

CARIBBEAN DEVELOPMENT BANK

TWO HUNDRED AND SIXTIETH MEETING OF THE BOARD OF DIRECTORS

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COUNTRY STRATEGY PAPER
ST. VINCENT AND THE GRENADINES

1. The attached Country Strategy Paper (CSP) outlines the assistance strategy of the Caribbean Development Bank (CDB) for St. Vincent and the Grenadines over the period 2014-18. In preparing the CSP, discussions were held with public and private sector officials in St. Vincent and the Grenadines, as well as the development partners in the Region. The major objectives of CDB's strategy for St. Vincent and the Grenadines are to:

- (a) accelerate and sustain inclusive economic growth by facilitating export sector diversification; strengthened fiscal capacity; infrastructural development and targeted skills development;
- (b) promote social development by supporting efforts to reduce poverty through Human Resource Development; advancement in gender equity; institutional strengthening of the Ministry of National Mobilisation; direct support to vulnerable communities through the Basic Needs Trust Fund and support to small and micro enterprises by the Caribbean Technological and Consultancy Services; and
- (c) enhance sustainable development through environmental protection and the support of disaster risk reduction and management policies.

2. The proposed strategy is developed within the framework of the development challenges confronting the country, the Government's National Economic and Social Development Programme and the interventions of other development partners in the Region.

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CARIBBEAN DEVELOPMENT BANK

COUNTRY STRATEGY PAPER

**ST. VINCENT AND THE GRENADINES
(2014-18)**

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CURRENCY EQUIVALENT

(Dollars (\$) throughout refer to United States dollars (USD) unless otherwise stated)

ABBREVIATIONS

%	-	per cent
BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
BRAGSA	-	Buildings Roads and General Services Authority
BAICO	-	British American Insurance Company
CARTAC	-	Caribbean Regional Technical Assistance Centre
CDB	-	Caribbean Development Bank
CEDAW	-	Convention on the Elimination of Discrimination Against Women
CGA	-	Country Gender Assessment
CLICO	-	Colonial Life Insurance Company
CPA	-	Country Poverty Assessment
CPCP	-	Campden Park Container Port
CPD	-	Central Planning Department
CSME	-	CARICOM Single Market and Economy
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DFATD	-	Department of Foreign Affairs, Trade and Development, Canada
DfID	-	Department for International Development of the United Kingdom
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
ECD	-	Early Childhood Development
EU	-	European Union
GAD	-	Gender Affairs Division
GBV	-	Gender-Based Violence
GDP	-	Gross Domestic Product
GOSVG	-	Government of St. Vincent and the Grenadines
HDI	-	Human Development Index
HFLE	-	Health and Family Life Education
HIV/AIDS	-	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
IADCL	-	International Airport Development Company
ICTs	-	Information and Communication Technologies
ILO	-	International Labour Organisation
IMF	-	International Monetary Fund
LOC	-	Line of Credit
MDGs	-	Millennium Development Goals
mn	-	million
MNM	-	Ministry of National Mobilisation
MOE	-	Ministry of Education
MOF	-	Ministry of Finance
MSME	-	Micro, Small and Medium-sized Enterprises
MTW	-	Ministry of Transport and Works
NESDP	-	National Economic and Social Development Plan
OCR	-	Ordinary Capital Resources

(ii)

OECS	-	Organisation of Eastern Caribbean States
p.a.	-	per annum
PBLs	-	Policy-Based Loans
PCM	-	Project Cycle Management
PFM	-	Public Financial Management
PSD	-	Private Sector Development
PSM	-	Public Sector Management
RRL	-	Rehabilitation and Reconstruction Loan
SDF	-	Special Development Fund
SEMCAR	-	Supporting Economic Management in the Caribbean
SLC	-	Survey of Living Conditions
STEM	-	Science, Technology, Engineering and Mathematics
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
US	-	United States
USAID	-	United States Agency for International Development
UWI	-	University of the West Indies
WB	-	World Bank
WEF	-	World Economic Forum
XCD	-	Eastern Caribbean Dollars

TABLE OF CONTENTS

COUNTRY DATA SHEET: ST. VINCENT AND THE GRENADINES

EXECUTIVE SUMMARY

1. DEVELOPMENT CONTEXT: KEY ISSUES AND DEVELOPMENT CHALLENGES

Economic Context
Social Context
Key Development Challenges

2. GOVERNMENT'S DEVELOPMENT STRATEGY

Development Strategy and Policy Agenda in Key Areas
Analysis of Government Strategy, Challenges and Risks

3. CARIBBEAN DEVELOPMENT BANK'S ASSISTANCE STRATEGY

Review of the Caribbean Development Bank's Past Strategy Implementation, Country Portfolio Performance and Lessons
Portfolio Performance and Lessons Learnt
Previous Country Strategy Paper, 2008-2011
Lessons Learnt with Respect to the Implementation of the Recent Country Strategy

4. THE CARIBBEAN DEVELOPMENT BANK'S PROPOSED ASSISTANCE STRATEGY: 2014-18

Objective and Strategic Alignment
Caribbean Development Bank's Support to St. Vincent and the Grenadines' Development Agenda
Proposed Areas of Intervention and Expected Outcomes
Resource Envelope
Monitoring and Evaluation
Development Partners – Assistance of Other Agencies
Risks and Mitigation

APPENDICES

- APPENDIX 1 – ESTIMATES OF DAMAGE AND LOSSES, DECEMBER 2013 FLOODS (\$ mn)
- APPENDIX 2 – MEDIUM-TERM MACROECONOMIC PROJECTIONS, (2014-18)
- APPENDIX 3 – ST. VINCENT AND THE GRENADINES' PROGRESS IN THE ACHIEVEMENT OF THE CARIBBEAN SPECIFIC INDICATORS OF THE MILLENIUM DEVELOPMENT GOALS
- APPENDIX 4 – GOVERNMENT'S DEVELOPMENT STRATEGY
- APPENDIX 5 – ST. VINCENT AND THE GRENADINES INDICATIVE PROGRAMME FOR COUNTRY STRATEGY, 2008-2011
- APPENDIX 6 – SUMMARY MATRIX OF PROPOSED STRATEGY AND RESULTS FRAMEWORK
- APPENDIX 7 – CARIBBEAN DEVELOPMENT BANK'S INDICATIVE LENDING AND TECHNICAL ASSISTANCE PROGRAMME, ST. VINCENT AND THE GRENADINES, 2014-18
- APPENDIX 8 – DEVELOPMENT PARTNERS MATRIX

FIGURE

- FIGURE 1 - MAP OF ST. VINCENT AND THE GRENADINES

COUNTRY DATA: ST. VINCENT AND THE GRENADINES

COUNTRY DATA : ST. VINCENT & THE GRENADINES					
	2008	2009	2010	2011	2012
PER CAPITA GDP (current market prices; \$)	17,132	16,612	16,755	16,633	17,046
GROSS DOMESTIC PRODUCT (GDP)					
GDP at Current Market Prices (\$mn)	1,877.7	1,822.3	1,839.7	1,828.0	1,875.1
Demand Components:					
Consumption Expenditure	1,921.3	1,912.2	1,931.9	1,911.0	2,009.0
Gross Domestic investment	552.1	438.6	464.0	440.4	443.1
Exports of Goods and Non-Factor Services	567.4	519.2	494.6	493.6	508.6
Imports of Goods and Non-factor Services	1,163.2	1,047.7	1,050.8	1,016.9	1,085.7
Gross Domestic Savings Ratio (%)	(2.3)	(4.9)	(5.0)	(4.5)	(7.1)
Sectoral distribution of current GDP (%)					
Agriculture	6.3	6.5	6.7	7.0	6.8
Mining & Quarrying	0.3	0.3	0.3	0.2	0.1
Manufacturing	4.9	5.5	5.7	5.6	5.0
Utilities	4.0	4.1	4.6	4.3	4.6
Construction	10.0	9.5	9.0	8.8	8.4
Transport & Communication	14.9	14.6	14.6	13.9	13.8
Hotels & Restaurants	3.2	2.3	2.0	2.4	2.0
Wholesale & Retail Trade	16.2	14.9	14.3	14.1	14.3
Financial & Business Services	22.6	22.4	22.5	21.7	21.9
Government Services	15.6	17.8	19.4	20.5	21.0
Other Services	2.8	2.9	2.5	2.4	2.5
Less Imputed Service Charge	1.4	1.3	1.3	1.2	1.3
GDP at Current Factor Cost (\$mn)	1,570.7	1,525.9	1,556.9	1,557.6	1,596.6
GDP at constant 2006 Prices (\$mn)	1,448.6	1,419.2	1,387.2	1,391.0	1,412.2
Annual rate of growth in GDP (%)	(0.5)	(2.0)	(2.3)	0.3	1.5
MONEY AND PRICES (\$ mn)					
Consumer prices (av. annual % change)	10.1	0.5	0.8	3.2	2.6
Money supply (M1; annual % change)	(4.4)	(7.6)	(3.9)	(4.0)	9.0
Total domestic credit(net)	985.4	1,029.3	891.9	906.7	961.0
Private sector (net)	917.9	936.4	953.3	971.4	1,038.0
Public sector (net)	59.1	86.4	(68.0)	(92.6)	(77.0)
Non-bank financial institutions (net)	8.5	6.5	6.7	27.9	...
Estimated Tourism Expenditure (USD mn)	96.0	87.5	86.2	91.7	94.1
CENTRAL GOVERNMENT FINANCES (\$ mn) /3					
Current Revenues	489.5	466.5	490.0	462.5	471.4
Current Grants	0.0	0.0	0.0	0.0	0.0
Current Expenditures	432.3	469.8	521.4	495.2	490.0
Current Account Surplus/ (Deficit)	57.2	(3.3)	(31.4)	(32.7)	(18.6)
Capital Revenue and Grants	46.7	78.4	99.2	46.6	17.7
Capital Expenditure and Net Lending	131.0	130.0	83.5	72.5	54.2
Overall Surplus/ (Deficit)	(27.1)	(54.9)	(15.7)	(58.6)	(55.1)
BALANCE OF PAYMENTS (USD mn)					
Merchandise Exports (f.o.b)	57.2	53.4	45.0	43.4	48.7
Merchandise Imports (c.i.f)	328.7	293.8	297.7	292.3	314.6
Trade balance	(271.5)	(240.4)	(252.7)	(248.9)	(265.9)
Net Balance on services account	50.8	44.7	47.1	55.0	54.5
Income (net)	(22.8)	(13.0)	(17.4)	(12.9)	(11.7)
Transfers (net)	13.2	11.4	10.0	7.9	7.4
Current Account Balance	(230.3)	(197.3)	(213.0)	(198.9)	(215.7)
TOTAL PUBLIC DEBT (USD mn)					
Total public debt	396.9	428.2	450.7	461.4	501.0
Domestic debt outstanding	187.0	212.8	171.6	173.4	225.4
Long term	...	...	...	...	...
Short term	...	...	...	...	...
External debt outstanding	209.9	215.4	279.1	288.0	275.6
Debt Service	24.7	25.8	26.5	27.7	26.9
Amortisation	16.2	17.4	18.6	19.3	19.1
Interest Payments	8.5	8.4	7.9	8.4	7.8
External debt service as % of exports of goods and services	11.8	13.4	14.5	15.2	14.3
Total debt service as % of current revenue	21.9	25.8	27.4	25.4	24.7
AVERAGE EXCHANGE RATE					
Dollar(s) per US dollar	2.7	2.7	2.7	2.7	2.7

Data for 2012 are provisional.

(ii)

COUNTRY DATA: ST. VINCENT AND THE GRENADINES

	1970	1980	1990	2000	2010
INDICATORS OF HUMAN DEVELOPMENT					
HEALTH					
Life Expectancy at Birth (years)	62.8	67.1	70.4	69.6	70.0
Male	...	65.0	68.0	...	66.0
Female	...	70.4	72.0	...	74.0
Dependency Ratio	1.3	1.0	0.8	...	...
Male	1.4	1.0	0.8	...	...
Female	1.2	0.9	0.8	...	...
Human Development Index	...	...	...	0.755	0.761
HOUSING AND ENVIRONMENT					
Households with piped water (%)	25.9	37.8	53.8	...	...
Households with access to flush toilets (%)	13.7	24.0	33.2	...	...
Households with electricity (%)	...	37.3	66.8	...	...
Environmental strategy or action plan (year prepared): 2004					
Source(s): ECCB Research Dept, International Monetary Fund (IMF)					
... not available					
Data as at November 13, 2013					

EXECUTIVE SUMMARY

The country strategy frames the Caribbean Development Bank's (CDB) proposed interventions in St. Vincent and the Grenadines over the period 2014-18. It identifies strategic development priorities and country outcomes that will be supported through CDB interventions and is strategically aligned with the Government of St. Vincent and the Grenadines' (GOSVG) development goals as enunciated in its National Economic and Social Development Plan (NESDP), 2013-2025; GOSVG's commitments towards gender justice and people-centered development; and with CDB's Special Development Fund's (SDF) strategic priorities. It is also consistent with the Bank's areas of comparative advantage.^{1/} Extensive discussions with GOSVG officials and representatives of the donor community have informed the Bank's country strategy to avoid duplication and to exploit potential synergies in project identification, formulation and execution.

Country Context

2. The St. Vincent and the Grenadines' economy is small and open with a very narrow export base, high import dependence and extreme vulnerability to external shocks, such as the recent global recession; spikes in fuel and food prices; and natural disasters, including hurricanes, volcanic eruptions, floods (such as occurred in December 2013) and droughts. Large external sector imbalances expose St. Vincent and the Grenadines to the volatility of external capital flows. Sustaining growth has become more difficult in the context of a more competitive and dynamic global economy and insufficient resources to effect rapid structural adjustments. These challenges notwithstanding, its social indicators are generally favourable, placing St. Vincent and the Grenadines in the high human development category. However, poverty, gender inequality and citizen insecurity remain to be effectively addressed.

3. The most pressing development challenges in the current economic environment include: (i) inadequate fiscal capacity; (ii) the narrowness of the export base and the vulnerabilities inherent therein; (iii) limited capacity for technological adaptation to boost productivity and international competitiveness; and (iv) deficiencies in infrastructure development. Major social development challenges include: issues of quality, relevance and access in the education sector; gender inequality; citizen insecurity; and a high level of poverty. Weaknesses in environmental and disaster risk management (DRM) also constitute an important challenge.

4. Economic growth in recent years has been low, highly variable and inadequate to reduce the high rate of unemployment and poverty. The global recession, weaknesses in public financial management and expenditure to complete the new airport, have placed considerable strain on public sector resources and on GOSVG's ability to address the country's economic and social challenges. Private sector expansion has been constrained by a number of barriers including: (i) deficiencies in the regulatory and institutional environment; (ii) high cost of electricity and capital; (iii) inadequate infrastructure; and (iv) low productivity and scarcity of required skills.

