

**CARIBBEAN DEVELOPMENT BANK**

**TWO HUNDRED AND SEVENTY-NINTH MEETING OF THE BOARD OF DIRECTORS**

**TO BE HELD IN BARBADOS**

**DECEMBER 14, 2017**

**PAPER BD 170/17**

**COUNTRY STRATEGY PAPER 2017-2021 – ST. KITTS AND NEVIS**

The attached Country Strategy Paper outlines the assistance strategy of the Caribbean Development Bank (CDB) for St. Kitts and Nevis over the period 2017-2021. It sets out the strategic direction for CDB's engagement and defines the parameters of its support. In developing the Country Strategy, CDB held intensive and extensive discussions with key government officials, as well as other stakeholders and development partners, in an effort to promote country ownership of the proposed programme of assistance. The proposed Country Strategy, therefore, responds to St. Kitts and Nevis' development priorities and it seeks to maximise CDB's comparative advantage and optimise development effectiveness and impact through selective and focussed support. The proposed programme of assistance is designed to prioritise CDB's additionality through technical assistance, institutional strengthening, capacity building and knowledge creation.

2. Specifically, the proposed programme rests on the following three strategic pillars: *economic development and enhanced livelihoods; inclusive social development; and environmental protection and infrastructure enhancement*. In particular, the Strategy supports a programme of assistance that is designed to help achieve the following development outcomes: (a) improved macroeconomic and fiscal stability; (b) increased productivity, competitiveness and economic diversification; (c) improved governance; (d) enhanced education outcomes; (e) increased gender equality; (f) enhanced protection for the most vulnerable in society; and (g) strengthened environmental management and climate-resilient infrastructure. Gender equality, as well as energy security and citizen security considerations will be mainstreamed in CDB's interventions, with special attention being dedicated also to governance issues. An indicative resource envelope of seventy-six point two million United States dollars (USD76.2 mn) has been estimated to support the programme of assistance over the Strategy period.

3. The proposed Country Strategy is aligned with CDB's Strategic Objectives of supporting inclusive and sustainable growth and development, and promoting good governance. Considerable effort has also been undertaken to gauge impact by orienting the strategy towards a Managing for Development Results framework.

4. The Board is asked to approve CDB's Strategy for St. Kitts and Nevis for 2017-2021.



**CARIBBEAN DEVELOPMENT BANK**

**STAFF REPORT**

**COUNTRY STRATEGY PAPER (2017-2021)  
ST. KITTS AND NEVIS**

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Considered at the Two Hundred and Seventy-Ninth Meeting  
of the Board of Directors on December 14, 2017

(BD 170/17)

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**DECEMBER 2017**

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## **ABBREVIATIONS**

BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CALC	-	Climate Action Line of Credit
CBI	-	Citizenship by Investment
CC	-	Climate Change
CDB	-	Caribbean Development Bank
CPA	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DBSKN	-	Development Bank of Saint Kitts and Nevis
DRM	-	Disaster Risk Management
ECD	-	Early Childhood Development
EE	-	Energy Efficiency
ESIA	-	Environmental and Social Impact Assessment
ESP	-	Education Sector Plan
EU-CIF	-	European Union Caribbean Investment Facility
EUR	-	Euros
GBV	-	Gender-Based Violence
GCF	-	Green Climate Fund
GDP	-	Gross Domestic Product
GE	-	Geothermal Energy
GFDRR	-	Global Facility for Disaster Reduction and Recovery
GOSKN	-	Government of St. Kitts and Nevis
GRF	-	Growth and Resilience Fund
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
km	-	kilometre
LFS	-	Labour Force Survey
M&E	-	Monitoring and Evaluation
MDGs	-	Millennium Development Goals
MEND	-	Mold, Empower, Nurture, and Direct
MTDS	-	Medium-Term Development Strategy
mn	-	million
MOE	-	Ministry of Education
MOF	-	Ministry of Finance
MSMEs	-	Micro Small and Medium-Sized Enterprises
MYSC	-	Ministry of Youth, Sports and Culture
NAS	-	National Adaptation Strategy
NEP	-	National Energy Policy
NEVLEC	-	Nevis Electricity Company Limited
NGOs	-	Non-Governmental Organisations
NIA	-	Nevis Island Administration
NREL	-	National Renewable Energy Laboratory
OAS	-	Organisation of American States
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
ORM	-	Office of Risk Management
p.a.	-	per annum
PCM	-	Project Cycle Management

PEP	-	People Employment Programme
PFM	-	Public Financial Management
PPAM	-	Public Policy Analysis and Management
PPPs	-	Public-Private Partnerships
PSIP	-	Public Sector Investment Programme
PSP	-	Police Strategic Plan
PUC	-	Public Utility Commission
RE	-	Renewable Energy
RMF	-	Results Monitoring Framework
RSCNPF	-	Royal St. Christopher and Nevis Police Force
SBA	-	Stand-By Arrangement
SCADA	-	Supervisory Control and Data Acquisition
SDF	-	Special Development Fund
SDGs	-	Sustainable Development Goals
SEEC	-	Sustainable Energy for the Caribbean
SEF	-	Sustainable Energy Facility
SKELEC	-	St. Kitts Electricity Company Limited
SKN	-	St. Kitts and Nevis
SLR	-	Sea Level Rise
STEP	-	Skills Training Empowerment Programme
TA	-	Technical Assistance
TVET	-	Technical Vocational Education and Training
UN	-	United Nations
UNDP	-	United Nations Development Programme
UNESCO	-	United Nations Educational, Scientific and Cultural Organisation
UNICEF	-	United Nations Children's Fund
USAID	-	United States Agency for International Development
USD	-	United States Dollars
WB	-	World Bank
XCD	-	Eastern Caribbean Dollars

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# COUNTRY DATA: ST. KITTS AND NEVIS

	2012	2013	2014	2015	2016 <sup>P</sup>
GDP per capita (USD)	13,690	14,515	15,430	15,766	15,991
GDP at current market prices (USD billion)	0.734	0.788	0.845	0.876	0.919
<b>Sectoral Distribution of Current GDP (%)</b>					
Agriculture, Fishing and Mining	1.8	1.7	1.5	1.4	1.3
Manufacturing	9.9	9.3	8.3	7.7	6.6
Electricity & Water	1.7	1.4	1.4	1.5	1.4
Construction	13.1	14.8	17.7	19.0	19.2
Wholesale & Retail Trade	8.0	8.0	7.5	7.7	8.0
Hotels & Restaurants	7.9	7.7	7.5	7.3	7.3
Transport, Storage and Communications	13.3	12.7	13.0	12.3	12.2
Financial Intermediation	8.0	9.6	7.9	7.4	7.6
Real Estate, Renting and Business Activities	16.6	15.9	15.5	15.3	15.3
Public Administration and Security	9.9	10.0	10.3	10.5	10.8
Education	5.4	5.0	5.0	5.1	5.2
Health, Social and Other Community Work	5.3	5.1	5.3	5.4	5.5
Others less FISIM*	(0.8)	(1.2)	(0.9)	(0.5)	(0.5)
GDP at constant prices (XCD billion)	1.5	1.6	1.7	1.8	1.8
GDP (annual % change)	-0.8	6.6	5.2	4.8	3.2
<b>MONEY AND PRICES</b>					
Money Supply (M2, annual % change)	7.9	10.3	14.2	2.5	-4.0
Credit to the Private Sector (annual % change)	0.2	-0.9	0.6	3.2	0.9
Inflation (period average) (%)	0.8	1.1	0.2	-2.3	-0.4
<b>PUBLIC FINANCES (% of GDP)</b>					
Overall Surplus (Deficit)	4.9	12.1	9.6	6.6	4.2
General Government Debt (incl. arrears)	137.9	101.1	81.4	70.6	65.6
<b>BALANCE OF PAYMENTS (% of GDP)</b>					
Total Exports and non-factor services	37.9	41.2	44.0	42.7	37.4
Total Imports and non-factor services	49.5	55.4	54.0	53.5	56.0
Current Account Balance	-8.3	-11.4	-8.1	-9.2	-17.3
Capital and Financial Account	1.4	15.4	13.9	9.6	21.8
Overall Balance	-6.0	4.3	5.8	0.6	4.7
<b>AVERAGE EXCHANGE RATE</b>					
Eastern Caribbean dollars to 1 USD	2.7	2.7	2.7	2.7	2.7

Sources: International Monetary Fund's World Economic Outlook (October 2017) and Eastern Caribbean Central Bank.

