3: Promoting Financial Sector Stability and Improving Business Environment

The ES DPL/DPC had four main areas of focus regarding achieving the objective of promoting financial sector stability and improving the business environment, including the financial sector regulatory environment, investment promotion, and business and property registration .

Financial sector regulatory environment : The targeted outcomes were broadly achieved . A judicial manager was appointed to review BAICO and to recommend an orderly resolution to the institution 's insolvency (prior action). Although the initial regional plan for the resolution of the BAICO crisis did not materialize due to a lack of funding, a "Plan B" was subsequently designed to address the problem . A judicial manager was also appointed in July 2011 for CLICO and there is program in negotiations with Barbados where the company is based . In both cases, the ICR appropriately noted that the achievement of these development outcomes were ultimately beyond the control of the national authorities and required a regional solution . The government put in place legislation requiring basic solvency margins (capital requirements) for life insurance companies and annuity definitions have been tightened to ensure that insurance products are covered under the relevant regulations (outcome indicator). The new Insurance Act became effective in April 2010 and both capital requirements and solvency margins were increased .

Investment promotion: The targeted outcomes were partially achieved [ICR stated "not achieved"]. A new Investment Promotion Act was approved by Parliament in early 2010 (prior action), although the Act has yet to become effective and the schedule of incentives has not been established . While there were no explicit outcome indicators in this area, the government expected that the long -term rate of growth of real gross private investment would be 10 percent relative to the baseline of 6.1 percent. However, available data indicate that such investment actually declined by 25.8% in 2009 and further by 13.8% in 2010 as result of the ongoing financial crisis. However, the ICR recognized that the decline in the short term was beyond the control of the authorities (counter-factual) and did not necessarily have any correlation to the long term rate of investment growth in the country .

Business and property registration : The targeted outcomes were achieved . A new Deeds and Land Registry Act and a Corporate Affairs and Intellectual Property Act were enacted and a separate the deeds and land registry and corporate affairs and intellectual property offices were established (prior action). Moreover, the number of days needed to register property deeds decreased by 50% from 60 days to 30 days, lowering the overall number of days to register property by 39% from 77 days to 47 days (outcome indicator). Although the Corporate and

Intellectual Property Registry was established as an independent agency, the Deeds and Land Registry is still under the Supreme Court.

Efficacy in achieving the objectives in policy area 3 is rated substantial.

On the macroeconomic front, Grenada continues to be a country highly susceptible to external shocks, as the economy relies mainly on remittances, tourism, financial and educational services, and foreign direct investment. Each of these areas were severely affected by the global financial crisis. In addition, Grenada was among the affected OECS countries by the failure of the CL Financial Group, as it held about 20% of BAICO's liabilities. Together, these factors combined resulted in GDP growing on average by only 1.3 percent in real terms over the period 2000-2009 and declining by negative 7.6 percent in 2009 and negative 2.0 percent in 2010. In turn, unemployment increased from 26.4% in 2007/2008 to an estimated 30% in 2009. The overall fiscal balance deteriorated from a small surplus of 0.4 percent of GDP in 2005 to a deficit of 6.6 percent in 2009 due to lower revenues, increased transfers to vulnerable groups, and a higher public sector wage bill. Because of the country's narrow production base, the government had little choice but to finance its deficit through the accumulation of arrears, a reduction in deposits, and the acquisition of new debt. In turn, total public debt as a share of GDP rose to 122.3% in 2010, after having declined to 111% in 2005 following a successful commercial debt exchange for half of the total public debt. As member of the Eastern Caribbean Currency Union, with a common central bank and a common currency (the Eastern Caribbean dollar which has been pegged to the US dollar at EC$2.70/ US$1 since July 1976), Grenada has benefited from exchange rate stability, On April 2, 2010, the IMF approved a 3-year arrangement under its Extended Credit Facility to support the government in addressing its macroeconomic imbalances.