5. During December 24-25, 2013 St. Vincent and the Grenadines was hit by severe flooding and landslides. Most recent estimates of damages and losses by the World Bank (WB) and GOSVG, respectively, range between \$108.4 million (mn) (15 per cent (%) of Gross Domestic Product [GDP]) and \$122.2 mn (17% of GDP). Damages and losses include crops; animals; personal property; housing; and

^{1/} The Bank's strategic priorities for the period 2010-14 are: (i) promoting broad-based economic growth and inclusive social development; (ii) supporting environmental sustainability and DRM; (iii) promoting good governance; (iv) fostering regional cooperation and integration; and (v) enhancing organisational efficiency and effectiveness.

In the case of SDF 8, the strategic priorities are: (i) inclusive and sustainable growth; (ii) environmental sustainability and climate change; (iii) citizen security; and (iv) regional cooperation and integration.

(ii)

destruction of physical and economic infrastructure (roads, bridges, hydropower facilities etc.). Appendix 1 presents estimates of damage and losses. The humanitarian cost has also been substantial with an estimated 11,000 persons directly affected by the disaster; nine lives lost and three persons missing; approximately 12% of the population directly affected by the floods; and an estimated 55% of the population facing challenges in accessing water resources. Several national, regional and international organisations; members of the donor community; and regional governments are providing assistance to address the crisis in the short term. CDB and WB will be providing longer-term financing for rehabilitation and reconstruction. CDB has provided \$0.75 mn as an immediate response loan and will be providing a rehabilitation and reconstruction loan (RRL) of at least \$10 mn. The Bank stands ready to provide additional resources if required.

Proposed Country Strategy: Pillars and Expected Country Strategy Outcomes

6. The country strategy focuses on three critical areas: (i) accelerated, sustainable and inclusive growth (Pillar I); (ii) inclusive social development with an emphasis on the promotion of gender equality, citizen security and reduced economic vulnerability (Pillar II); and (iii) enhanced environmental sustainability and DRM (Pillar III).

7. Under Pillar I, the strategy supports the following outcomes: (i) strengthened fiscal capacity; (ii) export sector diversification; (iii) enhanced productivity through strengthening of St. Vincent and the Grenadines' readiness for technological adaptation *via* more appropriately targeted skills training; and (iv) expansion of physical, economic and social infrastructure and strengthened management, and institutional capacity to enhance service efficiencies.

8. Under Pillar II, the Bank will seek to contribute to: (i) enhanced quality and relevance of basic education; (ii) advancements in gender equality through implementation of prioritised recommendations of the Country Gender Assessment (CGA) and improvements in citizen security with particular emphasis on the reduction of gender-based violence (GBV); (iii) institutional strengthening of the Ministry of National Mobilisation (MNM) which manages most of GOSVG's support programmes for the vulnerable; (iv) direct support to vulnerable communities and the building of resilience through the Basic Needs Trust Fund (BNTF), micro infrastructure and other projects; and (v) well targeted support and demand-driven interventions in the small and micro enterprise sector by the Caribbean Technological and Consultancy Services (CTCS).

9. Pillar III will focus on improving institutional capacity to enhance environmental sustainability and DRM. Interventions will seek to strengthen management and institutional capacity and reduce risks in critical areas. CDB in response to the floods of December 2013 will also be providing a RRL. The Bank's proposed lending programmes are presented in Tables 1, 2 and 3.

Results-Based Monitoring, Risks and Mitigating Actions

10. The cost of the proposed strategy is estimated at \$86.72 mn with the possibility of an additional \$14.28 mn being programmed at mid-term, conditional on GOSVG's fiscal performance. The Bank has focused its interventions on two sectors, infrastructure and education which account for approximately 80% of the proposed expenditure. This strategic focus is consistent with the Bank's competencies.

11. The Bank proposes to undertake a comprehensive review with St. Vincent and the Grenadines at mid-term and at the end of the country strategy implementation period.

12. The major risks to the programme are: (i) the continuing weakness of the global economic recovery which may result in a reordering of the country strategy priorities; (ii) natural disasters which

(iii)

may slow economic and revenue growth and require that CDB and other donors provide resources for rehabilitation and reconstruction; (iii) systematic weaknesses in the financial sector together with the resolution of the Colonial Life Insurance Company Limited/British American Insurance Company (CLICO/BAICO) crisis which can have significant fiscal implications; and (iv) further limitations on implementation capacity as a result of (i) and/or (ii) or other factors, requiring additional provision of resources for ensuring adequate implementation capacity at the project and broader institutional level.

**TABLE 1: ST. VINCENT AND THE GRENADINES
PROPOSED FINANCING PROGRAMME
(\$ mn)**

Projects/Programmes	Amount
Pillar I: <u>Support to Accelerated, Sustainable and Inclusive Growth</u>	57.3
(i) Technical Assistance (TA) to support fiscal consolidation	0.5
(ii) Export Diversification:	
- Institutional strengthening of the offshore finance industry	0.1
- Support for the development of root crops	2.5
- TA for export sector opportunity studies	1.0
(iii) Education	-
(iv) Infrastructure Development:	
- Port development	20.0
- Road improvement and drainage programme	6.6
- Upgrade and expansion of Kingstown Sewerage System.	15.3
- Institutional strengthening of Ministry of Transport and Works (MTW), Building Roads and General Services Authority (BRAGSA), support to Central Planning Department (CPD), Alternative Energy.	1.3
- Urban Revitalisation	10.0
Pillar II: <u>Inclusive Social Development</u>	18.42
(i) Education	12.0
(ii) Gender Equality and GBV Action Plan	0.5
(iii) Institutional strengthening of MNM	1.5
(iv) BNTF	4.1
(v) CTCS	0.32
Pillar III: <u>Enhanced Environmental Sustainability and Disaster Risk Management</u>	11.0
(i) TA Projects:	
- RRL	10.0
- Training and certification of artisans in safer construction and of building inspectors to enforce building requirements.	1.0
- Improving ecosystem services for climate resilient watershed and water resources management	
- Strengthening of Ministry of Finance's (MOF) capacity for assessing and managing multi-hazard and climate risk.	
Total	86.72

(v)

TABLE 2: CAPITAL AND TECHNICAL ASSISTANCE PROJECTS

(\$ mn)

Projects	Amount
<u>Capital Projects</u>	
Port development	20.0
Road improvement and drainage programme	6.6
Upgrade and expansion of Kingstown Sewerage System	15.3
Urban revitalisation	10.0
RRL	10.0
Education	12.0
Support for the development of root crops	2.5
Subtotal	76.4
<u>Technical Assistance Projects</u>	
Support fiscal consolidation	0.5
Institutional strengthening of Offshore Finance Industry	0.1
Export sector opportunity studies	1.0
Institutional strengthening of MTW; Building Roads and General Services Authority; CPD; Alternative Energy Development	1.3
Institutional strengthening of MNM	1.5
Gender Equality and GBV Action Plan	0.5
CTCS	0.32
Environment TA and DRM TA Projects	1.0
Subtotal	6.22
<u>BNTF</u>	4.1
TOTAL	86.72

TABLE 3: LOANS AND GRANTS
(\$ mn)

Projects	Amount
<u>Loans</u>	
TA for export sector opportunity studies	1.0
Port development	20.0
Road improvement and drainage programme	6.6
Upgrade and Expansion of Kingstown Sewerage System	10.0
RRL	10.0
Urban Revitalisation	15.3
Support to development of root crop industry	2.5
Institutional strengthening of MNM	1.5
Institutional strengthening of MTW, BRAGSA, CPD	1.0
TA to support fiscal consolidation	0.5
Education	12.0
Subtotal	80.4
<u>Grants</u>	
TA for alternative energy development	0.3
Institutional strengthening of Financial Services Authority (Offshore Finance)	0.1
Gender equality and GBV Action Plan	0.5
Environment TA projects	1.0
BNTF	4.1
CTCS	0.32
Subtotal	6.32
TOTAL	86.72

1. DEVELOPMENT CONTEXT: KEY ISSUES AND DEVELOPMENT CHALLENGES

Economic Context

1.01 The St. Vincent and the Grenadines' economy is small and open with a narrow export base and high import dependence. In 2012, exports and imports of goods and services as a percentage of GDP were 27.1 per cent (%) and 57.9 %, respectively, with the current account deficit approximately 31% of GDP. The openness of the economy and severe structural imbalance make St. Vincent and the Grenadines very vulnerable to: economic instabilities in major trading partners, notably the United States (US), Europe and Canada; terms of trade shocks; and volatility in capital flows as evidenced by the recent global recession.^{2/} Additional vulnerabilities include high exposure to natural hazards including hurricanes, volcanic eruptions, floods and droughts.

1.02 The economy is small, with a population of approximately 110,000 (2012); a workforce of 50,000; small natural resource base; and a GDP of approximately \$694 mn (2012). Trade liberalisation and globalisation have made growth more difficult as evidenced not only by the collapse of the banana industry but also by the inadequacy of resources to effect the rapid structural adjustments required by a more competitive and dynamic global economy.

1.03 St. Vincent and the Grenadines shares a common monetary policy with other Eastern Caribbean Currency Union (ECCU) States and is a member of Organisation of Eastern Caribbean States (OECS) economic union which seeks to create a single financial and economic space. The economic union seeks, through free factor mobility and scale economies, to enhance productivity in response to the challenge of increased international competition. St. Vincent and the Grenadines is also a member of the larger CARICOM Single Market and Economy (CSME), established also with the overriding purpose of facilitating greater production efficiencies through scale economies and factor mobility.

(a) Economic Performance, 2008-2013

1.04 Real GDP growth averaged -1.2% between 2008-2011, compared with an average of 5.6% during 2002-07. Tourism sector growth contracted by 7.5% per annum (p.a.), as economic activity in major source markets experienced sharp contractions and unemployment rates spiked. Other major sectors experienced sizeable contractions during the 2008-2011 period. These include construction; agriculture; and financial intermediation. In the case of agriculture, significant weather events (severe drought in the first half of 2010 and Hurricane Tomas in October 2010) also contributed to the decline in sector output. Average annual contractions in the banana industry were 23.8%. Positive GDP growth of 0.3% returned in 2011, improved to 1.5% in 2012 and is estimated to have reached 3.1% in 2013, as a result of improved agriculture performance related mainly to the continuing rebound in banana and root crop production; expansion in the distributive trades; and substantial growth in private and public sector construction (see Table 4).

^{2/} In 2011, US, United Kingdom (UK) and Canada accounted for approximately 60% of stay over arrivals, the most important component of the tourism industry in terms of expenditure.

1.05 As a result of the steep decline in revenues and expanded social expenditure for the protection of the poor and vulnerable against the effects of the recession, the current, primary and overall budgetary balances all deteriorated during the height of the recession. Public sector debt rose from 57.2% of GDP in 2008 to 72.1% of GDP in 2012 and is estimated to have reached 75.2% of GDP in 2013, significantly above ECCU benchmark of 60% of GDP, driven by the deterioration in fiscal performance and by increased GOSVG borrowing for the new international airport (see Table 4). The airport is due for completion in 2014 and is projected to cost \$291.8 mn. Of this amount, \$156.5 mn (53.6%) is being financed by external grants; \$92.2 mn (31.6%) by external loans and \$43.1 mn (14.8%) by the sale of Government lands and GOSVG transfers to the International Airport Development Company Limited (IADCL).^{3/} The largest single annual borrowing (\$27.2 mn [3.8% of GDP]) so far for the airport took place in 2013 with an additional \$37 mn projected for 2014. Meanwhile, increasing concerns about fiscal and debt sustainability have begun to emerge. For example, GOSVG's domestic payments arrears rose from twenty-three million Eastern Caribbean Dollars (XCD23 mn) (1.3% of GDP) in 2009 to XCD86.7 mn (4.5% of GDP) in 2013.

TABLE 4: SELECTED MACROECONOMIC INDICATORS

	(%)					
Sector	2008	2009	2010	2011	2012	2013*
Real GDP Growth (%)	(0.5)	(2.2)	(2.3)	0.4	1.5	3.1
Agriculture	(0.8)	13.0	(18.2)	0.1	2.1	2.8
Manufacturing	2.6	(8.1)	(2.7)	5.8	(2.3)	1.3
Electricity and Water	(1.6)	3.2	(4.5)	(2.2)	4.9	1.5
Construction	(10.3)	(8.3)	(3.1)	(3.4)	(3.5)	15.0
Hotels and Restaurants	(5.5)	(18.0)	(14.2)	3.5	(3.1)	(4.9)
Financial Intermediation	(1.3)	(2.3)	(6.1)	(3.7)	8.4	1.2
Transportation	1.3	(1.7)	(1.6)	(0.3)	0.7	(0.4)
Wholesale and Retail Trade	3.9	(8.1)	(0.9)	(4.3)	1.5	3.3
Current Account Surplus/ Deficit (% of GDP)	3.0	(0.2)	(1.7)	(1.8)	(1.0)	(2.3)
Primary Balance (% of GDP)	1.1	(0.2)	(2.2)	(0.7)	0.5	(3.9)
Overall Deficit (% of GDP)	(1.4)	(3.0)	(0.9)	(3.2)	(2.9)	(6.3)
Central Government Debt (% of GDP)	41.7	48.8	55.0	57.7	61.0	67.9
Public Sector Debt (% of GDP)	57.1	63.4	66.1	68.1	72.1	75.2
Total Debt Service (% of Current Revenue)	21.9	25.8	27.4	25.4	24.7	29.9
Consumer Price Index (%)	10.1	0.5	0.8	3.2	2.6	0.9

Source: Eastern Caribbean Central Bank (ECCB); Ministry of Finance, GOSVG; CDB.

* Estimated.

1.06 The economic outlook is one of cautious optimism. The St. Vincent and the Grenadines growth forecast for the medium term is between 3 and 4% with relatively stronger performance projected in the outer years (2017-18) (see Appendix 2). The forecast is premised on the gradual acceleration of the global economic recovery which, together with the completion of the Argyle International Airport, brings expectations of some improvement in tourism sector performance; robust investment tourism activity in

^{3/} Source: IADCL.

the Grenadines; and an acceleration in public sector investment, given current estimates of external grants (\$50 mn, mainly European Union [EU] funds) and external loans (\$50.6 mn) over the 2013-15 period including CDB loans (Hurricane Tomas RRL [\$12.5 mn]); Technical and Vocational Education and Training (TVET) (\$5 mn); South Leeward Highway (\$16.2 mn); Open Campus Initiative (\$4 mn)] and WB loan (disaster vulnerability and climate change (\$12.9 mn)).^{4/}

Social Context

1.07 Preliminary estimates from the 2012 Population and Housing Census indicate a marginal increase of 1% in the population from 109,002 in 2001. Indications are also that St. Vincent and the Grenadines is transiting the early stages of an ageing population. The result is a growing dependency ratio, placing increasing burdens on the State's existing social assistance and service support structures, as well as on its productive population.