Notes: Data for 2016 are provisional.

\*FISIM: Financial intermediation services indirectly measured.

## COUNTRY DATA: ST. KITTS AND NEVIS

	2011	2012	2013	2014	2015	2016
<b>POPULATION</b>						
Population (number)	52,006	52,591	53,169	53,739	54,288	54,821
Population (annual % change)	1.1	1.1	1.1	1.1	1.0	1.0
<b>LABOUR</b>						
Unemployment Rate (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>HEALTH</b>						
Life Expectancy at Birth (years)	n.a	n.a	n.a	73.8	n.a.	n.a.
Mortality Rate, Infant (per 1,000 live births)	9.4	8.9	8.6	8.2	8.0	7.6
<b>HUMAN DEVELOPMENT</b>						
Human Development Index	n.a.	n.a.	n.a.	0.752	0.765.	n.a.
	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
<b>EDUCATION</b>						
Primary school net enrollment rate	n.a.	n.a.	n.a.	92%	90%	n.a.
Female	n.a.	n.a.	n.a.	92%	89%	n.a.
Male	n.a.	n.a.	n.a.	92%	90%	n.a.
Secondary school net enrollment	n.a.	n.a.	n.a.	84%	86%	n.a.
Female	n.a.	n.a.	n.a.	85%	88%	n.a.
Male	n.a.	n.a.	n.a.	84%	85%	n.a.

Source: World Bank World Development Indicators (October 2017), United Nations (October 2017), The Government of St. Kitts and Nevis (November 2017).

Notes: n.a means not available.



## **EXECUTIVE SUMMARY**

1. This Country Strategy Paper (CSP) articulates the Caribbean Development Bank's (CDB) strategic focus and planned interventions for St. Kitts and Nevis (SKN) over the period 2017-2021. The proposed Country Strategy responds to SKN's development priorities and is aligned with CDB's Strategic Objectives of: (a) supporting inclusive and sustainable growth and development; and (b) promoting good governance, as well as CDB's cross-cutting objectives of gender equality, regional cooperation and integration, and energy security.

### **Country Context**

2. Since independence in 1983, commendable progress has been made in improving living standards. The human development indicators rank amongst the highest in the Caribbean. Economic growth accelerated in the years following the end of the global economic recession, driven by investment related to the Citizenship by Investment (CBI) programme. However, this activity has begun to slow down and, as a consequence, there are signs that economic growth is decelerating. Unemployment data are distorted by participation of some of the labour force in the Skills Training and Empowerment Programme (STEP). SKN is looking to diversify its economy by building on the relative success of its tourism industry, and increasing its exports. Challenges faced in doing this are low skills and productivity, weak competitiveness, social issues, gender inequality, and climate change (CC). Against these, there are opportunities for the country to maximise its development potential in areas such as renewable energy (RE). SKN faces capacity constraints in planning and in delivering its development objectives, which include: (a) macroeconomic stability; (b) increased competitiveness of industries; (c) social development and protection of the most vulnerable; and (d) environmentally sustainable development.

### **Caribbean Development Bank in St. Kitts and Nevis and Lessons Learnt**

3. CDB's engagement with SKN spans more than four decades. Loans to SKN amounting to one hundred and ninety-eight point one million United States dollars (USD198.1 mn) make SKN CDB's ninth largest borrower. Just over half of SKN's loans have been from CDB's Special Development Fund (SDF). Lessons from previous country strategies with SKN suggest that the following are important to maximising the development impact of CDB's assistance: (a) prioritising interventions that can be delivered easily, and providing necessary capacity building and institutional strengthening where necessary; (b) seeking and maximising the use of available concessional resources; (c) promoting CDB's additionality and value proposition [beyond price]; (d) built-in flexibility to allow for changes in socioeconomic circumstances and in strategic priorities; and (e) strong collaboration with other development partners and key decision-makers in country.

### **Country Strategy 2017-2021: Proposed Pillars and Expected Outcomes**

4. The proposed Country Strategy rests on three pillars: (a) economic development and enhanced livelihoods; (b) inclusive social development; and (c) environmental protection and infrastructure enhancement. The indicative programme of assistance has been designed to achieve the following outcomes: (i) improved macroeconomic and fiscal stability; (ii) increased productivity, competitiveness and economic diversification; (iii) improved governance; (iv) enhanced education outcomes; (v) increased gender equality; (vi) enhanced protection for the most vulnerable in society; and (vii) strengthened environmental management and climate-resilient infrastructure. The proposed programme will be delivered through a mix of direct financing and technical assistance (TA) that complement the efforts of other development partners and the Government of St. Kitts and Nevis (GOSKN). Gender equality, regional cooperation and integration, as well as energy security considerations, will be mainstreamed in

CDB's interventions. A Gender Marker is included at Appendix 1. The Country Strategy has also undergone an extensive climate-screening exercise, which is summarised at Appendix 2.

### **Resource Envelope**

5. A notional resource envelope of USD76.2 mn is proposed to support an indicative programme of assistance through 2021. This is significantly higher than the previous CSP envelope, but it reflects SKN's graduation from an International Monetary Fund (IMF) Stand-by Arrangement (SBA), giving the country a higher degree of fiscal flexibility. As SKN no longer qualifies for SDF, the vast majority of this resource envelope is from CDB's Ordinary Capital Resources (OCR). CDB will seek all opportunities to lower the cost of finance, particularly where interventions are climate resilient. Some of the proposed energy interventions will be eligible for grant funding.

### **Results Monitoring**

6. Programme accomplishments and sector outcomes will be monitored within a Results Monitoring Framework (RMF), which will identify: (a) the country's development objectives to which each of CDB's indicative interventions is aligned; (b) sector outcomes to which proposed interventions are expected to contribute; and (c) the performance indicators against which the results of the interventions will be measured. As far as possible, sex-disaggregated data and gender-sensitive indicators will be used to allow for the monitoring of gender inequality. A mid-term review will be undertaken in 2019 to assess progress towards meeting expected outcomes. The review will also consider utilisation of the resource envelope within the context of possible changes to the country's fiscal circumstances. An end-of-strategy review will also be undertaken to assess overall performance and impact, and identify lessons learnt. Monitoring will be done by both CDB and the country's authorities.