5. Efficiency (not applicable to DPLs):

6. Outcome:

The satisfactory rating reflects the "high" relevance of the programs' objectives, the "substantial" relevance of the programs' design, and the "substantial" achievement of two of the three development objectives (the third being rated "modest"). Although a major prerequisite for DPLs--namely, the formulation of a concrete and clear long term vision--was not fully developed in a single tranche stand-alone operation, the ES DPL/DPC was designed to be the beginning of a multi-year engagement to create a policy platform for medium-term reforms to be supported by the Bank and other donors in the future.

a. Outcome Rating : Satisfactory

7. Rationale for Risk to Development Outcome Rating:

The risk that the development outcomes will not be fully achieved and/or maintained is moderate. On the one hand, the authorities have demonstrated strong ownership of their program and have done an admirable job implementing their reform effort despite facing challenges from vested interests. When it came into office in July 2008, the new government took bold and immediate measures to reduce the fiscal deficit. It committed itself to resolving the BAICO/CLICO matter, to ensuring moderate wage increase despite pressures from labor unions, to reinstate the politically sensitive fuel tax and allow a full pass-through of world oil prices, and to reduce sharply capital expenditure. It also implemented the vast majority of measures aimed at achieving the ES DPL/DPC's development outcomes. Moreover, the authorities' agreement with the IMF on a new three-year ECF, along with its restatement of its commitment to its ongoing reform program, provided a clear road map for the continuation of prudent economic and social policies going forward. However, the greatest risk to development outcomes are on account of factors beyond the control of the authorities. These include the recurrent risk of natural disasters and the continued global financial crisis (particularly with regard to the US and Europe, which is the main source of tourism to the island). The government's reform program should help mitigate these risks by providing a certain amount of cushion for programs to support the poor and most vulnerable. Yet, at the same time, any further reliance of debt to finance budget deficits in the face of external shocks will add to the country's fiscal and debt burden and could slow down the reform effort.

a. Risk to Development Outcome Rating : Moderate

8. Assessment of Bank Performance:

a. Quality at entry:

The quality-at-entry was moderately satisfactory. After an initial delay in responding to the government's request, the staff responded quickly with its identification mission and designed a program that would help the country increase its resilience to external shocks, enhance its long-term growth potential, and mitigate the effects of the global crisis on the poor and vulnerable. The ICR maintained that there were too many prior actions and expected outcomes, some of which did not conform to the principles of criticality, transparency and predictability. It is true that the number of prior actions (12) could have been streamlined and more selective, but they were nonetheless relevant and important in putting in place the foundation for reform, especially since this was a single tranche stand-alone operation. In the case of the outcome indicators, the number (6) was not excessive, but there were clear gaps in coverage that should have been addressed in order to better ensure a positive outcome at the point of entry and that were critical to the success of the program. For example, there were no outcome indicators for improvement in public service delivery, which was a core part of the program. In addition, the design of the indicators for waste reduction in government vehicles did not take into account or adjust for changes in the world price of petroleum products—something completely beyond the authorities' control. The lack of inclusion of "non-data" information in the development of the objective selection criteria for targeting the social protection programs also proved to be problematic given the existing data constraints. Finally, it is not clear from the ICR that an adequate monitoring and evaluation system and set of institutions were in place at the start of the operation.

Quality-at-Entry Rating: Moderately Satisfactory

b. Quality of supervision:

There were important gaps in bank supervision at the beginning. This resulted in delays in the follow up of program implementation which was complicated further when the authorities requested a postponement in the Implementation Support mission (originally scheduled for end-2010). When the mission finally took place in April 2011, there were only three months before the closing date of the operation. The supervision mission was thorough and comprehensive, and the resulting aide memoire did identify additional actions that were needed in order achieve the outcome indicator targets and program objectives. However, the delay in supervision and follow up by staff during the initial six to nine months of the operation undermined the quality of implementation and prevented any adjustment or fine tuning during the initial implementation phase.