1.08 In 2012, St. Vincent and the Grenadines ranked 83rd out of 186 countries and maintained its place in the high human development category of the Human Development Index (HDI). Between 1980 and 2011, St. Vincent and the Grenadines' life expectancy at birth increased by 6.5 years (from 65.8 to 72.3 years), while expected years of schooling increased from 11.7 years to 13.2 years.

1.09 According to the 2007-08 Survey of Living Conditions (SLC), the poverty headcount index was 30.2% compared to 37.5% in 1996, and the level of indigence plummeted to 2.9% from 25.7%. Although St. Vincent and the Grenadines recorded reductions in poverty and particularly in indigence, the level of vulnerability remained a cause for concern. According to the 2007-08 Country Poverty Assessment (CPA), an additional 18% of the population lived just over the poverty line. This means that just over 50% of the St. Vincent and the Grenadines population was either poor or at great risk of falling into poverty. Groups at greatest risk were persons in rural communities, especially the banana farming population; persons within large families; and members of single parent households. Given the depth of the recent recession and the sluggishness of the economic recovery, it is reasonable to assume that the levels of poverty and vulnerability have increased beyond the 2007/08 SLC estimates.

1.10 The rise in crime and violence is impacting social and economic development through various channels: (i) loss of life and livelihoods; (ii) imposition of additional constraints (for example, physical insecurity, asset insecurity) to human development especially of the poor; (iii) erosion of public trust in institutions with responsibility for law and order; (iv) increased social vulnerability; (v) increased cost of security for individuals and businesses; (vi) investment opportunities foregone; and (vii) reduced international competitiveness.

1.11 GOSVG has pursued a robust human resource development strategy as a principal strategic component of its national development thrust with education expenditure averaging 7% of GDP over the past two decades and annual recurrent budgetary allocation of 17% for the education sector. These have allowed St. Vincent and the Grenadines to achieve the Caribbean Millennium Development Goals (CMDGs) (see Appendix 3) of universal primary and secondary education and gender parity access to basic education. The gross enrolment rate for pre-primary education^{5/} and tertiary education are at 80 and 16%, respectively, comparable with average gross enrolment rates of 82% for pre-primary education and 15% for tertiary education in OECS. Other notable achievements in the sector include: (i) a stable primary teaching corps with 85% of teachers trained; (ii) good internal efficiency indices such as low dropout and repetition rates (0.8 and 5%, respectively); and (iii) reasonably good performance overall at the end of secondary education (on average 69% pass rate). The significant investment in education has

^{4/} NESDP, p.134.

^{5/} Pre-primary education is provided for children 3-4 years old.

allowed the modernisation of many school plants; increased access to Information and Communication Technologies (ICTs); and a comprehensive student support service system reaching 65% of primary students most of whom are from poor backgrounds.

1.12 According to the 2007-08 CPA, even though girls and young women tend to have higher educational achievements, these results have not as yet translated into more and better paying jobs for women who accounted for 26% of the unemployed (12% of men) and were concentrated in low-paying sectors. St. Vincent and the Grenadines is moving towards a more balanced participation in the labour market with women's participation having increased from 44% in 1991 to 56% in 2008 and men's participation rates decreasing from 80% in 1991 to 74% in 2008. Future labour market surveys need to explore the reasons for this trend in greater depth.

1.13 Access to opportunities for skills development through post-secondary technical or academic training seems to reflect and reinforce gender segmentation of the labour market. Data for 2010 show a majority of women in all academic courses with especially high female representation in teacher training (81%); nursing (96%); and arts, sciences and general studies (65%). Men tend to choose technical and vocational training options with male representation in these courses as high as 71% in 2009 and 57% in 2010.^{6/} These numbers suggest that women are investing more in academic, long-term education, while men tend to choose hands-on training courses with more immediate access to job opportunities.

Key Development Challenges

(a) Growth Challenges

1.14 In the context of the high level of unemployment (estimated at 21.1% in 2012) and poverty, accelerated, sustainable, inclusive growth is imperative. The foregoing goal can be subdivided into three sub-components: (i) attainment of a higher level of real GDP growth; (ii) a reduction in the high variability of real GDP growth; and (iii) increased employment opportunities for the poor and other vulnerable groups, for example, women and youth. GOSVG is hoping eventually to achieve real p.a. growth beyond 6% p.a.^{7/} Growth sustainability implies the need for greater competitiveness and the ability to manage more effectively the risks to economic growth (for example, external economic shocks, market and sector risks, natural hazard shocks, etc.) thereby reducing growth variability. Inclusive growth, by definition, implies a decline in the level of unemployment and poverty.

1.15 Attainment of the goal of accelerated, sustainable, inclusive economic growth rests on addressing, among others, the following:

- (i) strengthened fiscal capacity to fulfill critical social, economic and physical infrastructure needs and to facilitate appropriate policy responses to various external and internal shocks that compromise growth acceleration and sustainability;
- (ii) increased diversification within and across sectors, products and markets so as to reduce economic vulnerabilities and contain high variability in growth performance through the spreading of risks;
- (iii) mainstreaming productivity enhancements through technological adaptation, innovation, targeted skills training and other initiatives; and
- (iv) expansion of physical, economic and social infrastructure and service provision.

^{6/} St. Vincent and the Grenadines, Ministry of Education (MOE), 2010.

^{7/} NESDP, p.56.

1.16 While not directly addressed in the country strategy, there are other challenges within the business environment such as institutional and regulatory deficiencies which constrain growth performance. In the 2013 Cost of Doing Business Report, St. Vincent and the Grenadines ranked 75th out of 183 countries, falling by nine places from its 2011 ranking. The report indicated that significant areas of weakness included registering property (145th); getting credit (129th); enforcing contracts (99th); and resolving insolvency (183th). Compete Caribbean, a regional grant facility established by the Department of Foreign Affairs, Trade and Development, (DFATD) Canada; the Department for International Development of the United Kingdom (DfID); the Inter-American Development Bank; and CDB can provide funding to help GOSVG in strengthening the regulatory and institutional environment through its Business Climate and Competitiveness Facility. Compete Caribbean also provides additional support to private sector development (PSD) through two other facilities – the Enterprise Innovation Challenge Fund, and the Comprehensive Framework for PSD and Knowledge Management Fund.

(i) *Strengthened Fiscal Capacity*

1.17 The high and increasing public sector debt; the persistence of current account and primary deficits; and the accumulation of payment arrears are all indicators of fiscal distress.^{8/} Corrective action is imperative to minimise the risk of further fiscal and debt deterioration in the context of a weak and uncertain global economic environment; the additional fiscal pressures arising from the December 2013 floods; and the continuing threat of natural hazards which will likely intensify in severity and frequency as a result of climate change. Enhanced fiscal space is also needed to enable effective policy responses to the various challenges of attaining accelerated, sustainable and inclusive growth.

(ii) *Export Sector Diversification*

1.18 In recent years, GOSVG has diversified the export sector away from excessive dependence on bananas through development of the tourism industry. However, recent performance suggests that while the economy has been restructured away from an overdependence on bananas, care needs to be exercised that it does not replace one monoculture with another. The tourism industry became a major transmission mechanism for the negative impact of the recent global economic recession on St. Vincent and the Grenadines' economy with annual growth averaging -7.5% during 2008-2011. Because of sizeable private foreign direct investment inflows into the tourism industry, targeted particularly at the Grenadines, the impact of the industry downturn was further magnified through the significant reduction of construction sector activity. While the new airport can provide some stimulus to sector growth through improved air access, the growing dependence on tourism, particularly as currently structured, also presents a risk to growth resilience and sustainability. Given the foregoing, GOSVG needs to implement countervailing strategies to address both the issue of overdependence and resilience. Potential strategies include market diversification to reduce overdependence on, and hence overexposure to, a few major markets; diversification into more resilient subsectors of the tourism industry, such as education and health services which are less hostage to discretionary expenditure; and expansion of commodity exports and non-tourism export services.

(iii) *Enhanced Capacity for Technological Adaptation*

1.19 The World Economic Forum (WEF) Report, 2012-13 identified technological readiness (capacity for technological adaptation) and innovation as pillars critical to the maintenance of global competitiveness. The WEF report defines technological readiness as the “*agility with which an economy adopts existing technologies to enhance the productivity of its industries, with specific emphasis on its*

^{8/} CDB's SDF: A Framework for the Continuation of Resources to address Fiscal Distress, Board Paper BD41/12, May 2012, p.8.

capacity to leverage ICTs in daily activities and production processes for increased efficiency and enabling innovation for competitiveness”.^{9/}

1.20 Towards this end, expansion of the skills base to facilitate the formation of a cohort of workers capable of advancing and accelerating the process of technological adaptation is critical. Hence, the importance of skills development in the areas of science, technology, (especially ICTs), engineering and mathematics (STEM), key drivers of international competitiveness in the global economy, cannot be over emphasised. Increased labour productivity is also central to improving incomes, reducing poverty, social and economic vulnerability.

(iv) *Infrastructure Development*

1.21 In its NESDP, GOSVG identified investment in physical infrastructure as another key element in the promotion of private sector competitiveness and the generation of sustainable economic growth and development. However, infrastructure development faces several challenges, financial and non-financial. Road infrastructure development and maintenance are constrained by a lack of fiscal space. The result has been a gradual deterioration in critical components of the road network, such as wearing course integrity, drainage, safety and ride quality. The road infrastructure needs significant upgrading to address inadequacies in design (vertical road edge drop-offs; poor or no formal pedestrian space; limited handrails, etc.) that compromise safety. Other challenges include overloaded vehicles, blocked culverts and roadside drainage.

1.22 With regards to seaport infrastructure, the condition of the physical facilities (Maritime and Landside) at Port Kingstown has deteriorated. A condition survey conducted in February 2008 recommended ceasing all container operations at this location. Consequently, all container/cargo operations, except banana-related cargo have been moved to the Campden Park Container Port (CPCP). This development has placed high levels of stress on the operations at CPCP. The Port Rationalisation and Development Study funded by CDB in December 2008 further identified a number of other critical operational deficiencies with St. Vincent and the Grenadines’ Port Facilities and recommended the construction of a new seaport at an estimated cost of approximately \$100 mn.

1.23 With respect to wastewater, centralised sewage treatment only exists in Kingstown. There is therefore a need to expand the sewerage system to the suburban developments surrounding the capital. This is of particular importance to the tourism belt in the south of the island where sewage generated from hotels is disposed at sea. The long-term impact of this practice, if not addressed with some measure of urgency, could be catastrophic to this section of the country’s coastline and to the livelihoods that are dependent on this marine environment.

1.24 With a very high level of dependence on imported fossil fuels, estimated at more than 90%, for the satisfaction of its energy needs, St. Vincent and the Grenadines has been very vulnerable to the spikes in fuel prices of recent years and the resulting negative economic and social impacts. However, St. Vincent and the Grenadines has significant renewable energy potential (geothermal, wind, solar, hydro) which it may be able to develop to increase substantially its energy security and to reduce its energy costs.^{10/} Lack of human and financial resources constrain the exploration and exploitation of these alternatives. Significant access to donor and private sector resources will be necessary to help GOSVG overcome these constraints.

^{9/} WEF Report, 2012-13, p.6. The WEF Report makes an important distinction between technological adoption and innovation which it defines as the development of new technologies which requires a strong research and development capability (technical and scientific skills) and infrastructure (high quality research institutions such as technology laboratories, universities etc.), together with substantial investments (p.7).

^{10/} GOSVG, Energy Action Plan for St. Vincent and the Grenadines, January, 2010.

(b) Social Development

1.25 As indicated by its HDI ranking in 2012, St. Vincent and the Grenadines' social sector development profile is consistent with high human development. GOSVG has made significant strides in the provision of basic services (housing, water, electricity) and in access to health and education. However, other significant challenges remain including issues of access; quality and relevance of education sector output; gender inequality; citizen insecurity; and the high level of poverty.

(i) *Education*

1.26 Ensuring access by the poor to education opportunities is strategically very important for accelerating and sustaining inclusive economic growth. Minimising impediments to access, such as lack of transportation, books, uniforms and food, among others, need to be actively pursued. GOSVG currently is providing some resources to address these constraints. However, there are concerns about the adequacy of resources provided, given budgetary constraints.

1.27 With universal basic education achieved in 2005, the gaps in educational access are more of a concern in early childhood development (ECD) for the zero to three age cohort and tertiary education. GOSVG, with CDB support (for example, Open Campus Development Project) is addressing these deficiencies through increased investments. Simultaneously, GOSVG is attempting to address what it considers the main sector development challenge namely, enhancing the quality and relevance of education to achieve better alignment with the demand for skills, but also with the values and attitudes necessary for the creation of a better society. A significant proportion of students do not master the minimum competency standards of primary education (53% pass in the Common Entrance in 2012). Less than 40% of students graduate from secondary education with five Caribbean Secondary Examinations Certificate passes including English and Mathematics. Performance in the latter subject is particularly disconcerting with a pass rate of 28% in 2011 and 2012. Deficits of qualified science teachers and an inadequately structured programme allow only a small proportion of students (15%) to register for science subjects. Limited access to quality demand-driven TVET programmes has resulted in an inadequately skilled workforce relative to labour market needs, thereby constraining employment opportunities for graduates. The phenomenon of underachievement of males persists in varying degrees throughout the basic education sub-sector and has culminated in a 27% participation ratio in tertiary education.

(ii) *Gender Equality*

1.28 St. Vincent and the Grenadines has ratified key international commitments for gender equality,^{11/} and the Constitution provides broad protection from sex discrimination. The domestic legislation specifically prohibits the employer from terminating the services of an employee on various grounds including: sex; marital status; pregnancy; reasonable absence from work due to family emergencies or responsibilities or absence from work during maternity leave as certified by a medical practitioner.^{12/} Similarly, the Equal Pay Act (1994) specifically prohibits any employer from discriminating against women with respect to equal pay for comparable work. There has been progress in legislation and policies aimed at eradicating GBV and domestic violence, but continued improvement in the legal and policy framework is needed, as well as more robust data to inform the decision-making processes.

^{11/} Convention on the Elimination of All Forms of Discrimination Against Women (CEDAW), which however is not incorporated in domestic law; International Labour Organisation (ILO) Convention 100 on Equal Remuneration; ILO Convention 111 on Non-Discrimination in Occupation and Employment; and the Inter-American Convention on Prevention, Punishment and Eradication of Violence Against Women (Convention "Belém do Pará").

^{12/} St. Vincent and the Grenadines. The Protection of Employment Act, (2004) Cap 212.

1.29 St. Vincent and the Grenadines has achieved gender parity in access to primary and secondary education. However, the underperformance of boys remains a continuing challenge. This is reflected in lower male representation in post-secondary education, especially in the academic-oriented paths. The high labour market segmentation, which derives, *inter alia*, from the segmentation in education and training, results in a narrower range of job opportunities for both women and men and reinforces gender stereotypes. Additionally, even though women for decades have become breadwinners, resulting in an additional burden in their double role as providers and caretakers, men have not become more engaged in sharing care responsibilities.