### **Risks and Mitigating Actions**

7. The main risks that may affect the execution of the proposed Country Strategy are: (a) credit risk; (b) liquidity risk; and (c) operational risks. CDB has identified measures to help mitigate these risks, including: (i) closer monitoring and considering of prudent macroeconomic policies; (ii) capacity building and institutional strengthening [particularly, but not exclusively, in the area of project planning and management]; and (iii) active engagement of development partners.

## **1. COUNTRY CONTEXT**

### **OVERVIEW**

1.01 The twin-island Federation of SKN has a land area of 261 square kilometers (km<sup>2</sup>) and, with a population of 56,407, is the smallest of CDB's independent Borrowing Member Countries (BMCs), as well as the smallest country in the Western Hemisphere. Like other small-island developing states in the Region, the country faces many challenges relating to diseconomies of scale, especially in human resources, infrastructure, institutions and markets. Under the Federation's constitution, Nevis exercises autonomy in most areas except for foreign affairs, defense and some aspects of economic and fiscal policy. As a result, GOSKN and the Nevis Island Administration (NIA) generally act as two distinct entities.

1.02 Since independence in 1983, commendable progress has been made in improving living standards. Real Gross Domestic Product (GDP) per capita, as measured in USD, has grown by 4.6% per annum (p.a.) between 1990 and 2016, outpacing most BMCs<sup>1</sup>. The human development indicators rank amongst the highest in the Caribbean. Average life expectancy at birth has increased from 67.3 years in 1990 to 74.0 years in 2015<sup>2</sup>. Human development has been facilitated by social achievements, such as low levels of maternal and infant mortality, universal access to primary education, and declining fertility rates, although these achievements coexist with poverty and disparity. Achievements in equality and social development are challenged by rapid population growth. The mid-2017 population estimate at 56,407, some 28,059 males and 28,348 females, was an increase of 21.6% from the 2011 census<sup>3</sup>. Population growth is mainly fueled by migration to meet skills shortages.

1.03 SKN is a predominantly services-based economy and its tourism sector is estimated to have accounted for 25.1% of GDP in 2016<sup>4</sup>. The services sector has replaced agriculture, mainly sugar, and manufacturing as the most important sectors of the economy over the course of the last two decades. The construction sector emerged as a second major pillar for economic growth over the 2013-16 strategy period, during which average real GDP grew 4.9% p.a.

1.04 SKN's economy is vulnerable to external shocks and natural hazards, with average annual damage stemming from natural hazard events estimated at 3.8% of GDP in the 1996-2015 period<sup>5</sup>. Another source of vulnerability for the economy stems from its high degree of dependency on the tourism sector and on the construction sector which contributed an estimated 19.2% to GDP in 2016. In recent years, the construction boom has been driven by strong CBI inflows, but since 2015 these have been slowing and if they continue their downward trajectory during the next years the sector and the overall economy might lose further pace.

### **MACROECONOMIC CONTEXT**

1.05 Following preparation of the previous (2013-16) Country Strategy in 2012, the macroeconomic and the fiscal situation in SKN improved strongly. However, developments during the first three quarters of 2017 indicate a weakening of the growth momentum and a slow-down in the pace of fiscal consolidation.

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<sup>1</sup> Source: IMF World Economic Outlook October 2017, [www.imf.org](http://www.imf.org).

<sup>2</sup> Source: United Nations (UN), <http://hdr.undp.org/en/indicators/69206>.

<sup>3</sup> At the 2011 Census, the population was recorded at 46,398, with 34,983 in St. Kitts and 11,415 in Nevis.

<sup>4</sup> Source: World Travel and Tourism Council, Travel and Tourism, Economic Impact 2017 SKN.

<sup>5</sup> Source: Global Climate Risk Index 2017, [www.germanwatch.org](http://www.germanwatch.org). Major hurricanes during the period causing significant and widespread damage in SKN were Georges (1998) and Lenny (1999). The damage assessments for Hurricanes Irma and Maria (September 2017) are still preliminary.

1.06 During the 2013-16 period, real GDP growth averaged 4.9% following an average contraction of 1.4% over the period 2009-2012. Against the backdrop of debt restructuring between 2012 and 2014, which was accompanied by strong CBI inflows and a sturdy expansion of the economy, the General Government debt-to-GDP ratio declined from 137.9% in 2012 to an estimated 65.6% in 2016. CBI inflows totaled an estimated 32% of GDP between 2013 and 2016 – facilitating a fast pace of fiscal consolidation – and contributing to a construction boom via the real estate option of the CBI Programme.

1.07 The construction sector expanded by a strong 12.4% p.a. between 2013 and 2016, following a 7.4% p.a. contraction in the four years before. Wholesale and retail trade, financial intermediation, hotels and restaurants, and transport were the other sectors mainly responsible for the strong macroeconomic performance over the period. Regarding the tourism sector, total visitor arrivals increased by 13.9% p.a. and total visitor expenditure by 5.9% p.a. over the period of the last country strategy.

1.08 Economic performance moderated in 2016. Growth is expected to average around 3% in the medium term under the current policies and conservative assumptions about future CBI flows. Lower CBI inflows have weakened the fiscal and external accounts. The tourism sector is facing capacity constraints regarding the available room stock and the berthing facilities for the cruise ship industry. In order to put the economy back on a higher growth path, GOSKN is expected to improve private sector competitiveness, especially regarding the tourism industry; address skills shortages by enhancing education outcomes; and tackle the challenges stemming from CC for the main sectors of the economy.

## **SOCIAL CONTEXT**

1.09 The Human Development Index improved to 0.765 in 2015 from 0.741 in 2010, indicating high human development. Development achievements such as low levels of maternal and infant mortality, universal access to primary education, and declining fertility rates, however, coexist with poverty and other social disparities. Some social problems disproportionately affect young males and females. These include: (a) male under-performance and under-representation, particularly at the secondary and post-secondary education sector levels; (b) rates of adolescent pregnancy which remain relatively high<sup>6</sup>, with teen pregnancy and parenting carrying development risk for both mother and child<sup>7</sup>; and (c) the participation of young men in crime and violence especially in gangs, the drug trade, and in violence against women in its various forms<sup>8</sup>. There are social policies in place which try to mitigate the above-mentioned social issues, such as the possibility for teenage mothers to re-enter the education sector after giving birth.

1.10 The last published labour force statistics in 2009 reported an unemployment rate of 6.5%, an increase from 5.1% in 2007<sup>9</sup>. The data indicated disproportionately higher youth unemployment at 22.9% of labour market participants in the 15-19 year-old category, and 12% in the 20-24 year-old category. The labour force is still struggling to recover from the 2005 closure of the sugar industry, which cost 12% of jobs. Employment opportunities were also adversely impacted in the aftermath of the 2008 global financial crisis that resulted in a worsening of the economic situation, especially for labour force participants in the manufacturing sector. The sugar industry and the manufacturing sector were major employers of young

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<sup>6</sup> Source: SKN Joint United Nations Programme on HIV/AIDS (UNAIDS) Data Sheet 2013: Vol 1. [http://www.unaidscaribbean.org/sites/default/files/field/image/St.%20Kitts%20%26%20Nevis\\_0.pdf](http://www.unaidscaribbean.org/sites/default/files/field/image/St.%20Kitts%20%26%20Nevis_0.pdf).

<sup>7</sup> Source: Teenage Pregnancy – Does Age Really Matter? <http://www.thestkittsnevisobserver.com/health/teenage-pregnancy-age-really-matter/>.

<sup>8</sup> Vassell, L. et al 2014: Country Gender Assessment Vol 1 CDB.