Quality of Supervision Rating: Moderately Satisfactory

Overall Bank Performance Rating: Moderately Satisfactory

9. Assessment of Borrower Performance:

a. Government Performance:

The authorities demonstrated full ownership and strong commitment to their program. As noted earlier, they pursued a series of politically challenging, yet critical reforms (i.e., reinstating the fuel tax, allowing full pass-through of world petroleum product prices, addressing the failed BAICO/CLICO debacle, standing firm against unsustainable wage increases, etc.). They also pursued extensive consultations with key stakeholders and adjusted their policy reforms to take into account important feedback received. There were, however, certain shortcomings in the implementation of the component on social safety nets (i.e., the new targeting mechanisms were not put in place and the proxies used for measuring employment generated from the stimulus package were not fully reliable). In addition, given its limited institutional capacity and staffing, the government was stretched thin in dealing with all of its development partners (including the Bank) during this period of crisis. But, on balance, the government's performance was moderately satisfactory.

Government Performance Rating : Moderately Satisfactory

b. Implementing Agency Performance:

The government was the implementing agency.

Implementing Agency Performance Rating : Not Applicable

Overall Borrower Performance Rating : Moderately Satisfactory

10. M&E Design, Implementation, & Utilization:

a. M&E Design:

The development objectives were clearly specified and the outcome indicators (with a few exceptions) were directly relevant the objectives. Moreover, the outcome indicators were measurable and objective, with clear baselines against which progress could be assessed. As noted earlier, however, the selection of certain indicators (i.e., cost of fuel, number of miles driven by government vehicles, and proxies that were not reliable measures of employment created by the stimulus program, etc.) could have been better designed. The ICR was silent about the institutional mechanisms that were put in place for M&E and what role, if any, stakeholders were to play in the process. However, the program document was clear that the Ministry of Finance was responsible for coordinating M&E actions vis-à-vis other government ministries and agencies and that Bank staff discussed the development of an M&E process that could ensure adequate feedback to policy makers with all the relevant institutions involved in the operation. Finally, the government and the Bank staff agreed on a results framework, including agreed indicators that would serve as benchmarks to be assessed at the end of the operation.

b. M&E Implementation:

There appears to have been no attempt by the authorities or staff to address the problems regarding certain indicators during the implementation process and these problems remained at the end of the ES DPL /DPC. The ICR did not discuss whether government institutions actually collected and monitored data related to program implementation, nor what role (if any) stakeholders actually played in monitoring implementation, nor to what extent M&E was owned by the various stakeholders. Similarly, the ICR was not clear about the role (if any) that beneficiaries played in defining the target indicators and /or assessing the achievement of these indicators. It is therefore difficult to assess to what extent the M&E system is sustainable. Although Bank staff did make efforts during the Implementation Support Mission to identify the additional measures that were needed to achieve the targets of the Outcome Indicators and meet the Program Development Objectives, this occurred very late in the process--three months before the closing date of the operation.

c. M&E Utilization:

There is no information in the ICR on the extent to which the M&E findings were communicated to stakeholders and to what extent, if any, this actually resulted in any strategic redirection or change in resource allocation on the part of the authorities or will influence subsequent interventions. It is clear from the Program Document, however, that M&E is traditionally and area of weakness in small island countries like Grenada and that the authorities are well aware of the need to strengthen the M&E capacity going forward.

M&E Quality Rating : Modest

11. Other Issues

a. Safeguards:

The ICR did not mention any safeguard issues nor do there appear to be any safeguard related issues . According to the Program Document, the IMF conducted a safeguard assessment of the ECCB in 2007 and found that the ECCB control environment was satisfactory . There is a well functioning internal audit department, external auditors who regularly audit the accounts, and an audit sub -committee of the Board.

b. Fiduciary Compliance:

The ICR did not mention any outstanding fiduciary issues nor do there appear to be any apparent issues regarding fiduciary compliance. According to the Program Document, the public financial management and public procurement systems are adequate for this operation . While challenges remain, the government is taking action to strengthen its public fiduciary control framework, including through actions supported by the ES DPL/DPC.

c. Unintended Impacts (positive or negative):

The ICR did not mention any unintended impacts nor does there appear to be any apparent unintended impact .

d. Other:

The specific policies supported by the ES DPL /DPC are not expected to entail significant impacts on the environment, forests, or other natural resources . Nevertheless, the government has devised programs and policies to assess and manage potential adverse effects on the environment . In order to address existing institutional capacity constraints, the government has committed to strengthen its national agencies responsible for environmental protection.