1.30 Female participation in politics and decision-making remains low.^{13/} The National Parliament has 19 men (83%) and 4 women (17%), and the current Cabinet comprises nine males and one female. Increasing crime and violence and the prevalence of sexual and GBV are major concerns. The CPA indicates that amongst the poor, the changes in gender roles and relations have been marked by an increased sense of male powerlessness to provide for their families and is arguably a contributing factor to GBV.^{14/} GOSVG has recently recognised that the issue of GBV needs more programmes as this continues to affect women's ability to fully develop their potential as productive human beings.^{15/}

(iii) *Gender-Based Violence*

1.31 St. Vincent and the Grenadines has adopted the Domestic Violence (Summary Proceedings) Act (1995) to protect victims of Domestic Violence, but the legislation has not yet addressed broader issues of GBV.^{16/} A more comprehensive Model Bill developed as part of OECS Family Law and Domestic Violence Project was subject to national consultations but has not yet been discussed in Parliament.

1.32 Services currently offered to survivors of domestic violence include: "counseling and tangible support from the Gender Affairs Division (GAD), the Family Services Department, and from a non-governmental organisation, Marion House".^{17/} The police have been teaching an anti-violence module in schools and counseling services are available not only to survivors, but also to perpetrators, albeit not in an institutionalised way. Other initiatives have been the training of police officers; a gender sensitisation module in the training of new police recruits; the adoption of a Police Form that allows the collection of data on domestic violence cases; and the full operationalisation of a shelter (the "Crisis Centre") for women who suffer domestic violence and face serious threats. The current capacity of the Centre (seven families at a time) is considered sufficient by Government officials.

1.33 Limited results in tackling GBV reflect the absence of a holistic approach that addresses all spheres from the institutional framework to community-driven prevention measures and rigorous enforcement of sanctions. Aware of this, GAD has prepared a comprehensive Action Plan on domestic violence, which addresses norms, prevention and enforcement. The draft is currently awaiting discussion

^{13/} St. Vincent and the Grenadines. 2013. Cit.

^{14/} St. Vincent and the Grenadines. 2008. Cit.

^{15/} St. Vincent and the Grenadines. 2013. Cit.

^{16/} According to the Government's report to CEDAW, some limitations of the current legal framework include the exclusion of persons who are in an intimate relationship but not living together or persons in same sex relationships. Moreover, the legislation protects threats and actual physical or mental injury but does not protect against psychological abuse and sexual violence. The Domestic Violence Act enables survivors to apply for an injunction, a Protection Order, a Tenancy Order or an Occupation Order; the Family Court has the sole Jurisdiction in all matters relating to Sexual Offences, Maintenance and Juvenile Offenders. The Act does not criminalise domestic violence, but if protection orders are breached, criminal sanctions can apply. Episodes of domestic violence will be criminalised based on the non-specific criminal law in the event the perpetrator "*has used or threatened to use violence against, or caused physical or mental injury...and is likely to do so again; or has committed or attempted to commit any Sexual Offence listed in the Criminal Code or has conducted himself in a manner which is sexually offensive.*" (Sec. 4 (2)).

^{17/} Op. Cit.

by the Inter-Ministerial Committee, further validation at the highest government level and subsequent implementation.

(c) Environmental Sustainability and Disaster Risk Management

(i) *Environmental Management*

1.34 The environment and natural resources face severe threats. Deforestation due to illegal encroachment is resulting in widespread adverse environmental impacts (for example, soil erosion and sedimentation; degradation of watersheds and water quality; loss of habitat and biodiversity; and loss of future opportunities for alternative sustainable livelihoods).^{18/} Competing demands for limited suitable land for agriculture, tourism, commercial development, housing and recreation have contributed to inappropriate land-use practices. In addition, marine pollution from land-based sources, as well as from wastewater generated by yachts and small marina facilities has adversely impacted fragile coastal and marine resources.

1.35 These issues are compounded by institutional weaknesses (including policy and legal frameworks) in environmental and natural resource management at the national and community levels. Inadequate policy implementation capacity and ineffectual environmental governance combine to hamper enforcement of environmental rules and regulations. These weaknesses create an environment in which abuses occur, resulting in significant and sometimes irreversible depletion of natural resources.

1.36 Despite GOSVG's efforts to improve environmental management together with assistance for capacity development from development partners, limitations in human resources and inadequate national funding for environmental protection continue to be key constraints. Generally, environmental awareness within responsible national ministries is improving and environmental mitigation measures are being routinely incorporated into project designs financed by external agencies. However, implementing ministries, agencies and departments have inadequate technical resources necessary for rigorous environmental protection and management. These challenges limit effective implementation of the various policies and plans developed to achieve environmental sustainability objectives.

1.37 GOSVG acknowledges that healthy ecosystems and effective management and use of natural resources are integral to achieving the country's sustainable development objectives. The linkage between development and environmental sustainability is established as a strategic goal in NESDP (2013-2025). NESDP responds to many of the environmental challenges and priorities at the broad policy level. It proposes a number of policy measures and activities in areas such as: (i) building resilience to climate change; (ii) improving land-use planning; (iii) biodiversity management; (iv) pollution control; and (v) DRM.

1.38 St. Vincent and the Grenadines has also prepared a strategic programme for climate resilience under the pilot programme for climate resilience of the Climate Investment Funds, which will, among other things: (i) fortify vulnerable coastal areas; (ii) improve drainage, water resource and watershed management; (iii) enhance public awareness and education on climate change; (iv) reduce vulnerability of coastal communities; (v) strengthen data collection, analysis and information management; and (xi) build technical capacity and strengthen institutional ability to facilitate climate resilience measures.

^{18/} Although a significant number of programmes were undertaken by GOSVG to curb deforestation, the problem still requires considerable interventions. Of the 29% of forest area in St Vincent, 27% of this total is classified as planted forest. *Source:* Report on the Implementation of the Mauritius Strategy (2009).

(ii) Disaster Risk Management

1.39 The impact of natural hazard events can be extremely significant as in the case of Hurricane Tomas in 2010, the April 2011 and December 2013 torrential rainfall events. Disaster risk and environmental degradation are likely to be further exacerbated by climate change and climate variability trends. Consistent with the projected global median, climate change models have forecasted that St. Vincent and the Grenadines will undergo both warming and drying trends, with more frequent heat waves, droughts and high intensity rainfall events. Adaptation to climate change is therefore a national priority.

1.40 Probability analysis demonstrates the potential for significant economic vulnerability, even to low probability events. For tropical storm/hurricane hazards passing within 60 nautical miles of St. Vincent and the Grenadines between 1851 and 2010 for which national loss estimates are available, the analysis demonstrates that for a 10% (10 in 100) probability of occurrence of an event, the national portfolio loss from this hazard could be in excess of \$45 mn, approximately to 6% of GDP (2012). A trend of increasing loss as a percentage of GDP from the tropical storm/hurricane hazard is also observed over the period 1987 to 2010, and for which loss estimates are publicly available.

1.41 GOSVG recognises that DRM and disaster risk reduction (DRR) should be key elements in its sustainable development strategy. However, national progress in hazard mapping has been limited and sector mainstreaming of DRR in policies, plans and practical implementation is still in early development. Sector resilience to natural hazard events and implementation of risk management practices and interventions are low. There is a critical need for stronger, systems-based and operational treatment of resilience building through natural hazard mitigation and climate change adaptation in Public Financial Management (PFM) and public investment.

2. GOVERNMENT'S DEVELOPMENT STRATEGY

Development Strategy and Policy Agenda in Key Areas

2.01 For the period 2013-2025, GOSVG has formulated a comprehensive NESDP, detailing its overarching goals, strategic objectives, interventions and expected outcomes. The overarching goals or pillars are: (i) re-engineering economic growth; (ii) enabling enhanced human and social development; (iii) promotion of good governance and increased effectiveness of public administration; (iv) improving physical infrastructure, preserving the environment and building resilience to climate change; and (v) building national pride, identity and culture. The various strategic objectives for each pillar are presented in Appendix 4.

Analysis of Government Strategy, Challenges and Risks

2.02 In NESDP, the social sector; the marginalised and vulnerable; and environmental and climate change issues are given prominence in the context of a weak economic recovery which could easily have forced a more economic focus. Also, given high priority is the emphasis on rural development since most of the poor continue to reside in the rural areas. The proposed rural development initiatives are also critical in the context of the need for food security which is a significant challenge, given the level of food import dependence.

2.03 In addition to its focus on the problems of youth, NESDP has given significant attention to gender issues as noted, for example, by the creation of a Family Court to deal with alimony and domestic

violence cases.^{19/} NESDP, however, does not identify gender equality priorities for the 2013-2025 period. St. Vincent and the Grenadines does not have a comprehensive National Gender Policy, but has developed a Draft Action Plan on domestic violence, that is not yet approved by Cabinet.

2.04 Arguably, NESDP could have been strengthened by a more detailed strategy for enhancing productivity and international competitiveness. This is clearly a critical cross-cutting theme that will need to be mainstreamed into all of St. Vincent and the Grenadines' major economic activities, given the shift in the global economic paradigm away from preferences. Enhanced productivity constitutes an inherently critical strategic component in the re-engineering and sustainability of growth.

2.05 NESDP implementation will be a major challenge given the myriad interventions for each strategic objective which will need to be carefully prioritised and synchronised within medium-term frameworks to eliminate potential inconsistencies, maximise synergies and development effectiveness. Significant challenges clearly will emerge in the face of capacity constraints. Resource constraints, both human and financial, especially in the context of limited access to external financial resources, concerns about fiscal and debt sustainability, and a narrow skills base, will present significant challenges. So also will institutional capacity constraints. CPD, BRAGSA and MTW, among others, will play critical roles in the implementation process. GOSVG will have to pay substantial attention to and address the various constraints within these institutions to minimise implementation delays and failure.

2.06 Additional risks to GOSVG's development strategy include severe weather and external economic shocks which can compromise or derail plan implementation and attainment of GOSVG's policy objectives. With global warming, the increased frequency and intensity of weather events can depress economic growth performance and inflict substantial unanticipated expenditure on GOSVG. An additional threat to GOSVG's development plan is the continuing fragility, volatility and slow pace of the global economic recovery which can impose substantial constraints on trading opportunities and on the availability of external resources. In the context of increasing global demand for food and energy, terms of trade shocks can also force GOSVG to redirect resources away from targeted development objectives.

3. CARIBBEAN DEVELOPMENT BANK'S ASSISTANCE STRATEGY

Review of the Caribbean Development Bank's Past Strategy Implementation, Country Portfolio Performance and Lessons

3.01 During 1970-2012, the Bank approved on behalf of St. Vincent and the Grenadines \$287.8 mn, making St. Vincent and the Grenadines the sixth largest recipient of CDB's resources. The resources were allocated over a wide range of sectors: infrastructural; productive; financial; and social. The dominant sectors in the portfolio have been Social Infrastructure and Services (24.3%), mainly Education; and Transport and Communications (23.6%), mainly Road Infrastructure. The prominence of the multi-sector allocations (22.6%) is due to two Policy-Based Loans (PBLs) during the recent recession which totaled \$62 mn (see Table 5 below).

^{19/} NESDP 2013-2025, p. 54-55.

Table 5: SECTORAL DISTRIBUTION OF APPROVED FINANCE (NET) 1970-2011

Sectors	USD (\$ mn)	%
Agriculture	16.8	5.8
Mining and Quarrying	2.9	1.0
Manufacturing	13.2	4.6
Tourism	0.5	0.2
Power, Energy, Water and Sanitation	33.1	11.5
Social Infrastructure and Services	70.1	24.3
Transportation and Communication	67.9	23.6
Environmental Sustainability and DRR	18.0	6.3
Financial, Business and Other Services	0.3	0.1
Multi-Sector	65.0	22.6
TOTAL	287.8	100.0

Portfolio Performance and Lessons Learnt

3.02 St. Vincent and the Grenadines has performed very well in terms of project implementation, maintaining an above average portfolio performance index score. In 2006, 2010 and 2011, St. Vincent and the Grenadines ranked second in implementation performance among all CDB's Borrowing Member Countries (BMCs).

3.03 Nevertheless, there is room for improvement as indicated by the various lessons learnt from St. Vincent and the Grenadines' project implementation performance. These include the need for:

- (i) removal of bottlenecks in development of technical designs for infrastructure projects so as to minimise delays in project implementation;
- (ii) greater focus on project efficiency both in terms of implementation time and cost;
- (iii) provision of additional resources for capacity enhancement, where necessary, to accelerate project implementation, including sufficient resources for gender analysis to be conducted throughout the life cycle of the project;
- (iv) greater attention to project sustainability so as to minimise project life cycle costs in the context of fiscal constraints and the need for enhanced international competitiveness;
- (v) enhanced inclusive and gender-responsive stakeholder participation and engagement in project design and implementation as a means of building social capital and capacity for project sustainability; and
- (vi) strengthening of public sector investment management capability so as to enhance project selection and implementation.

Previous Country Strategy Paper, 2008-2011

3.04 During 2008-2011, the period of the global recession, CDB sought to implement its first country strategy in St. Vincent and the Grenadines. It was a period of intense economic and social challenges, and forced a reordering of the country strategy priorities. Because of the growing fiscal imbalances imposed by declining revenues and the need for an escalation in Government expenditure to address the accompanying deterioration in social conditions, GOSVG suffered substantial weakening in its fiscal accounts. GOSVG's policy focus therefore soon changed to the task of maintaining fiscal and debt sustainability. Accordingly, GOSVG sought the support of the Bank in the form of two PBLs. Many country strategy projects were not initiated because of the change in priorities. Nevertheless, some projects were implemented. These include: (i) CDB line of credit (LOC) for tertiary education; (ii) training in project cycle management (PCM); (iii) TA for institutional strengthening of the Treasury; (iv) training of teachers as counsellors; and (v) BNTF and CTCS projects. Additionally, the Board approved the TVET project and the South Leeward Highway project in December 2011 and December 2012, respectively. One project, the Upgrade of the Kingstown Sewage Plant, has been deferred to the new country strategy. Appendix 5 contains the list and current status of the project pipeline of the previous country strategy.

Lessons Learnt with Respect to the Implementation of the Recent Country Strategy

3.05 The lessons from the previous country strategy are several. A very important lesson is the need for continuous monitoring and flexibility on the part of the Bank to adapt to the changing circumstances and priorities during the country strategy period. Accordingly, the new country strategy proposes more frequent monitoring and a more firmly institutionalised process as indicated in Paragraph 4.23. An additional lesson is the need to tailor the strategy to an appropriate time period so that the country strategy is not time-constrained, thereby leading to a very low implementation rate. This may imply a longer country strategy period depending on the number, size and complexity of the proposed projects. Accordingly, in the new country strategy, the proposed time period is five years instead of three as in the previous country strategy. In the new country strategy, the Bank has also narrowed the focus of its interventions with two sectors, infrastructure and education, accounting for approximately 80% of the proposed expenditure. This reflects greater project selectivity and strategic focus consistent with Bank competencies and hence potentially greater efficiencies in project execution.