<sup>9</sup> The last published Labour Force Survey (LFS) was conducted in 2009 when unemployment stood at 6.5%, but a more recent LFS 2015/16 could be released soon according to the 2017 IMF Article IV. According to IMF, the unemployment rate in 2013 was at 3.9%, but would have been close to 12% without the People Employment Programme (PEP). Source: <http://www.imf.org/~media/Files/Publications/CR/2017/cr17186.ashx>.

people and women with limited marketable skills, but adverse labour market outcomes in the aftermath of the financial crisis were addressed by the introduction of PEP in 2012<sup>10</sup>.

### **Poverty and Welfare Analysis**

1.11 Poverty was last assessed in 2007/08. Therefore, GOSKN will be undertaking an Enhanced Country Poverty Assessment (CPA) in 2018 to facilitate an up-to-date assessment of the situation in the aftermath of a number of exogenous shocks and, more recently, the passage of Hurricanes Irma and Maria in September 2017. The 2007/08 CPA estimated a national poverty average of 21.8% (23.7% in St. Kitts and 15.9% in Nevis), down from 30.5% in 2000. Despite reported reductions in poverty, the poor were over-represented in the 0-24 year age range and among women. 57% of all poor households were female-headed and 52.2% of all poor were females. Females also accounted for 61.1% of the poorest of the poor, or the indigent. SKN's social vulnerabilities and existing programmes and policies to address them are summarised in Appendix 3.

### **Citizen Security**

1.12 The country suffered from a surge in crime and violence between 2001 and 2011, when the homicide rate increased dramatically from 6 murders to 34. This gave the Federation a murder rate of 67.6 per 100,000 inhabitants, one of the highest internationally. Although the crime rate in the country is still relatively high, the formulation and implementation of the Police Strategic Plan (PSP 2011-19) and the Service Improvement Plan has managed to bring some level of control. PSP comprised a six-part approach to: (a) combatting crime and improving public safety; (b) facilitating institutional strengthening of the national security services; (c) enhancing capacity of the human resources in the Royal St. Christopher and Nevis Police Force [RSCNPF]; (d) more proactive policing of public spaces; (e) engaging with communities and non-governmental organisations (NGOs); and (f) cooperating closer with other government agencies and the modernisation of the juridical framework. By December 2012, the murder rate had halved to 35.5 per 100,000.

1.13 In August 2017, RSCNPF reported a decline in serious crime year-to-date, when compared with the same period for 2016. Homicides fell from 23 to 18, shootings from 17 to 12, and grievous bodily harm from 90 to 82. There were also declines in crimes such as break-ins and larceny. However, there was an increase in reports of robberies, drug offences, and crimes related to gender-based violence (GBV), particularly sexual crimes. Among GBV, increases were recorded in bodily harm to women. Assault of young men seems to be significantly under-reported due to a lack of confidence in the justice system to serve and protect victims.

### **Education Profile**

1.14 While considerable progress has been made in improving access and quality of education at all levels, education in SKN exhibits persistent structural and functional deficits that constrain optimal human resource development. Access to Early Childhood Development (ECD) services for the 0-2 age cohort is severely limited (40% net enrolment rate)<sup>11</sup>, with differential access favouring boys. Similarly, access to tertiary education reflects the norm in regional countries – relatively low level of access (27% gross enrolment) – with a higher percentage of females participating. While Universal Basic Education was achieved since 1968, the sub-sectors are plagued by high internal inefficiency in upper secondary (drop-out rate of 27% in Form 4) and there is sub-optimal overall performance at the end of the cycles. A key issue remaining is the need to increase the relevance of the education and the training system for enhanced

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<sup>10</sup> People registered under PEP was 2,680 at the end of 2015, of which 300 was on Nevis.

<sup>11</sup> Source: The Education Sector Plan (ESP) [2017-2021].

workforce development, particularly for key industry and labour market requirements, such as in the hospitality sector.

## ENVIRONMENTAL CONTEXT

1.15 SKN's unique spatial characteristics, economic development trends, and vulnerability to natural hazards create significant environmental challenges that have been made worse by the effects of climate variability and change. Major environmental challenges include: waste disposal; land degradation due to the loss of extensive land cover from the sugar cane plant; and increased sedimentation of the coastal waters which threaten the coral reefs. Climate-related risks such as droughts, storm surges and floods have been impacting key pillars of the economy including the following: tourism, fisheries, coastal and marine resources; coastal infrastructure; and water resources. CC models have projected that SKN is likely to experience more frequent heat waves and droughts; an increase in the mean annual temperature by 0.4-2.1°C by the 2060s, and 0.9-3.5°C by the 2090s; overall decreases in mean annual rainfall; and a likely increase in tropical storm intensity owing to a warmer climate and higher sea surface temperatures<sup>12</sup>.

1.16 GOSKN has established an institutional framework for managing environmental, CC and natural hazard issues, including the establishment of the Ministry of Sustainable Development which has responsibility for physical planning and land matters. A National Energy Policy (NEP) has been developed with major emphasis on transforming the energy sector to a greater focus on RE. However, although the St. Christopher Energy Supply Act 2015 includes provisions for feed-in tariffs, the transformation to renewables is being hampered by high capital costs, inadequate regulatory and policy frameworks, and limited technical expertise in key areas of energy planning. A natural hazard management and mitigation policy and plan has been developed and integrated into the national planning process and the Environmental Impact Assessment Framework.

1.17 A draft CC policy has also been formulated, which provides direction for a structured approach to mitigation actions. A Climate Finance Readiness Assessment for SKN has been undertaken to measure the level of preparedness of public institutions to effectively monitor, administer and capitalise on the resources provided through the Green Climate Fund and other climate finance mechanisms. Disaster risk transfer is a key part of SKN's CC adaptation strategy. As such, the country currently participates in the Caribbean Catastrophe Risk Insurance Facility to help mitigate its exposure to hurricanes, earthquakes, and excess rainfall.

1.18 Water scarcity is a major area of concern in light of increasing drought periods, the absence of a water resources master plan, inadequate mapping of aquifers, limited storage capacity, and inefficient water consumption. As GOSKN seeks to build the resilience of the economy to natural hazard and CC risks, improving access to climate finance mechanisms, improving water resources management, and coastal infrastructure resilience building have been identified as priorities. There is also a need to improve spatial data management given the potential usefulness of this tool for supporting disaster risk management (DRM) and coastal infrastructure development, among other applications.

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<sup>12</sup> Source: The Global Facility for Disaster Reduction and Recovery (GFDRR). 2010; p. 222, DRM in the Latin America and the Caribbean Region: GFDRR Country Notes, SKN. Washington, USA: GFDRR.

## **2. KEY DEVELOPMENT PRIORITIES**

2.01 National development priorities largely remain those articulated in the National Adaptation Strategy (NAS) 2006-2013 (extended to 2017). NAS was designed to reflect development needs following the closure of the sugar industry in 2005, and aligned with the Caribbean-specific Millennium Development Goals (MDGs). It was prepared through extensive consultations involving open dialogue among the key stakeholders: Government; sugar industry officials; sugar workers; regional organisations; non-state actors; and development partners. Given the country's numerous development challenges, GOSKN is cognisant of the need for a successor strategy and intends to request support from CDB to develop and operationalise a successor medium-term development strategy (MTDS). This successor strategy will be influenced by the Sustainable Development Goals (SDGs), which have replaced the MDGs, but will be specifically focused on SKN's development priorities.