12. Ratings:	ICR	IEG Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Risk to Development Outcome:	Moderate	Moderate	
Bank Performance :	Moderately Satisfactory	Moderately Satisfactory	
Borrower Performance :	Moderately Satisfactory	Moderately Satisfactory	
Quality of ICR :		Satisfactory	

NOTES:
- When insufficient information is provided by the Bank for IEG to arrive at a clear rating, IEG will downgrade the relevant ratings as warranted beginning July 1, 2006.
- The "Reason for Disagreement/Comments" column could cross-reference other sections of the ICR Review, as appropriate.

13. Lessons:

1. *Lack of close supervision* can critically affect the successful outcome of an operation . The change in the TTL after Board approval created a gap in program supervision . As a result, Bank staff were not able to closely monitor implementation of the DPL and provide timely advice and suggested remedial measures well before the closing of the operation. The Bank should therefore ensure that key project manager positions are filled in a timely manner, particularly at the commencement and initial implementation phases of an operation .

2. The *lack of clearly defined institutions and responsibilities* undermines the quality of program monitoring as well as the likely outcome of the operation. The program did not focus sufficiently on M&E in terms of the institutions that would be charged with these responsibilities. Bank staff and the authorities should therefore endeavor to ensure that M&E institutions and responsibilities are well defined and empowered, including the role of stakeholders and beneficiaries, at the onset of the design of future operations.

3. The selection of *inadequate indicators* undermines program monitoring and the operation's objectives. Certain key data ultimately used for measuring outcome indicators were lacking or were not carefully though through. This resulted in the government's inability to measure actual outcomes and /or measure outcomes through proxies that did not directly correlate to the outcomes trying to be assessed. Moreover, exogenous factors (i.e., higher world oil prices) affected the certain outcome indicators (i.e., fuel costs for government vehicles) which had nothing to do with the stated objective (i.e., reducing government waste). Bank staff and the authorities should therefore redouble their efforts to identify and assess appropriate indicators for measuring development outcomes at the design stage of future operations.

4. A *multi-year programmatic approach is likely to be more effective* in addressing long-term development objectives than a single tranche stand-alone operation. There was an active debate amongst staff during the design phase of the DPL/DPC regarding the pros and cons of a stand-alone operation versus a multi-year program. The decision was taken to pursue the stand-alone program given (a) the urgent need to react quickly to the global financial crisis and (b) the fact that the Regional Partnership Strategy would not be finalized and considered by the Bank's Executive Board until a later date. A programmatic operation, however, would likely have had a stronger development impact and mitigate the program risks by having a medium-term approach to both policy reform and the related financial support.

5. In small states, *policy based programs need to be relatively simple and focused* if they are to be successfully implemented. These countries often face severe institutional capacity constraints. Moreover, because of the small size of such member countries, Bank staff tend to design a single operation over a multi-year period and therefore include several policy reforms at once. It would be more effective to design a more focused, relatively simple program backed by well-crafted technical assistance aimed at building local capacity which would, in turn, result in a greater likelihood of the operation being implemented fully.

14. Assessment Recommended? ○ Yes ● No

15. Comments on Quality of ICR:

The ICR was comprehensive, well argued, and well written. It made a good case for the relevance and ownership of the authorities' program. Its results framework was laid out well, showing the linkages between the prior actions, expected outcomes, and actual outcomes as well as the baseline values, original targets, and actual values achieved. It provided a thorough backdrop to the tough economic and structural conditions facing the country at the time of the program, and the relevance of the set of measures to help build sustainable long term growth, while addressing susceptibility to exogenous shocks and mitigating the effects of such shocks on the poor and most vulnerable. The ICR was frank and clear about the problems in program design and implementation, and identifying the lessons learned from the single tranche stand-alone operation and the need to move to medium-term, multi-tranche operations in order to have a more significant development impact. Finally, it was frank in underscoring the limited capacity of small countries such as Grenada and the need for more focused, simple programs in light of the existing institutional capacity constraints. The ICR was deficient, however, in its assessment of M&E design, implementation, and utilization.

a.Quality of ICR Rating : Satisfactory