3.06 There is concomitantly the need to evaluate BMCs' implementation capacity for each project so as to minimise extended delays and even abandonment of some projects. The Bank intends to address this issue through more detailed evaluation of, and support to, implementation capacity at the individual project level where needed, and also at the level of institutions with major responsibility for project implementation, such as BRAGSA, MTW and CPD.

3.07 Enhanced donor coordination and cooperation by increasing the availability of technical and financial resources to BMCs, can be an important strategy for enhancing BMCs' capacity and the probability of success. In the absence of a firmly institutionalised process of donor coordination, the Bank is attempting donor coordination at the project level by inviting donor participation where feasible for example, in the case of the fiscal consolidation initiative.

3.08 An important recommendation is the need to increase the level of resources available for tertiary level training through the use of a LOC where possible, or other means; for micro, small and medium-sized enterprises (MSMEs) institutional strengthening through CTCS and for BNTF, given the high level of demand for these resources; the speed of execution; and the potential for accelerated economic growth and social development. The Bank, through its support to the Open Campus Initiative will be helping GOSVG to increase access to tertiary education. The CTCS network will seek to provide increased TA to

MSMEs operating in the productive sector to strengthen their production, managerial and overall operational capacities with a view to enhancing productivity and competitiveness.

4. THE CARIBBEAN DEVELOPMENT BANK'S PROPOSED ASSISTANCE STRATEGY: 2014-18

Objective and Strategic Alignment

4.01 The country strategy outlines the Bank's proposed interventions in St. Vincent and the Grenadines over the period 2014-18, and is strategically aligned with GOSVG's policy framework outlined in NESDP (2013-25); with the Bank's and SDF's Strategic Plan; and with the Bank's competencies. The country strategy is informed by extensive discussions with GOSVG officials and with representatives of the donor community so as to prevent duplication and to exploit potential synergies in project formulation and execution.

Caribbean Development Bank's Support to St. Vincent and the Grenadines' Development Agenda

4.02 The country strategy will seek to help GOSVG implement selected components of NESDP. In its interventions, the country strategy will focus on three NESDP goals: (i) the re-engineering of growth; (ii) enhanced human and social development; and (iii) improving physical infrastructure, preserving the environment and building resilience to climate change. The Bank's support to the re-engineering of growth focuses on 3 of 11 strategies identified in NESDP: (i) the maintenance of strong macroeconomic fundamentals; (ii) the attainment of a strong and sustainable external trade position; and (iii) the enhancement of productivity and competitiveness.

4.03 With respect to the second goal, enhanced human and social development, the Bank's interventions will support implementation of the following NESDP strategies: (i) the creation of an adaptable, functional and literate population; and (ii) protection and inclusion of marginalised groups.

4.04 In relation to improving physical infrastructure, preserving the environment and building resilience to climate change, the Bank's interventions will provide support to implementation of the following NESDP strategies: (i) upgrading of the road network; (ii) modernisation and expansion of seaports; (iii) enhancement of the capability to prepare for, respond to and mitigate the effects of disasters; (iv) conservation of natural resources through effective use and management; (v) reduction in dependence on imported energy; and (vi) reduction in the adverse impact of climate change.

Proposed Areas of Intervention and Expected Outcomes

4.05 The Bank has identified three critical strategic focus areas or pillars for intervention. These are: (i) accelerated, sustainable and inclusive growth; (ii) inclusive social development; and (iii) enhanced environmental and DRM. The focus areas are consistent with the Bank's strategic priorities for the period 2010-14 of promoting broad-based economic growth and inclusive social development; supporting environmental sustainability and DRM; promoting good governance; and enhancing organisational efficiency and effectiveness. They are also consistent with SDF 8 Strategic Priorities of: (i) inclusive and sustainable growth; (ii) environmental sustainability and climate change; and (iii) citizen security. The specific areas of consistency with NESDP are further discussed below and identified in the Summary Matrix of Proposed Strategy and Results Framework in Appendix 6. Projects under all the pillars will be informed by early, duly resourced, gender analysis exercises, as well as continued monitoring of gender issues throughout the project cycle.

Pillar I: Accelerated, Sustainable and Inclusive Growth

4.06 Under Pillar I, the country strategy will seek attainment of the following outcomes: (i) strengthened fiscal capacity; (ii) an expanded and more diversified export sector; (iii) enhanced capacity for technological adaptation for the attainment of increased competitiveness and sustainable growth; and (iv) augmented, cost-effective infrastructure service provision through expansion in physical, economic and social infrastructure, improved management and institutional capacity.

(i) Strengthening Fiscal Capacity

4.07 Towards the strengthening of fiscal capacity, it is proposed that the Bank provide TA to enable GOSVG to identify and implement appropriate revenue enhancing, expenditure reduction and PFM enhancement initiatives, preferably within the context of a medium-term fiscal consolidation strategy supported by other institutions, such as ECCB, Supporting Economic Management in the Caribbean (SEMCAR) and Caribbean Regional Technical Assistance Center (CARTAC). The latter two institutions are already currently engaged in helping GOSVG to address PFM issues. The Bank's intervention will be for support to fiscal policy planning and implementation where institutional capacity is lacking. The Bank is committed to ensuring that fiscal consolidation initiatives take into account gender and social implications. Strengthened fiscal capacity is critical to responding to the various economic and social vulnerabilities, hence building resilience and for enhancing St. Vincent and the Grenadines as a competitive destination for private sector investment through the containment of macroeconomic instability. Current CDB projections suggest that the attainment of a primary surplus of 2% of GDP within the medium term will be adequate to place GOSVG's finances on a more sustainable path. In fact, in International Monetary Fund (IMF) Article IV Mission 2011, GOSVG committed to a primary surplus of approximately 2% by 2016 to place public sector debt on the path of attainment of ECCU goal of 60% of GDP by 2020. In its 2014 budget speech, GOSVG again recognised the need for fiscal consolidation, one that is prudent and consistent with the need for growth.^{20/}

(ii) Export Sector Diversification

4.08 In NESDP, GOSVG emphasised export services diversification as one of its strategic objectives in the re-engineering of growth.^{21/} Within this context, the offshore finance industry has been identified in NESDP as a development priority.^{22/} During 2007-2012, in the midst of the Great Recession, industry revenue growth averaged 4.1% p. a., demonstrating the resilience being sought in GOSVG's pursuit of sustainable growth. Additionally, in 2012, the Organisation for Economic Co-operation and Development Global Forum on Transparency and Exchange of Information for Tax Purposes gave a positive review of the industry's legal and regulatory framework. Accordingly, the Bank is willing, as other donors in the past, such as IMF, to provide support to the industry through institutional strengthening of the International Financial Services Authority. The Bank is also willing through sector studies to investigate the export capability of other potentially dynamic and resilient export sectors, such as ICTs, education and health/wellness services, all of which are identified in NESDP as sectors which GOSVG is keen to promote.^{23/} The WB (2005) and IMF (2013) have also identified the proposed sectors as having significant growth potential in OECS.^{24/} The Bank is proposing a maximum of three sector studies.

^{20/} GOSVG, Budget Speech 2014, p.52.

^{21/} NESDP, p.59.

^{22/} NESDP, p.115.*

^{23/} NESDP, p.59

^{24/} WB and OECS, *Towards a New Agenda for Growth, April, 2005*; and IMF and ECCU, *Macroeconomic and Financial Systems, 2013*.

4.09 The proposed studies are meant to provide actionable information on the basis of which St. Vincent and the Grenadines will be able to take steps to broaden its export base; increase export sector resilience; and hence reduce its vulnerability to significant fluctuations in export sector performance. This would reduce growth instability and income variability particularly of vulnerable groups. Subject to the recommendations emerging from the foregoing studies, the Bank is willing, where possible, to provide further financial support.

4.10 CDB, within GOSVG Policy Framework and Strategic Plan for Agricultural Development 2012-18 which was funded by the Food and Agriculture Organisation, will also seek to complement GOSVG and donor investments in improving productivity, output and viability of the root crop industry, and to expand supply to current export markets. This is a project in which the Ministry of Agriculture has expressed considerable interest, given substantial export potential.

(iii) Enhanced Capacity for Technological Adaptation

4.11 GOSVG has identified STEM, (especially ICTs), as areas of education sector emphasis in NESDP. The CDB education project discussed below, among other initiatives, seeks to support GOSVG in this endeavour.

(iv) Infrastructure Development

(aa) *Seaport Facilities*

4.12 GOSVG has given high priority to the construction of a new seaport in Kingstown.^{25/} The Bank is willing to provide TA for completion of the Port Design document and to participate in funding the construction of the new seaport.

4.13 Construction activity in the Grenadines has increased dramatically over the past five years with major private investment projects currently ongoing. Port facilities in these islands, however, are inadequate to support the scale of development either underway or planned. A comprehensive Grenadines Port Study including environmental and social impact assessments, management and operational structures, and possible climate change impacts would provide an essential framework to guide St. Vincent and the Grenadines' Port Authority's interventions in the Grenadines. The Bank is willing to provide TA resources for the Grenadines Port study.

(bb) *Ministry of Transport and Works – Transport Sector, Central Planning Department, Alternative Energy Development*

4.14 A TA study will provide GOSVG and MTW with the requisite information and designs needed to undertake a comprehensive road improvement and drainage programme. A capital project is to be developed from the foregoing study. The Bank is willing to provide technical resources for the study and to fund the capital programme which will be phased over the country strategy period.

4.15 The absence of an established project management system, coupled with the magnitude of MTW's full project load, has led to inefficiencies in project implementation and has significantly reduced the effectiveness of the Ministry. Accordingly, the Bank is willing to provide TA for an organisational review of MTW and BRAGSA with a view to improving planning; technical designs; project management; operation and implementation capacity. The output of this study will inform the

^{25/} NESDP, p.100.

restructuring of MTW and BRAGSA. The Bank is proposing further support to the expansion of GOSVG's capacity for project implementation through TA for institutional strengthening of CPD.

4.16 Given the very high level and variability of imported fossil fuel prices, St. Vincent and the Grenadines is exploring its potential for renewable energy development, mainly geothermal, solar and wind. Currently, an Icelandic company is evaluating St. Vincent and the Grenadines' geothermal energy resources. Initial assessments have indicated significant potential for geothermal-based electricity which can lower substantially the high cost of electricity, a major constraint to St. Vincent and the Grenadines' economic and social development. GOSVG has expressed an interest in obtaining TA from CDB to provide advisory services with respect to geothermal development and to support its formulation of a roadmap for expanded use of renewable energy.

(cc) *Other Technical Assistance for Infrastructure Development*

4.17 In addition to the foregoing TA and capital projects, the Bank is willing to fund the following TA projects. These are: (i) the Arnos Vale to Kingstown Rehabilitation and Upgrade Study which seeks to evaluate and propose design alternatives to alleviate serious traffic congestion during peak times; (ii) TA for Kingstown Sewerage Treatment Expansion, given the urgent need to expand the sewerage system to the suburban developments surrounding the capital, especially in the tourism belt in the south of the island; and (iii) TA for Urban Revitalisation of Kingstown in accordance with the Bank's Urban Revitalisation Strategy and Operational Guidelines. The output of the latter two studies will be a capital works programme for Kingstown.

Pillar II: Inclusive Social Development

4.18 The Bank through its country strategy interventions will seek the attainment of the following outcomes in the social sector: (i) enhanced quality and relevance of basic education; (ii) improvements in gender equity and citizen security, particularly through a reduction in GBV; (iii) increased economic resilience through enhanced equity, quality and relevance of education sector output together with implementation of BNTE, CTCS programmes and institutional strengthening of MNM.

(i) Education

4.19 CDB's support to the education sector will be premised on implementation of key sector priorities as articulated in the Education Sector Plan 2013-18; OECS Education Sector Strategy (2012-2021); and the Regional Policy Framework for Gender Differentials in Caribbean Education. The focus will be on improving student outcomes, particularly for boys and students at risk, by investing in the enhancement of strategic areas of intervention which are critical for improving quality, equity and relevance. CDB will support a comprehensive teacher efficacy programme which emphasises enhanced teacher and management accountability; improved support for special needs students; and expanded capacity for delivery of improved outcomes in literacy, science, technology and mathematics. The programme which will target the secondary sector, will include:

- (aa) capacity building and resourcing for effective teaching to meet the divergent needs of all learners;
- (bb) development of an accountability system including teacher appraisal and improved supervision and monitoring within schools, educational districts and the sector;

- (cc) institutionalisation of an effective early screening system and intervention for students at risk; and
- (dd) improved capacity for the achievement of literacy, science, technology (including ICTs), and mathematics learning outcomes by all students.

(ii) Gender

4.20 The expected outcomes of the Bank's intervention in the area of gender are enhanced capacity for the promotion of gender equality; implementation of gender mainstreaming; and a reduction in GBV. A CGA will present an in-depth diagnosis of the gender equality priorities for St. Vincent and the Grenadines, and will inform future CDB/GOSGV investments in gender mainstreaming and possibly the adoption of a National Gender Policy. Data collected in the exercise will be validated by high level government officials. In addition, programmes focused on transformative dialogue and awareness on gender equality, including *inter alia*, GBV, masculinities and teenage pregnancy will be implemented.

4.21 With respect to GBV, CDB and United Nations Women will partner to support the consultative multi-sectoral process leading to the completion and adoption by GOSVG of the Action Plan on Domestic Violence. United Nations Women and CDB will partner to support implementation of the Plan.

(iii) Direct Poverty Reduction Interventions

4.22 The Bank's priority initiative in direct poverty reduction is BNTF. BNTF in its interventions initiatives will continue to pay particular attention to the impact on women. The Bank's support to small business competitiveness and expansion through CTCS will also contribute to poverty reduction, given the large number of small firms and the labour intensity of this segment of the private sector. The expectation is that CTCS interventions will also have a significant impact on income opportunities for women who account for most of the self-employed. The third major intervention being proposed is institutional strengthening to enhance the efficiency and effectiveness of MNM which has major responsibility for the poor and vulnerable.