2.02 For effective delivery of its MTDS, GOSKN will need to have institutional arrangements in place that facilitate setting priorities and focusing on results, while at the same time ensuring that poverty reduction, environmental considerations, gender and diversity issues are mainstreamed. Effective delivery of priorities is an essential requirement, ensuring solutions are the most appropriate and that there is responsibility and accountability for their delivery. GOSKN has advised on the need for increased capacity in the Line Ministries to support the planning, multi-year budgeting, execution, monitoring and evaluation (M&E) of initiatives that are outlined in the annual Budget and the Public Sector Investment Programme (PSIP).

2.03 Based on the development priorities outlined in NAS, as well as discussions held with stakeholders during the Country Strategy mission, the key development priorities are summarised as: (a) safeguarding macroeconomic stability; (b) increasing economic development and enabling private sector development; (c) improving governance; (d) promoting social and gender development; (e) improving educational outcomes; and (f) protecting the environment and enhancing the resiliency of the infrastructure.

### **Safeguarding Macroeconomic Stability**

2.04 Macroeconomic and fiscal stability are key for providing an enabling environment for inclusive growth. Compared with other BMCs, SKN is in a relatively good position to manage risks from vulnerabilities in this field, but efforts to safeguard macroeconomic and fiscal stability need to be increased. SKN entered an SBA from 2011 to 2014. The programme focused on: (a) an ambitious fiscal consolidation; (b) a comprehensive debt restructuring; and (c) a further strengthening of the financial sector. These goals aimed to address the key issues behind the debt crisis, and the potential financial sector outcomes of the restructuring. The programme had many successes, although the associated debt-for-land swap left the largest indigenous bank in the Federation with a significant degree of exposure to an essentially illiquid asset. The debt reduction was one of the largest in recent times, the headline fiscal and current account balances improved substantially, important tax and public financial management (PFM) reforms were enacted, and sovereign risk was removed from the banks. Robust growth also resumed. More recently, GOSKN has undertaken to establish a Growth and Resilience Fund (GRF), which would insulate SKN against various shocks, economic and environmental. IMF is providing initial support in this regard.

### **Stimulating Tourism Development**

2.05 Owing to its small size and geographic location, the SKN economy is suffering from a lack of economic diversification. The economy relies mainly on tourism and construction for growth and the two sectors are estimated to make up more than 40% of GDP.

2.06 GOSKN recognises the private sector and, in particular, the tourism industry, as the engine of growth for the country. In particular, the forthcoming opening of additional hotels highlights the need for trained persons at all levels within the hotel sector. The sector, however, is faced with significant skills shortages and the certification of skills was identified as a critical priority by both Government and private sector officials. For example, the Clarence Fitzroy Bryant College has the capacity to graduate only around 25 professionals for the tourism sector each year. Technical and vocational training to overcome skills shortages in the tourism sector, as well as in other sectors of the economy, will be key to drive productivity growth in the economy in the future.

2.07 The Ministry of Tourism leads on identifying ways of increasing the reach of the tourism industry into the local economy. It has identified a potential intervention which could improve livelihoods in rural areas by attracting private sector investment. A rural community tourism project based on enhancing the existing scenic railway experience is being considered. This would include provision of visitor stopover centres, kiosks for local operators to sell their goods, and biking and walking trails. The project would also strengthen a bridge to extend the railway line.

### **Enabling Private Sector Development**

2.08 Over the medium term, some structural shortcomings of the economy, if not addressed by GOSKN, will likely limit growth. SKN's global ranking in the World Bank's (WB) annual Ease of Doing Business Report has declined significantly, from 76<sup>th</sup> in 2010 to 134<sup>th</sup> in 2017<sup>13</sup>. On top of a difficult business environment, the high costs of natural hazard events and skills shortages limit productivity growth and, therefore, the potential GDP growth rate.

2.09 The private sector reports skills shortages as a significant barrier to growth. There is little available data on the labour market, but there are concerns that the market has been distorted in recent years by PEP, which has provided minimum wage compensation for qualifying individuals without developing their skills sufficiently for many to be employed privately. STEP was introduced to replace PEP in 2017 and this needs to address shortages in skills, the apparent lack of motivation of the persons on the programme, and the private sector perception of the programme, in order to raise employment levels and productivity in the economy.

2.10 Regarding the ease of doing business, special attention is to be paid to establishing an enabling environment for the creation and the growth of micro, small and medium-sized enterprises (MSMEs). MSMEs are currently characterised by broad-based weaknesses, including business plan development; financial management and record keeping; tender submissions; pricing of goods and services; and social media marketing. Comprehensive training programmes for MSMEs would be part of the enabling environment. Assistance is also needed for firms to prepare them for access to export markets, such as helping them to meet export standards. This assistance should be complemented by strategies allowing businesses to benefit from regional cooperation and integration.

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<sup>13</sup> SKN slipped to 184<sup>th</sup> in 2017 (from 153<sup>rd</sup> in 2010) regarding the registration of property. In getting credit it slipped from 87<sup>th</sup> to 157<sup>th</sup>; in protecting minority investors from 27<sup>th</sup> to 102<sup>nd</sup>; in paying taxes from 100<sup>th</sup> to 143<sup>rd</sup>; in trading across borders from 53<sup>rd</sup> to 72<sup>nd</sup>; and in dealing with construction permits from 8<sup>th</sup> to 41<sup>st</sup>. However, there was an improvement in enforcing contracts (from 114<sup>th</sup> to 46<sup>th</sup>), while no significant change was recorded regarding starting a business or resolving insolvency.



### **Improving Governance**

2.11 The governance framework needs to be enhanced as a precondition for the development of the economy and society. Institutional challenges persist in the implementation of public sector investment projects and GOSKN has advised on the need for strengthening the Monitoring and Evaluation (M&E) framework. Technical skills shortages within the public service add to challenges regarding project implementation. Staff in the public sector hired prior to the passage of the Public Services Act (2011) can retire at age 55, however, persons employed after the passage of the Act can retire at the age of 62. This creates a challenge for maintaining essential technical skills and experience within the public service.

2.12 GOSKN reformed the procurement legislation with a new Procurement and Contract Administration Act of 2012. However, the new act requires operational regulations and guidelines to be fully implemented. Implementation has so far been hindered by a lack of resources and capacity constraints.

2.13 GOSKN's statistics capacity for data collection, data analysis and data management processes requires improvement and needs to be complemented with data protection operational guidelines and legislation. A lack of sufficient data is currently hindering evidence-based decision making.

### **Promoting Social and Gender Development**

2.14 Protecting and enabling the most vulnerable, namely women, children and young people, through human resource development, enhancing citizen security and education are critical to sustainable achievements in poverty reduction. This requires investments in institutional capacity and in facilities, and is in keeping with UN Human Rights and the Convention on the Right of the Child.

2.15 GOSKN is cognisant that in economies where gender equality is greater, economic growth is more sustainable and the quality of life is higher. However, coordinated national planning, implementation and evaluation are hindered by the absence of policy direction and a strategic framework for action to achievements in gender equality. A Gender Policy and Action Plan would provide GOSKN with strategic guidance to systematically close gender gaps and improve the social status of the most vulnerable men and women in the society.

2.16 Low-income persons suffer from a lack of access to finance for the purchase and construction of new homes, as well as the funding for repairs and improvements for existing homes. Such finance could positively influence social cohesion, improve health and security standards, and facilitate the unlocking of the productivity potential of the interested groups.

2.17 In the health care sector, challenges lie in the general access to health care services, which are also exacerbated by deficiencies in existing facilities, such as the Joseph N. France General Hospital. Low-income persons suffer from reduced access to health care services due to the absence of a universal health insurance scheme, making them subject to large out-of-pocket expenditure for secondary health care services at the point of service.

## **Improving Educational Outcomes**

2.18 Education can create an enabling environment for poverty reduction and the emphasis in the education sector needs to be placed on: improved governance and service delivery; ECD; curriculum and assessment reform; improving teacher effectiveness; and addressing the skills development needs of out-of-school/vulnerable/at-risk youth. An additional requirement would lie in the creation of a climate resilient/SMART<sup>14</sup> learning environment.

2.19 As articulated within ESP, 2017-2021, inadequate diagnostic, intervention and student-support programmes, along with insufficient trained staff in mainstream schools, constrain the quality and reach of special needs education. Overall, the Curriculum and Assessment Framework is either inadequate (in primary education) or absent (in lower secondary) to support optimal teaching and learning. There is limited provision of demand-driven Technical and Vocational Education and Training (TVET). While the CDB-funded TVET Enhancement Project addresses key institutional constraints by applying a coordinated approach to training delivery, there are specific needs to provide enhanced access to competency-based certified training for the hospitality and RE sectors. Also, TVET needs to include an effective approach of training and certifying beneficiaries of STEP. In addition, there is fragmented policy development and coordination reflected by sub-optimal organisational structures and functions within the Ministry of Education (MOE). Overall, GOSKN proposes to institutionalise inclusive, climate resilient and child-friendly learning environments in schools throughout the sector.

2.20 These challenges require an integrated policy response, as articulated in ESP. The key priorities include: (a) reforming curricula and assessment to support a more inclusive approach to learning; (b) expanding access to quality ECD services and tertiary education; (c) improving teacher effectiveness and professionalising the teaching service; (d) improving access to finance tertiary education; (e) increasing access to programmes by students at-risk [especially those with special education needs and persons with disabilities]; (f) accelerating the provision of relevant and certified skills development throughout the sector; and (g) enhancing governance, planning and management to improve efficiency and effectiveness throughout the sector.

## **Protecting the Environment and Enhancing the Resiliency of the Infrastructure**

2.21 The devastation caused by Hurricanes Irma and Maria in September 2017, once again underlined the fact that infrastructure challenges must be addressed with CC resiliency in mind, as this will help to reduce future costs of extreme weather events. Specifically, infrastructure should be designed to address problems with flooding, to improve regional connectivity, and to foster the tourism sector. Also, GOSKN should contemplate alternative sources of finance like Public-Private Partnerships (PPPs).

2.22 Improvements in physical planning are expected soon. Both GOSKN and NIA are receiving support from the Global Environmental Facility to update their physical development plans. However, physical planning departments need institutional strengthening for digitisation, especially training opportunities for officers. Key economic infrastructure is being challenged by CC and interventions needed to increase climate resiliency will include sea defense and coastline protection, slope stabilisation, road rehabilitation and drainage systems.

2.23 The drainage infrastructure represents a significant challenge in both urban areas and on the wider road network. In urban areas, the aged drainage infrastructure increases the risk of flooding. Also, part of

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<sup>14</sup> Smart classroom including information technology.

the existing road network traverses low-lying areas that are vulnerable to sea level rise (SLR) and storm surges, which may be exacerbated by CC.

2.24 In recent years, GOSKN has been taking steps to improve energy security through measures to improve energy efficiency (EE) and the introduction of RE generation. Also, GOSKN has approved the Revised NEP in 2014, has opted for implementing an energy-efficient Street Light and Flood Light Retrofit Programme together with CDB (2016), and is pursuing an EE programme for public sector buildings (under the CDB Sustainable Energy for the Eastern Caribbean Programme[SEEC]). Additionally, Government has facilitated investment in approximately 3-megawatt capacity of utility scale RE (solar photo voltaic, and wind) projects on the islands of SKN. However, the energy sector is constrained by serious deficits in efficiency, security and sustainability. Challenges include the broad-based weakness of the two existing electricity providers, which mainly derive from shortcomings in legislation and in regulation. The available RE resource potential, including geothermal energy (GE) remains underdeveloped. GE could potentially transform the country's energy matrix. As a result, strategies for the development of GE are pursued on both islands. In order to advance the complex and costly projects, institutional capacity needs strengthening. This includes capacity to pursue the projects with PPPs.

2.25 A strengthened legislative and regulatory framework could enhance degrees of energy security and sustainability, and facilitate a switch to renewable sources. The establishment of a Public Utilities Commission (PUC) should address weaknesses in regulation and in governance, which are contributing to a lack of transparent and efficient tariff setting<sup>15</sup>. Currently, deficits in tariff implementation and weak revenue collection contribute to significant system losses<sup>16</sup> in the two electricity companies. System losses average 17% and 20% in The St. Kitts Electricity Company Limited (SKELEC) and Nevis Electricity Company (NEVLEC), respectively. By comparison, the United States Energy Information Administration reports an average transmission and distribution loss of 6%. On SKN, reports indicate that higher losses are largely attributable to non-technical losses, such as unmetered consumption.

### **Government's Medium-Term Development Strategy**

2.26 NAS 2006-2013 (extended to 2017) has provided the development framework in the aftermath of the closure of the sugar industry. As NAS nears the end of its implementation period, GOSKN needs an MTDS that will build on the achievements accomplished under NAS and address remaining and emerging issues. In the meantime, NAS continues to provide a guide for development priorities. There are also various sectoral development plans, such as: the National Social Protection Strategy 2013-17; NEP 2014; the ESP 2017-2021; and the Federal Youth Policy 2017-2021. When originally launched in 2006, the priorities of NAS included: (a) macroeconomic policies to reduce vulnerability and encourage and facilitate investment; (b) policies targeted at improving the competitiveness of industries engaged in production of exports of goods and services; (c) policies to support social development and the most vulnerable; (d) policies ensuring environmentally sustainable development, including the development of sources of RE; and (e) policies favouring economic restructuring and transformation.

2.27 NAS took a medium-term perspective. It targeted the country's main development constraints and contained many project ideas, reform initiatives, and policy recommendations. However, it suffered from lack of prioritisation and sequencing. There was limited institutional capacity, limited financial resources from donor partners as a result of the economic and financial downturn in the global economy, and insufficient time to effectively implement all of the outlined actions in NAS. Efforts were further

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<sup>15</sup> Government subsidises the cost of electricity.

<sup>16</sup> Source: National Renewable Energy Laboratory (NREL), laboratory of the U.S. Department of Energy, Energy Transition Initiative, Energy Snapshot, The Federation of Saint Christopher and Nevis, <https://www.nrel.gov/docs/fy15osti/62706.pdf>.

constrained by ongoing actions in regard to fiscal consolidation undertaken as part of the SBA with the IMF. Despite all this, NAS remains relevant in terms of development priorities and, until a new development plan is articulated, can provide a focus for CDB intervention. NAS has been centred on the Caribbean-specific MDGs, which later gave way to SDGs that are also expected to remain an important building block of CDB's interventions over the 2017-2021 Country Strategy period.