Pillar III: Environmental Sustainability and Disaster Risk Management

4.23 With respect to environmental sustainability and DRM, the proposed interventions will seek to strengthen management capacity and reduce risks in critical areas. Specifically, in response to the floods and landslides of December 2013, the Bank will be providing resources for rehabilitation and reconstruction. In this effort, the Bank is working in close collaboration with WB to avoid duplication. Additionally, the Bank will provide support for: (i) training and certification of artisans in safer construction techniques to meet building codes and training of building inspectors to enforce building requirements; (ii) improving ecosystem services for climate resilient watershed and water resources management; and (iii) strengthening MOF capacity for assessing and managing more effectively multi-hazard and climate risk in sector portfolio. DRM, environment and climate change considerations will also be incorporated selectively into CDB's support for infrastructure and other sectors under regional TA. Given the substantial involvement by other donors (DfID, DFATD, WB, EU, Global Environmental Facility in climate change and DRM), the Bank will explore opportunities for donor coordination wherever possible to maximise synergies. An excellent example of such coordination is the Community Disaster Risk Reduction Fund supported by DFATD and DfID and executed by CDB through which vulnerable communities can access funds for disaster risk mitigation and climate change adaptation.

Resource Envelope

4.24 The resource envelope currently available to St. Vincent and the Grenadines stands at \$101 mn (\$80 mn Ordinary Capital Resources (OCR) and \$21 mn in grants and concessionary funding, including BNTF resources). The availability of OCR has been determined within the context of the Bank's new risk management framework and with consideration of the Bank's current exposure to St. Vincent and the Grenadines. Based on current projections of fiscal and debt performance over the medium term, the Bank is proposing a pipeline of \$86.72 mn of which \$21 mn would be grants and concessionary resources and the remaining \$65.72 mn OCR. On the basis of fiscal performance at the mid-term review, the additional OCR funding of \$14.28 mn may be programmed.

Monitoring and Evaluation

(a) Results-Based Monitoring Plan, Roles and Responsibilities

4.25 The Bank will use a Results-Based Monitoring Framework with special attention to the gender and environment dimensions of the strategy, to evaluate the country strategy performance. Baselines, targets and indicators will be disaggregated by sex. Supervision and completion reports will give account of achievements with respect to gender equality. The proposed country strategy implementation schedule is at Appendix 7.

4.26 In addition to the systematic conduct of gender analysis, special attention will be given to the effective engagement of a critical mass of both men and women, as well as gender-related groups, in the needs assessments; prioritisation process; project management committees; implementation, monitoring and evaluation of projects.

4.27 Through an institutionalised process involving internal half-yearly reviews by the Bank's CSP team, the country strategy will be monitored closely to maximise achievability of intended results. The Bank will share and discuss the results of its half-yearly reviews with GOSVG officials and will also undertake a comprehensive review with GOSVG officials at mid-term and at the end of the country strategy period.

Development Partners – Assistance of Other Agencies

4.28 St. Vincent and the Grenadines has benefitted and is benefitting from a substantial infusion of donor resources into various segments of the economy and social sector. EU is currently the largest donor with a portfolio of \$95 mn Euros in grants. DFATD which in recent years has taken a regional approach to its involvement in the Caribbean is focusing its attention on five thematic areas from which St. Vincent and the Grenadines is benefitting: (i) sustainable growth; (ii) strengthening public sector institutional development in support of macroeconomic stability and growth; (iii) security; (iv) national disaster management; and (v) PSD. Through its support for the implementation of OECS Education Sector Strategy (2012-2021), the United States Aid for International Development (USAID) is supporting improvements in literacy in basic education.

4.29 The DfID for the period 2011-2015 has an allocation of seventy-five million Pounds Sterling (£75 mn) for regional development projects from which St. Vincent and the Grenadines is benefitting in three key areas: (i) DRM; (ii) security enhancement; and (iii) improved macroeconomic management. Other important donors include: (i) WB with its recent interventions in E-Government, post-disaster rehabilitation and reconstruction, enhanced environmental and DRM; (ii) Venezuela under its PetroCaribe programme; and (iii) Cuba with its support to the health sector and the construction of the new airport. For additional information on current and prospective donor activity, see Appendix 8.

4.30 In the implementation of the new country strategy, the Bank will seek routinely to coordinate with other donors in its interventions. Where possible, the Bank will seek to institutionalise the coordination process as a strategy for leveraging additional resources and achieving greater effectiveness in resource use.

Risks and Mitigation

(a) Macroeconomic Risks

4.31 Current forecasts for the global economy are that medium-term growth will be variable and tepid at best in the context of the severe fiscal adjustment challenges and poor growth performance in the Eurozone; the prospect of continuing fiscal challenges in the medium term in US which can constrain output expansion; and slower than anticipated growth in emerging economies. Due to the openness of the St. Vincent and the Grenadines economy and the likely knock-on effects of global economic performance, country strategy implementation may be somewhat challenging. Fiscal adjustment efforts may yield less than expected, making the fiscal consolidation process somewhat more difficult. Access to counterpart funding under the circumstances may be further constrained, making it necessary to slow the pace of the country strategy implementation or apply accommodative measures to address this constraint.

4.32 A significant challenge facing GOSVG in the medium term is the possibility of financial sector instability due to incomplete resolution of Colonial Life Insurance Company/British American Insurance Company crisis and the systemic weaknesses in the banking and non-bank sectors. The resolution of these issues can have significant fiscal implications if not carefully managed. St. Vincent and the Grenadines, as a member of ECCU, is actively participating in a sub-regional strategy to resolve the fallout from the collapse of CLICO/BAICO, while simultaneously seeking to strengthen the regulatory and supervisory framework for the insurance sector. The latter entails the development of a two-tiered institutional arrangement encompassing: (i) a move towards the coordination of the regulation and supervision of the sector at the regional level through the establishment of the Eastern Caribbean Financial Services Regulatory Commission and the adoption of a Uniform Insurance Act; and (ii) the strengthening of existing national Single Regulatory Unit. Additionally, CDB and other members of the donor community are analysing and monitoring developments in OECS financial sector to arrive at an appropriate resolution of current difficulties.

4.33 St. Vincent and the Grenadines is very vulnerable to natural disasters, particularly hurricanes and floods, which have caused substantial destruction to physical, economic and social infrastructure, inflicting massive losses in assets and income and deflecting scarce financial resources to disaster rehabilitation and reconstruction. The threat is perennial and GOSVG needs to ensure that its DRM strategies are very robust, both from an institutional and policy perspective. CDB and the donor community are very committed to helping GOSVG to enhance its institutional and policy capabilities. The Bank has provided technical and other resources towards the strengthening of DRM and will continue to do so. Additionally, the Bank stands ready to support GOSVG with rehabilitation and reconstruction resources in the case of natural disasters.

(b) Institutional Risks

4.34 Inadequate institutional capacity remains a significant constraint to project implementation. Accordingly, in the new country strategy, the intention is to investigate the availability of the required capacity for each project and to address this issue at two levels:

- (i) provision of funding, where required, for capacity building to facilitate project implementation and sustainability, including the collection and analysis of sex disaggregated data; and
- (ii) provision of resources for the development of longer-term institutional capacity as needed, particularly in institutions critical to project implementation, such as CPD, MTW and BRAGSA.

ESTIMATES OF DAMAGE AND LOSSES
DECEMBER 2013 FLOODS

(\$ mn)

Sector	Damage	Losses	Total	%
Infrastructure	83.0	21.7	104.8	96.7
Transport	67.9	14.7	82.6	76.2
Housing	6.8	2.3	9.1	8.4
Electricity	5.2	3.3	8.6	7.9
Water and Sewerage	3.1	1.3	4.5	4.1
Social	3.2	0.2	3.4	3.2
Agriculture	1.4	0.0	1.4	1.3
Health	1.8	0.2	2.1	1.9
Productive	0.1	0.1	0.2	0.2
Tourism	0.1	0.1	0.2	0.2
Education	0.0	0.0	0.0	0.0
Info. and Comm.	0.0	0.0	0.0	0.0
Total	86.3	22.0	108.4	100.0
Percentage	79.7	20.3	100.0	-

Source: World Bank

MEDIUM-TERM MACROECONOMIC PROJECTIONS
(2014-18)

Item	2013	2014	2015	2016	2017	2018
Output and Prices						
Real Gross Domestic Product Growth (%)	3.1	2.5	3.5	3.5	4.0	4.0
Consumer prices (end of period) (%)	1.0	2.0	2.5	2.5	3.0	3.0
<i>(% of GDP)</i>						
Central Government Finances						
Total Revenue and Grants	25.8	26.7	27.8	28.9	29.0	29.0
Current Revenue	23.4	24.3	25.6	26.9	27.0	27.0
o/w Tax Revenue	20.3	21.3	22.6	23.9	24.0	24.0
Capital Revenue and Grants	2.4	2.4	2.2	2.0	2.0	2.0
Total Expenditure and Net Lending	32.1	31.1	29.7	29.3	29.1	29.2
o/w Current Expenditure	25.8	26.0	24.6	24.2	24.0	24.0
Current Account Balance	(2.4)	(1.7)	1.0	2.7	3.0	3.0
Overall Balance	(6.3)	(4.4)	(1.9)	(0.4)	(0.1)	(0.2)
Primary Balance	(3.9)	(1.4)	1.2	2.5	2.5	2.2
Central Government Debt						
	67.9	73.5	71.2	67.2	63.4	59.9
Total Public Sector Debt						
	75.2	80.8	78.5	74.5	70.6	67.1

Source: Caribbean Development Bank, International Monetary Fund, Government of St. Vincent and the Grenadines' estimates.

ST. VINCENT AND THE GRENADINES' PROGRESS IN THE ACHIEVEMENT OF THE CARIBBEAN SPECIFIC INDICATORS OF THE MILLENNIUM DEVELOPMENT GOALS

1. The Millennium Development Goals (MDGs) constitute a comprehensive, time-bound, framework for promoting and measuring specific aspects of development and, since their adoption, Governments have been encouraged to use them to guide the formulation of national development policy. The following represents a summary of progress in MDGs' achievements. St. Vincent and the Grenadines has made significant strides in attempting to achieve MDGs despite institutional limitations and technical and financial resource constraints that threaten the achievements made.

Goal 1: Eradication of Extreme Poverty and Hunger

2. St. Vincent and the Grenadines has far exceeded this target in advance of the 2015 deadline. During the period 1995/96 to 2008 extreme poverty plunged from roughly 26% to 3%. However, the reduction in non-indigent poverty was very modest and a large percentage of the population still lives in poverty or vulnerable to poverty. The last Survey of Living Conditions (SLC) conducted in 2007/08 indicated that 30.2% of the individuals and 20.8% of the country's households were living below the poverty line.

Indicator	1995/96^{26/} (%)	2007/08^{27/} (%)
Proportion of households below the poverty line	37.5	30.2
Poverty gap	12.6	7.5
Share of poorest quintile in national consumption	4.5	9.8
Proportion of employed poor	40.6	74.7
Proportion of the population below minimum dietary energy consumption	25.7	2.9
Proportion of persons with access to electricity	76.3	88.8
Proportion of households using pit latrines	55.7	31.1

Goal 2: Achievement of Universal Primary Education

3. Education is the cornerstone of the Government of St. Vincent and the Grenadines' people-centered development policy. The country has far exceeded the goal of universal primary education, even achieving universal secondary education. Its national goal is to achieve also universal access to pre-primary education.

Indicator^{28/}	1995/96 (%)	2011/12 (%)
Schools with age appropriate curricula	-	100
Trained teachers in:		
Primary school	51	85
Secondary school	33	57

^{26/} Poverty Assessment Report 1996.

^{27/} St. Vincent and the Grenadines Country Poverty Assessment 2007/08.

^{28/} GOSVG Education Statistical Digest.

Goal 3: Promotion of Gender Equality and the Empowerment of Women

4. This is not only a goal but can be viewed as the prerequisite for the achievement of all of the other goals. Eradicating poverty and extreme hunger in St. Vincent and the Grenadines and the Caribbean depends on the achievement of gender equality and the empowerment of women, given the high percentage of single female-headed households. In 2001, in keeping with the global focus of the declaration, GOSVG's Gender Affairs Division was established. However, the work of the Division is still at the policy phase. The Human Development Index identifies two measures of gender equality: (a) the Gender-related Development Index; and (b) the Gender Empowerment Index. In the last HDI report, the required sex disaggregated data was not available for St. Vincent and the Grenadines to calculate and present on these indices. The following indicators are used to represent three domains of gender equality:

- (i) Capabilities – The ratio of boys to girls in education.
The ratio of literate females to males 15-24 years old.
- (ii) Opportunity – The share of women in wage employment in non-agriculture activity.
- (iii) Agency – The proportion of women in national Parliaments.

5. Although girls in St. Vincent and the Grenadines have equal access to education, statistics show that unemployment rates for women, especially young women, double that for men, even when compared to females with the same education attainment levels as males. Teenage pregnancy undeniably is a major area in which Vincentian women are at a major disadvantage with regard their social mobility. With criminal activity and violence increasing on the island, there is also an alarming increase in crime and violence against women, in particular domestic violence, the main victims being young, unemployed women between 13-34 years of age. Women in St. Vincent and the Grenadines have been able to attain top administrative posts especially in the public service. However, their low visibility continues to be a characteristic of Caribbean politics. In the present House of Assembly there are 23 seats of which only four are occupied by women, this despite the fact that historically in St. Vincent and the Grenadines women have outnumbered men at the polls.

Indicator (selected indicators)	1990s (%)	2000s (%)
% Share of Girls in Total Enrolment in:	(1995/96)	(2011/12)
Primary	48	48
Secondary	60	48
Tertiary	N/A	N/A
Youth Literacy Rate:	(1991)	-
Female	89.5	-
Male	88.2	-
Share of Employed Women in Non-agriculture Wage Employment	(1991)	(2001)
	86.1	92.7
Average National Income by Sex		
Employment by Sex:	(1991)	(2001)
Female	77.9	81.4
Male	81.6	77.4
Proportion of Seats held by Women in National Parliament	(1994)	(2012)
	13.3	17
Proportion of Women Holding Office in Government	-	-

6. Goals 4, 5 and 6 are all inextricably bound to women’s sexual and reproductive health and rights. Progress in these health indicators is also a measure of the degree to which a society exercises the most fundamental human right – that to life and health.

Goal 4: Reduction of Child Mortality

7. Immunisation rates reflect almost 100% coverage. As a result, the country reports that child mortality rates have reduced by almost 50% and are fast approaching developed world standards. However, global MDGs database show infant mortality rates have not changed significantly

Indicator	1990 (%)	2011 (%)
Under five mortality ratio (per 100,000 live births)	21	20
Infant mortality rate (per 1,000 live births)	27	21
Proportion of children 1-5 years completely immunised	-	99

Goal 5: Improvement of Maternal Health

8. The community health service, through health clinics, provides antenatal and post-natal care covering all aspects of maternal and child health. Maternal mortality has been on the decline, falling from 64 in 2005 to 48 in 2011.