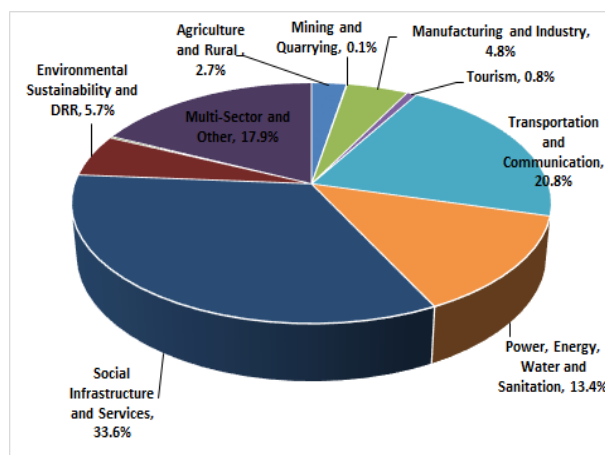
2.28 Lessons learnt from NAS include: that key national development projects need to be better prioritised in the future; and that GOSKN should concentrate on a relatively small number of potentially high-impact interventions that could be truly transformational in their respective sectors. These would be implemented within the context of a new development plan, accompanied by an appropriate delivery mechanism. Key projects would need to be preceded by institutional strengthening and capacity building in the targeted areas.

### 3. COUNTRY PORTFOLIO, REVIEW OF COUNTRY STRATEGY 2013-16 AND LESSONS LEARNT

#### COUNTRY PORTFOLIO

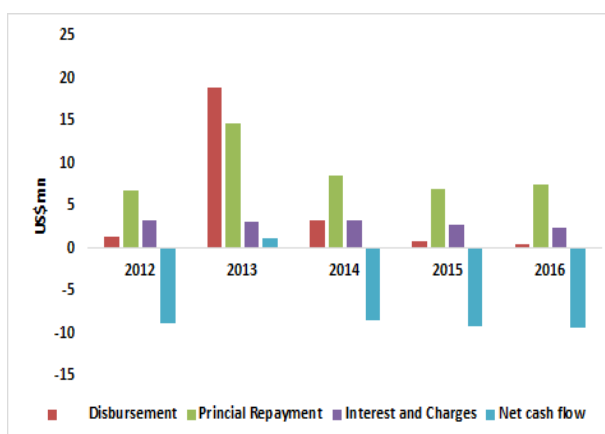
3.01 SKN is one of CDB's smallest shareholders, with ownership totaling 2,148 shares or 0.77% of total share capital. Over the period 1970 to December 31, 2016, CDB approved USD198.1 mn in loans to SKN, which represented 4.4% of CDB's total approvals, ranking the country as the 9<sup>th</sup> largest recipient of assistance among CDB's 19 BMCs. USD105.2 mn of loans were from SDF and other special funds<sup>17</sup>. CDB's lending was channeled to the following sectors: (a) social infrastructure and services; (b) transport and communication; (c) power, energy, water and sanitation; (d) environmental sustainability and disaster risk reduction; and (e) multi-sectoral. As Figure 3.1 shows, social infrastructure and services accounted for the largest share of CDB's lending to SKN, reflecting the high proportion of concessional lending from SDF. CDB's cumulative disbursement amounted to USD177.3 mn at end-September 2017, while SKN's cumulative repayments to CDB were USD99.3 mn.

**FIGURE 3.1: DISTRIBUTION LOAN, CONTINGENT LOANS, EQUITY AND GRANTS APPROVED (NET) – 1970 TO SEPTEMBER 30, 2017 (%)**



Source: CDB.

**FIGURE 3.2: PORTFOLIO FLOWS (USD mn)**



Source: CDB.

3.02 Over the five-year period 2012-16, as Figure 3.2 shows, net portfolio flows have been negative in each year except 2013, when CDB provided exceptional financial assistance to help debt restructuring. This reflects the Government's efforts to bring down debt, as well as the country's graduation from SDF eligibility.

#### REVIEW OF COUNTRY STRATEGY 2013-16

3.03 A four-year Country Strategy was approved in December 2012. The previous Country Strategy had expired in 2008, so CDB had been operating for four years without a Country Strategy in place.

3.04 The 2013-16 CSP was consistent with GOSKN's Adaptation Strategy and with the National Poverty Reduction Strategy (2012-16), and it focused on the two Strategic Objectives of: (a) establishing an enabling environment for sustained inclusive growth and poverty reduction; and (b) strengthening resilience by securing social stability and improving environmental sustainability. The total resource envelope for the Country Strategy period was USD46 mn.

3.05 For most of the strategy period the economy recovered well, largely based on CBI-related investment. GOSKN recorded fiscal surpluses, which allowed early debt repayment and less reliance on

<sup>17</sup> USD96.2 mn from SDF, and USD9 mn from other Special Funds Resources.

borrowing from CDB to fund capital expenditure. During the strategy period, total CDB lending was USD23.6 mn (see Table 3.1), but these disbursements were based on projects that were approved before 2013. The exceptional financial assistance (USD8.6 mn) helped debt restructuring, which was a requirement of IMF SBA. The Nevis Water Supply Enhancement Project was finally completed in 2017, having been originally approved in 2010 and projected to be completed by 2014. Delays in the project were mainly attributable to slow progress in trench excavation works and placement of water mains.

**TABLE 3.1: LOAN DISBURSEMENTS 2013-17**

<b>Item</b>	<b>USD (mn)</b>
Exceptional Financial Assistance	8.6
Nevis Water Supply Enhancement Project	6.0
Basic Education Supplemental Loan	4.2
National Disaster Management – Rehabilitation Hurricane Lenny	4.0
St. Kitts-Nevis-Anguilla National Bank Student Loan	0.4
Child Development Project	0.3
Second Power Project Nevis	0.0
<b>Total</b>	<b>23.6</b>

3.06 In addition to the above disbursements, during the Country Strategy period CDB approved USD13.8 mn of new loans. Of these, only TVET Enhancement Project (USD8.9 mn, approved in December 2015) had been identified in the Country Strategy. The other project for streetlight retrofitting (USD5.8 mn) was approved in December 2016. Although not explicitly identified in the CSP, this project was consistent with the Country Strategy objective of improving environmental sustainability. Implementation of these projects is behind schedule. Both are due to commence in 2018.

## **LESSONS LEARNT**

3.07 The limited number of interventions during 2013-16 was due to a combination of organisational, technical and financial challenges. Possibly the previous CSP did not fully appreciate the impact of the SBA on GOSKN's ability and/or desire to take on additional debt. Now that SKN has come out of the SBA there is more fiscal space. However, CBI revenues are not as buoyant as they were and SDF is no longer an option, except for regional projects. Therefore, CDB needs to ensure that it can lend to GOSKN on the most competitive terms, maximising the use of concessional financing. CDB also needs to continue to assist GOSKN with fiscal reform to maximise fiscal space.

3.08 Going forward, CDB also needs to address delays in disbursements. The slow rate of implementation is problematic. Delays have occurred because of shortages of Government and agency staff with adequate experience of CDB-financed projects and their attendant conditions, as well as the process required to facilitate procurement, and the unavailability of vital staff due to other requirements and assignments. The lesson is that it is important to ensure proper design, as well as build capacity in implementing agencies. A firm understanding of the socioeconomic, cultural and political/institutional context of SKN, regular communication with the Ministry of Finance (MOF) and project implementing

agencies, as well as continuous knowledge-building of the country, are also important to strengthen the efficacy of project implementation.