Indicator	1995 (%)	2011 (%)
Adolescent fertility	75	55
Births attended by skilled health worker	100	-
Contraceptive prevalence women 15-49 (%)	58	48 (2005)
Maternal mortality ratio per 1,000 population	59	48

Goal 6: Combating Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome, Malaria and Other Diseases

9. The spread of Human Immunodeficiency Virus (HIV) is also on the decline. This is attributed to efforts made to upscale the HIV/Acquired Immunodeficiency Syndrome (AIDS) prevention and control programme in 2004. The rigorous care and treatment programme has reaped many benefits, chief among them, being that the drop in mortality. The number of deaths attributable to AIDS has decreased significantly by 32% (from 68 deaths in 2006-07 to 46 deaths in 2008-09). This has allowed the number of persons with HIV to experience a longer survival time and continued participation in the socioeconomic opportunities of the wider society. The stigma attached to the disease, however, still results in social exclusion of persons with the disease.

Indicator	2008 (%)	2009 (%)
Infected persons receiving anti-retroviral treatment	73.2	89
Deaths attributable to AIDS	68 (2006/09)	48 (2008/09)
Number tested	1790	3781

Goal 7: Ensuring Environmental Sustainability

Indicator	1990 (%)	2011 (%)
Forest	64.1	69.2
Marine protected area	1	1
Households with improved sanitation facilities	41.3 (1991) ^{29/}	52 (2001) ^{30/}
Households with piped water ^{31/}	83.2 (1991)	76.3 (2001)

Goal 8: Development of a Global Partnership for Development

Indicator	1990	2011
Debt service as a % exports	3	16
Net Official Development Assistance received per capita (USD)	143	154
Internet users (per 100 people)	0	43
Mobile cellular subscriptions (per 100 people)	0	121
Telephone lines (per 100 people)	12	21

^{29/} Poverty Assessment report 1991.

^{30/} Population and housing census 2001.

^{31/} Population and housing census 2001.

GOVERNMENT'S DEVELOPMENT STRATEGY

GOAL I: Re-engineering Growth	GOAL II: Enabling Enhanced Human and Social Development	GOAL III: Promotion of Good Governance and Increasing the Effectiveness of Public Administration	GOAL IV: Improving Physical Infrastructure, Preserving the Environment and Building Resistance to Climate Change	GOAL V: Building National Pride, Identity and Culture
<ul style="list-style-type: none"> • Maintenance of strong macroeconomic fundamentals. • Revitalisation of the agriculture and fisheries sectors. • Expansion of the tourism industry. • Financial sector development. • An expanded role for the private sector in economic and social development. 	<ul style="list-style-type: none"> • Poverty Reduction. • The creation of an adaptable, functional and literate population, committed to lifelong education. • Promotion of self-care interventions and healthy lifestyle practices. • Facilitation of social, cultural and economic development at the community level. 	<ul style="list-style-type: none"> • Enhanced accountability, transparency, effectiveness and efficiency in the provision of public goods and services. • Development of a peaceful, safe and secure environment. • Enhanced confidence in the judicial and legal system. • Greater role of civil society in the maintenance of democracy. • Widened and deepened diplomatic relations. 	<ul style="list-style-type: none"> • Optimisation of the use of land space. • Upgrading of the road network. • Improved air access to St. Vincent and the Grenadines. • Modernised, expanded seaports. • Enhanced capability to prepare for, respond to and mitigate the effects of disasters. • Ensuring adequate, safe, reliable and sustainable water supply. • Conservation of natural resources through effective use and management. 	<ul style="list-style-type: none"> • Creation of a sense of national pride and appreciation of St. Vincent and the Grenadines' history. • Engendering of a greater sense of community and social responsibility. • Preservation and promotion of St. Vincent and the Grenadines' cultural heritage. • Maximisation of the contribution of cultural industries to economic growth.

GOAL I: Re-engineering Growth	GOAL II: Enabling Enhanced Human and Social Development	GOAL III: Promotion of Good Governance and Increasing the Effectiveness of Public Administration	GOAL IV: Improving Physical Infrastructure, Preserving the Environment and Building Resistance to Climate Change	GOAL V: Building National Pride, Identity and Culture
<ul style="list-style-type: none"> • A strong, sustainable external trade sector. • Development of the Information and Technologies sector. • Enhanced productivity and competitiveness. • Maximisation of benefits through the OECS Union, CSME and the global economy. • Expansion in construction sector activity. • Optimisation of the returns from the ocean's resources. 	<ul style="list-style-type: none"> • Youth empowerment to facilitate meaningful participation in and contribution to national development. • Improved housing and living conditions for all. • Protection and inclusion of marginalised groups. 		<ul style="list-style-type: none"> • Maintenance of a clean, safe and healthy environment. • Reduced dependence on imported energy. • Reduction in the adverse impact of climate change. 	

ST. VINCENT AND THE GRENADINES
INDICATIVE PROGRAMME
FOR COUNTRY STRATEGY 2008-2011

Projects	Status
<u>Economic Growth</u>	
<i>Infrastructure Development</i>	
Road Construction on Canouan Island	Not initiated
Airport Rehabilitation (Union Island, Bequia)	Not initiated
Rehabilitation of bridges	In progress
Port Development	In progress
South Leeward Highway	
<i>Economic Diversification</i>	
Irrigation Project (Richmond/Chateaubelair, Rose Hall/Cane Grove)	Not initiated
<i>Human Resource Development</i>	
Construction of Ministry of Education Headquarters Building	Not initiated
Enhanced Management Information System	In progress
Training of teachers as counsellors (Support Services)	Completed
Technical and Vocational Education and Training	In progress
Institutional Strengthening of Communications Unit	In progress
Line of Credit (LOC) for Student Loans	
<i>Private Sector Development</i>	
Caribbean Technological Consultancy Services training	Completed
LOC – Microfinance	Not Initiated
<u>Promoting Social Development</u>	
Basic Needs Trust Fund	In progress
<u>Strengthening Environmental and Disaster Risk Management</u>	
Upgrade of Kingstown Sewage Plant	Not initiated
Grenadines Solid Waste Project	Abandoned
Coastal Zone Protection	Not initiated
Training in Disaster Risk Management	Not initiated
Design of retrofitting programme for Public Buildings	Not initiated
<u>Public Sector Modernisation</u>	
Institutional strengthening – Treasury	Completed
Institutional strengthening – Bureau of Standards	Not initiated
Institutional strengthening – Statistical Department	Not initiated
Training in Project Cycle Management	Completed

SUMMARY MATRIX OF PROPOSED STRATEGY AND RESULTS FRAMEWORK

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
PILLAR I: ACCELERATED SUSTAINABLE AND INCLUSIVE GROWTH (NESDP GOAL I) (Aligned with the Bank's Strategic Objective of Inclusive Growth and Sustainable Development)					
Outcome 1: Strengthened Fiscal Performance and Public Financial Management (NESDP Strategic Objective 1.1)					
Fiscal and Debt Sustainability	Inadequate institutional capacity for fiscal planning and policy implementation.	Improved fiscal and debt management.	<ul style="list-style-type: none"> Medium-Term Fiscal Strategy <p><i>Baseline:</i> No Medium-Term Fiscal Strategy in place (2013).</p> <p><i>Intermediate Target:</i> Strategy developed by end-2014.</p> <p><i>Target:</i> Strategy implemented by end of 2017.</p>	<ul style="list-style-type: none"> TA support for the design and implementation of medium-term fiscal strategy. 	<ul style="list-style-type: none"> Deterioration in fiscal performance because of external economic shocks or natural hazards. - Re-phasing of fiscal strategy implementation. • Insufficient commitment on the part of GOSVG with respect to formulation and implementation of Medium-Term fiscal strategy. - Regular policy dialogue with CDB, IMF, CARTAC, SEMCAR.
Outcome 2: Export Diversification (NESDP Strategic Objectives 1.2; 1.3; 1.4)					
Balanced Growth and Development	<p>Narrow export base with overdependence on tourism.</p> <p>Inadequate financial and technical resources for policy formulation and project implementation to effect export expansion and diversification.</p>	<ul style="list-style-type: none"> A more diversified external sector Development of more resilient subsectors of the tourism industry such as education, health etc. 	<ul style="list-style-type: none"> Non-tourism export revenue accounting for at least 55% of total export revenue by 2018. <p><i>Baseline:</i> 50 (2012)^{1/} <i>Mid-term:</i> 52% (2016) <i>Target:</i> 55% (2018)</p> <ul style="list-style-type: none"> Contribution of health and education to tourism expenditure <p><i>Baseline:</i> X% (2012)^{2/} <i>Mid-Term:</i> Y% (2016) <i>Target:</i> Z% (2018)</p>	<ul style="list-style-type: none"> TA for strengthening the export financial services sector and exploring the possible development of other export services. Expansion of root crop production and exports. 	<ul style="list-style-type: none"> Inadequate investment, technical expertise and skilled labour to pursue viable export service and crop development options. - Short-to-medium term importation of technical expertise and skills while developing national skills. - Marketing of development projects in non-traditional export services to attract investment.

^{1/} Source: Eastern Caribbean Development Bank (ECDB)
^{2/} Data for 2012 to be collected and targets to be established
* Denotes Risks
- Denotes Mitigation Measures

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
Outcome 3: Enhanced Capacity for Technological Adaptation and Facilitation of Insertion of New Technologies in Critical Sectors to Enhance International Competitiveness (NESDP Strategic Objective 1.8)					
Enhanced Productivity and International Competitiveness	<ul style="list-style-type: none"> Low percentage of students of both sexes graduate from basic education with certification in STEM disciplines. Insufficient focus and support for teacher effectiveness and accountability for results. Inadequate capacity to implement comprehensive life skills programmes. Inadequate institutional framework for the provision of special education services throughout the basic education sub-sector. Limited capacity to provide appropriate stimulation and quality Early Childhood Development (ECD) services. Inadequate access to quality tertiary education opportunities. 	<ul style="list-style-type: none"> Improved efficiency and effectiveness of education services. Increased and equitable access to high quality education and training for boys and girls. Enhanced skills training in STEM subjects for boys and girls. 	<ul style="list-style-type: none"> Increase the proportion of male and females students of their respective cohorts passing the STEM subjects in Caribbean Examinations Council (CXC) Caribbean Secondary Education Certificate. The first numbers are for base year 2012. The second numbers are for target year 2018. <ul style="list-style-type: none"> (a) <i>Mathematics</i> Male: 18% to 23% Female: 24% to 30% (b) <i>Chemistry</i> Male: 5% to 12%. Female: 8% to 14% (c) <i>Physics</i> Male: 6% to 13% Female: 4% to 10% (d) <i>Biology</i> Male: 10% to 18% Female: 14% to 20% <u>Teacher Appraisal</u> Baseline (2012) No teacher appraisal system in place. <ul style="list-style-type: none"> At least 70% of teachers of both sexes assessed as meeting satisfactory criteria in teacher appraisal system by 2018. Screening of students (Baseline – (2012) early screening not done and intervention services piecemeal. 100% of boys and girls screened annually by (2018). Appropriate Intervention services provided to at least 70% of learners of both sexes identified with learning deficits (2018). 	<p>(a) Programme to support:</p> <ul style="list-style-type: none"> (i) improved teacher efficacy including in the key areas of numeracy and science; (ii) an effective teacher appraisal system; and (iii) addressing social risk in education with focus on special education needs including early screening programme and the implementation of the Health and Family Life Education (HFLE) programme. 	<ul style="list-style-type: none"> Lack of buy-in from key stakeholders including the St. Vincent Teacher’s Union; Stakeholder engagement in developing the appraisal system. The demand for STEM and ICT professionals lure potential teachers to jobs with greater incentives; Maintain competitive terms and conditions in teaching and accelerate training to create large pool of graduates. Counterpart funding not available to support project implementation. Strategies to increase GOSVG savings. Payment of outstanding Government contribution.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
Outcome 3: Enhanced Capacity for Technological Adaptation and Facilitation of Insertion of New Technologies in Critical Sectors to Enhance International Competitiveness CONT'D					
Enhanced Productivity and International Competitiveness (Cont'd)			<p><u>HFLE</u> Baseline (2012) – Programme fragmented with limited reach and curricula focus.</p> <ul style="list-style-type: none"> - HFLE programme fully implemented in primary and secondary schools according to regional minimum standards by 2017. - Gross enrolment in ECD (pre-primary education) increase from 79% in 2010 to 85% in 2018. - 30% increase in enrolment in University of the West Indies ((UWI) Open campus online/ blended programmes by 2018/2020. (Baseline: [2012] 302 students). - Male to female student ratio improve by 2018 to at least 15:85 from 8:92 in 2012. 	<ul style="list-style-type: none"> (a) Programme for expanded access to quality ECD services. (b) UWI Open Campus development project – expansion and upgrade of facilities, technology upgrade and development of new demand-driven programmes. 	
Outcome 4: Enhanced Cost-effective Provisions of Infrastructure Services (NESDP Strategic Objectives 4.2; 4.4)					
To Upgrade the Country's Road Network	<ul style="list-style-type: none"> • Majority of the secondary and tertiary road network in urgent need of repair. • Insufficient capacity within the primary road network. 	<ul style="list-style-type: none"> • Increased efficiency of transportation infrastructure. 	<ul style="list-style-type: none"> • Reduction in average annual Vehicle Operating Costs from \$1 mn/km in 2012 to \$0.75 mn/ km in 2018. • Reduction in road transport project initiation durations by an average of three months from 12 months in 2012 to nine months by 2018 attributed to enhanced decision-making and implementation capacity of MTW. 	<ul style="list-style-type: none"> • Road improvement and drainage programme for primary, secondary and tertiary roads. • Organisational assessment and institutional strengthening of MTW and BRAGSA. 	<ul style="list-style-type: none"> • Lack of adequate funding allocation for maintenance of upgraded corridors. - Increase GOSVG savings. - Larger allocations for maintenance. - Explore additional sources for funding road maintenance. • Recommendations of organisational assessment of MTW and BRAGSA not implemented by GOSVG.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
Outcome 4: Enhanced Cost-Effective Provisions of Infrastructure Services CONT'D					
	<ul style="list-style-type: none"> • Insufficient funding allocated for maintenance. • Inadequate roadside drainage. • Insufficient safety features for motorists and pedestrians. 	Increased efficiency of transportation infrastructure.			<ul style="list-style-type: none"> - Explore reasons for non-implementation. - Identify strategies for addressing them.
To Modernise and Expand Seaport Facilities	<ul style="list-style-type: none"> • Inadequate physical capacity of Kingstown Port to handle container operations or accommodate larger cruise vessels and multiple visits on a single day. • Inability of CPCP to accommodate to larger vessels. • Remote nature of the CPCP facility from the main warehousing and retail activity in Kingstown. • Inadequate port facilities within The Grenadines. 	Expanded, more efficient seaport services.	<ul style="list-style-type: none"> • Increase by 10% the Average Productive Ratio from 67.15 in 2012 to 73.85 in 2018. • Increase by 10% the Tons per ship per berth hour from 336.16 in 2012 to 370 in 2018. • Increase in number of Vessel Calls for Container Ships from 238 in 2012 to 262 in 2018. 	<ul style="list-style-type: none"> • Development of a new seaport facility on the mainland of St. Vincent. • Upgrading and Expansion of port facilities in The Grenadines. 	<ul style="list-style-type: none"> • Projects postponed because of financial constraints or other spending priorities. • Increased port congestion and inefficiency. - Implement measures to maximise capacity and efficiencies at CPCP and in current port in the Grenadines.
To Ensure a Clean, Safe and Healthy Environment	<ul style="list-style-type: none"> • Centralised sewage. treatment only exists in Kingstown. • Sewage generated from hotels in south of island is disposed at sea posing a direct threat to the country's coastline. 	Increased access to water and sanitation services.	<ul style="list-style-type: none"> • Increase in the number of connections to the Kingstown Sewerage System from: <ul style="list-style-type: none"> - 280 in 2012 to 1,650 in 2018 for Kingstown; and - 45 in 2012 to 450 in 2018 for the Arnos Vale/South Coast. 	<ul style="list-style-type: none"> • Upgrade and Expansion of the Kingstown Sewerage System. 	<ul style="list-style-type: none"> • Significant disruption to major residential and tourism area of country. - Identification and implementation of strategies for addressing the various forms of disruption.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
Outcome 4: Enhanced Cost-Effective Provisions of Infrastructure Services CONT'D					
To Manage and Guide the Growth and Development of Kingstown in a Sustainable Manner.	<ul style="list-style-type: none"> Space limitations. Funding inadequacies. Inadequate economic and social infrastructure. 	<ul style="list-style-type: none"> Improved quality and coverage of economic and social infrastructure. 	<ul style="list-style-type: none"> Increase by 10% by 2018 in revenue from business activity in Kingstown from \$1 mn in 2012 to \$1.1 mn in 2018. 	<ul style="list-style-type: none"> Urban Revitalisation of Kingstown. 	<ul style="list-style-type: none"> Project postponed or not implemented. Increased congestion in Kingstown. Further deterioration of the Kingstown's economic and social infrastructure. - Increased stop-gap measures such as repairs to physical infrastructure until comprehensive development project implementation.
Outcome 5: Improved Public Sector Investment Programme Management (NESDP Strategic Objectives 3.1)					
To Improve Project Selection in Public Sector Investment.	<ul style="list-style-type: none"> Deficiencies in institutional capacity with respect to project evaluation, selection implementation and monitoring. National constraints in project execution capacity. Sub-optimal management information system with respect to projects. 	<ul style="list-style-type: none"> Improved quality of public sector investment. 	<p>Proportion of implemented projects evaluated using new evaluation techniques post-training:</p> <p><i>Base Year:</i> 0% (2012)</p> <p><i>Mid-Term:</i> 10% (2016)</p> <p><i>Target:</i> 25% (2018)</p>	<ul style="list-style-type: none"> Institutional strengthening of CPD through training in PCM and Management for Development Results. 	<ul style="list-style-type: none"> Persons trained not retained in CPD. - Increase number of persons trained taking into consideration possible attrition levels.
Outcome 6: Improved Management of Alternative Energy Development (NESDP Strategic Objective 4.9)					
Reduced Dependence on Imported Energy	<ul style="list-style-type: none"> Inadequate skills for the formulation of alternative energy policy formulation. Inadequate financial and other resources for alternative energy development. 	<ul style="list-style-type: none"> Increased use of alternative energy as a percentage of national energy consumption. 	<ul style="list-style-type: none"> Alternative Energy Policy. <p><i>Baseline:</i> No policy in place.</p> <p><i>Mid-term:</i> Policy formulation and approved by Cabinet (2015).</p> <p><i>Target:</i> Policy under implementation 2016.</p>	<ul style="list-style-type: none"> TA in support of formulation of a Renewable Energy Policy. 	<ul style="list-style-type: none"> GOSVG ignores policy advice with respect to Alternative Energy. - Maintenance by CDB and other donors of ongoing policy dialogue with GOSVG.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
PILLAR II: INCLUSIVE SOCIAL DEVELOPMENT WITH FOCUS ON GENDER EQUALITY (NESDP GOALS 2 AND 3) <i>(Aligned with the Bank's Strategic Objective of Inclusive Growth and Sustainable Development)</i>					
Outcome 1: Enhanced Policy Framework for reducing Gender-Based Violence (NESDP Strategic Objectives 2.5 and 2.7)					
Enabling Increased Human and Social Development	<ul style="list-style-type: none"> High prevalence of domestic and GBV. Gender stereotyping. Lack of a comprehensive legal framework. Isolated/uncoordinated GBV prevention and enforcement interventions. 	<ul style="list-style-type: none"> Effective institutional framework for tackling GBV and related accountability mechanisms in place. 	<p>Action Plan on Domestic and GBV institutionalised.</p> <p><i>Baseline:</i> Rough Draft (2013). <i>Mid-term:</i> Approved by Cabinet (2016).</p> <p><i>Target:</i> At least 25% of implementation costs of Action Plan included in national budget (2018). <i>(Source:</i> Budget Document).</p>	<p>Support to the consultation and validation process for the adoption of the Action Plan on Domestic and GBV by GOSVG.</p> <p>TA for the pilot implementation of the Action Plan (2015-17).</p>	<ul style="list-style-type: none"> Lack of Political Support. Evidence-based policy dialogue. Funding work on GBV not a national priority/reliance on donors. Involve Development Partners in the advocacy for a sustainable country-funded approach to tackle GBV.
Outcome 2: Gender Equality Institutionalised (NESDP Strategic Objectives 2.1, 2.4, 2.7)					
Enabling Increased Human and Social Development	<ul style="list-style-type: none"> No Gender Policy in place. NESDP has not identified gender priorities. No systematic analysis of gender-relevant information. Weak capacity to coordinate the institutionalisation of gender issues across Government. 	<ul style="list-style-type: none"> Gender equality priorities effectively integrated in policy dialogue and planning processes. 	<p>National Gender Policy in place:</p> <p><i>Baseline:</i> No policy (2013) <i>Mid-term:</i> Draft Policy (2016) <i>Target:</i> Policy approved by Cabinet (2017).</p> <p>Number of NESDP objectives with at least one gender priority:</p> <p><i>Baseline:</i> No gender priority in NESDP (2013). <i>Mid-term:</i> At least two gender priorities in second Medium Term Strategy Paper (2016).</p>	<p>Support completion/validation of CGA.</p> <p>TA to address CGA recommendations, with a view to developing a National Gender Policy.</p> <p>Support advocacy and TA for gender responsive planning.</p>	<ul style="list-style-type: none"> Lack of appetite for a National Policy. Involve senior Government officials in regional policy dialogue on good practices and lessons learned. Evidence-based policy dialogue.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
PILLAR II: INCLUSIVE SOCIAL DEVELOPMENT – POVERTY REDUCTION (NESDP GOAL 2: STRATEGIC OBJECTIVE 2.1) CONT'D					
More effective support to the Poor and Vulnerable	<ul style="list-style-type: none"> Limited availability of funds. Institutional weaknesses in MNM. 	<ul style="list-style-type: none"> Improved efficiency by MNM in the execution of its duties. 	Administration cost as a percentage of total MNM expenditure: <i>Baseline:</i> 11.4% (2013) <i>Target:</i> y% (2018) (to be determined at project appraisal)	Institutional Strengthening of MNM.	<ul style="list-style-type: none"> Inadequate availability of funds to support the poor and vulnerable. - Development of strategies for sourcing additional funds.
Enhanced Competitiveness and Sustainability of MSMEs	<ul style="list-style-type: none"> Low productivity. Weak management. Limited sustainability. Inadequate access to capital. 	<ul style="list-style-type: none"> Improved management. Enhanced productivity. Improved resilience and sustainability. Strengthening female entrepreneurship. 	At least 90% of the businesses receiving CTCS technical support remain in business by 2017.	CTCS training aimed at strengthening business management and enhancing productivity: - Training workshops. - Online Training. - Training attachments. - Direct TA.	<ul style="list-style-type: none"> Continuing weakness of the economic environment. - CTCS provision of appropriate technical support and advice to help MSMEs address the challenges posed by the environment.
Reduced Economic Vulnerability	<ul style="list-style-type: none"> Limited availability of financial and technical resources. Inadequate infrastructure development in poor communities. Limited opportunities for training and for earning livelihoods. 	<ul style="list-style-type: none"> Improved access to basic services – water and sanitation, transportation, drainage, medical services etc. Increased opportunities for earning income through training, small businesses etc. 	For attainment by 2018: (i) 10% increase in attendance or enrolled rates at BNTF-improved schools; (ii) 10% increase in student pass rates in BNTF-refurbished or expanded schools; (iii) at least 20% of trained beneficiaries (by sex) gainfully employed; (iv) 80% of households in poor communities with access to potable water within 15 minutes of walking; (v) 25% reduced travel time to essential services (health, education etc.). <i>Source:</i> SDF BNTF 7 Board Paper (October 2012)	<u>BNTF:</u> (i) Insertion and/or upgrading of infrastructure in poor communities – roads, footpaths, water, sanitation, schools etc. (ii) Adult education and training opportunities to provide marketable skills.	<ul style="list-style-type: none"> Inadequate community involvement in the construction and maintenance of community infrastructure. - Early engagement and participation of the community in the project implementation process. Inadequate and/or tardy provision of counterpart funding. - Increase in GOSVG savings through fiscal consolidation. - Early notification of the authorities of counterpart funding needs on an annual basis so that funding requirements are accommodated in the budgetary planning process.

Country Development Goals	Sector Constraints	Expected Sector Outcomes	Outcome Indicators	CDB Interventions	Risks and Mitigation Measures
PILLAR III: ENVIRONMENTAL SUSTAINABILITY AND DISASTER RISK MANAGEMENT (NESDP Strategic Objectives 4.6; 4.7) <i>(Aligned with Bank's Strategic Objective of Environmental Sustainability)</i>					
Environmental Sustainability to Support Economic Growth and Development	<ul style="list-style-type: none"> Weak resilience of physical infrastructure to climate change, climate variability, and natural hazards. Weak capacity to integrate natural hazard mitigation and climate change adaptation in public financial management and public investment. Loss of ecosystem services due to degradation of watersheds; absence of integrated watershed management plans for critical watersheds. 	Improved capacity for environmental management, climate risk management and DRR.	<p><i>Base line [2013]:</i> (policies outdated or draft not fully implemented).</p> <p><u>By 2017:</u></p> <p>Institutional and other administrative policies implemented beginning 2016 to improve physical planning permitting systems.</p> <p>Full implementation of RRL project</p> <p><i>Baseline: (2013):</i> No systematic process for accounting for climate change and DRR in budgeting process.</p> <p><u>By 2018:</u></p> <p>System to build sector resilience to natural hazards and climate change risks in the budgeting process is in place and implemented.</p> <p><i>Baseline (2013):</i> Watershed management policies/plans absent or in draft.</p> <p><u>By 2018:</u></p> <p>Watershed management policies/ plans in place and implemented to reduce degradation in targeted catchment areas.</p>	<ul style="list-style-type: none"> Support for multi-hazard analysis and vulnerability assessment to increase resilience of urban and rural settlement rehabilitation. Support to improve climate and natural hazard resilience of physical infrastructure (RRL project in response to floods of Dec. 2013). Support for resilience building through natural hazard mitigation and climate change adaptation in public financial management and public investment. Support to Ministry of Agriculture & Forestry; Water Authority; Planning Division to improve data collection systems and watershed management planning capability. 	<ul style="list-style-type: none"> Natural hazard events. - Timely response from CDB and other development partners will help to address the socioeconomic effects of natural hazards. Implementation capacity constraints. - Donor support, coupled with that of consultants and experts will strengthen human and institutional capacities.

**CARIBBEAN DEVELOPMENT BANK'S
INDICATIVE LENDING AND TECHNICAL ASSISTANCE PROGRAMME
ST. VINCENT AND THE GRENADINES
2014-18**

Proposed Interventions for Caribbean Development Bank's Support and Expected Sector Outcomes	Indicative Timeline For Appraisal	Indicative Cost
PROJECTS/PROGRAMMES		
Pillar I: Support to Accelerated, Sustainable and Inclusive Growth		
(a) <i>Medium-Term Fiscal Consolidation Strategy</i>	2014	0.5
(b) <i>Export Diversification</i>		
- Support to Offshore Finance	2014	0.1
- Support to Arrowroot Industry	2015	2.5
- TA for Export Sector Opportunity Studies	2014-16 (one per year beginning 2014)	1.0
(c) <i>Infrastructure Development</i>		
- Port Development	2014	20.0
- Road Improvement and Drainage Programme	2016	6.6
- Upgrade and Expansion of Kingstown Sewerage System	2016	15.6
- Institutional Strengthening:		
(i) MTW and BRAGSA	2014	0.6
(ii) CPD	2014	0.3
(iii) Alternative Energy	2014	0.3
- Urban Revitalisation	2016	10.0
Pillar II: Inclusive Social Development		
- Education	2014 2015	6.4 5.6
- CGA	2014	0.5
- GBV Action Plan	2014-16	
- Gender Equality Support	2015-17	
- Institutional Strengthening of MNM	2015 Q 1	1.5
- BNTF 7	2014	4.1
- CTCS	2014	0.32
Pillar III: Enhanced Environmental Sustainability and DRM		
- Rehabilitation and Reconstruction	2014	10.0
- Certification of artisans in safer construction and of building inspectors	2014	0.3
- Improving ecosystem services for climate resilient watershed and water resources management.	2016	0.3
- Strengthening MOF capacity for assessing and managing multi-hazard and climate risk.	2016	0.4
TOTAL		86.72

DEVELOPMENT PARTNERS MATRIX

Development Partner	Strategic Areas	Mode of Assistance
Caribbean Development Bank	Electric Power; Road Rehabilitation; Port Development; Public Sector Management and Modernisation; Private Sector Development (PSD); Environmental Management and Disaster Risk Management (DRM).	Loans, Policy-Based Loans, Technical Assistance (TA), Grants
European Union	Agriculture; Tourism; Public Sector Management (PSM); PSD, Education; and Health.	Grants, TA.
Department of International Development of the United Kingdom	Public Sector Management and Modernisation, PSD; Citizen Security; and DRM.	Grants.
Department of Foreign Affairs, Trade and Development, Canada	PSM; PSD; Citizen Security; and DRM.	Grants.
Republic of China on Taiwan	Agriculture and Public Sector Management and Modernisation.	Grants.
World Bank	DRM.	Loan.
Global Environmental Facility	Environment.	–
Government of Venezuela	Petroleum Products and Airport Construction.	Soft Loans, Grants, TA.
Government of Cuba	Health and Airport Construction.	TA.

FIGURE 1: MAP OF ST. VINCENT AND THE GRENADINES