3.09 Based on the performance of the previous Country Strategy, some key lessons have emerged which have informed the design of the new Strategy:

- (a) It is important to design the Country Strategy with built-in flexibility to allow for changes in socioeconomic circumstances, as well as changes in strategic priorities of the country.
- (b) Where possible, CDB must offer interventions that maximise the use of concessional funding.
- (c) Capacity-building, as well as institutional strengthening needs, of executing agencies should be continuously assessed to adequately address implementation capacity constraints.
- (d) It is important to promote CDB's additionality and value proposition (beyond price) through strong country presence (not necessarily physical presence), and active and constant engagement with key decision-makers in country.
- (e) Strong and active donor coordination is important to increase the likelihood of achieving meaningful development results.
- (f) A robust RMF to assess the performance of the Country Strategy is needed to add to the lessons learnt in the future.

#### **4. CARIBBEAN DEVELOPMENT BANK'S COUNTRY STRATEGY (2017-2021)**

##### **COUNTRY STRATEGY AND ITS PROPOSED CONTRIBUTION TO COUNTRY OUTCOMES**

4.01 In responding to the development priorities of SKN, the proposed Strategy seeks to maximise CDB's development impact through selective and focussed support that prioritises CDB's additionality through TA, institutional strengthening, capacity building, and knowledge creation.

4.02 The Strategy has been framed within the following context: (a) high-level policy dialogue with key policymakers and stakeholders; (b) the country's financial/fiscal capabilities; and (c) development partners' activities in the country. It is consistent with CDB's Strategic Objectives of promoting broad-based economic growth and social development; and enhancing environmental sustainability. Gender equality, as well as energy security, citizen security and improved governance considerations, will be mainstreamed in CDB's operations. The Strategy rests on three broad pillars: (i) economic development and enhanced livelihoods; (ii) inclusive social development; and (iii) environmental protection and infrastructure enhancement, all which would guide specific sectoral interventions aimed at achieving particular development outcomes. In addition to the interventions being proposed, where applicable, SKN will also benefit from CDB's regional programmes.

##### **Pillar I: Economic Development and Enhanced Livelihoods**

###### **Expected Outcome 1: Improved macroeconomic and fiscal stability**

4.03 Economic governance in SKN will be influenced by the fact that economic growth is slowing, and that public sector budget surpluses are declining. CDB will support initiatives that will address improvements in PFM, such as:

- (a) Establishment and operationalisation of a GRF.
- (b) Development of a medium-term fiscal framework, including fiscal and growth diagnostics.

###### **Expected Outcome 2: Increased productivity, competitiveness and economic diversification**

4.04 CDB will focus on interventions to address skills shortages and to support private sector development, in order to improve productivity and competitiveness, and to encourage economic diversification. Potential areas for CDB's assistance include:

- (a) Loans to address the skills shortages in the hospitality sector, and the lack of access to credit for MSMEs.
- (b) Institutional strengthening and capacity building in relevant sectors, to improve business practice and to support export growth.

###### **Expected Outcome 3: Improved governance**

4.05 CDB will focus on interventions to support reform in the following areas that GOSKN has prioritised, such as public policy capacity, project implementation capacity, procurement, statistics capacity and data management, and data analysis processes to support evidenced-based decision-making. Areas for CDB's assistance include:



- (a) Support to develop and operationalise a successor MTDS to the NAS.
- (b) Supporting the technical capacity in the public sector through CDB's Public Policy Analysis and Management (PPAM) and Project Cycle Management (PCM) training.
- (c) Support for legislation, regulation and training regarding public procurement.

## **Pillar II: Inclusive Social Development**

### Expected Outcome 4: Enhanced education outcomes

4.06 The challenges in the education sector will be addressed by a multi-sectoral transformation programme with emphasis placed on improved governance and service delivery, institutionalising child-friendly and inclusive learning environments, with special attention paid to the development needs of vulnerable youths. Potential areas for CDB's assistance include:

- (a) Financing of educational facilities and institutional strengthening of the sector.
- (b) Financing the expansion of ECD services and capacity building in the sector.
- (c) Provisioning of access to credit for students on low incomes.

### Expected Outcome 5: Increased gender equality

4.07 To intensify the country's efforts and willingness to partner with CDB in closing gender gaps and promoting equal participation in economic and social opportunities created by the Country Strategy, CDB's potential areas of assistance include:

- (a) TA for formulation of a Gender Policy and Action Plan.
- (b) Establishing a crisis centre to support victims of GBV.

### Expected Outcome 6: Enhanced protection for the most vulnerable in society

4.08 Regarding the most vulnerable in society, namely children, young people, and the poor, CDB is prepared to assist with:

- (a) Financing upgrades to, and supporting institutional strengthening of, the New Horizon Rehabilitation Centre<sup>18</sup>.
- (b) Improving access to health services, including an upgrade to related facilities, and improving access to housing finance for low-income households.

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<sup>18</sup> The Centre is a residential facility for children in need of the care and protection of the State and juveniles under remand, situated in St. Kitts. CDB would also support the development of the youth generally via the Creative Industries from Cultural and Creative Industries Innovation Fund. Country allocations for the Fund are still to be determined.

### **Pillar III: Environmental Protection and Infrastructure Enhancement**

#### Expected Outcome 7: Strengthened environmental management and climate-resilient infrastructure

4.09 CDB interventions will maximise access to concessional finance, and CDB will incorporate CC and DRM strategies into infrastructural investment planning in SKN. Potential areas for CDB's assistance include:

- (a) Capacity-building regarding access to climate financing, DRM, coastal management and physical planning<sup>19</sup>, and support for developing sector master plans.
- (b) Enhancing the resilience of infrastructure to CC, including sea defences, the road network, slopes, water and drainage, and energy infrastructure.
- (c) TA on the regulatory framework of the energy sector and advisory services for GE-related developments.
- (d) CDB would consider financing the GE development projects in St. Kitts and in Nevis being pursued under PPP arrangements. Also, CDB is prepared to offer advice on prioritisation, phasing, and sequencing of the GE development projects in the Federation.

### **INDICATIVE RESOURCE ENVELOPE**

4.10 The indicative resource envelope is estimated at USD76.2 mn. This takes into account GOSKN's ongoing fiscal consolidation, by assuming that the resource envelope can be drawn gradually over the 2018-2021 period. To support fiscal consolidation, CDB will use concessionary resources where available. For example, some of the RE interventions are eligible for grants and/or concessionary funding. For GE development, which is a key RE option for GOSKN, grant funding is available for drilling, from the Green Climate Fund and from the European Union Caribbean Investment Facility (EU-CIF)<sup>20</sup>. Further, GOSKN is one of the countries targeted under the SEEC Programme – a pilot programme targeting EE upgrades in government buildings, using a blend of grant (EU-CIF and the United Kingdom Department for International Development) and CDB OCR loan resources. Furthermore, capital projects that enhance climate resilience will qualify for subsidised funding under the European Investment Bank's Climate Action Line of Credit (CALC). CALC funds will also be disbursed to BMCs on a first-come, first-served basis. In addition, CDB is pursuing funding options through the Green Climate and Adaptation Funds.

4.11 The indicative programme of assistance reflects a mix of finance for capital projects and TA. The indicative interventions are based on the salient issues that emerged from discussions with key sector officials about the urgent priorities within the respective sectors and ongoing interventions supported by other development partners. The indicative resource envelope is significantly larger than the indicative envelope of USD46 mn in the 2013-16 Country Strategy. Given the low utilisation of support available in

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<sup>19</sup> Including road maintenance, water resources management, drainage network, and energy infrastructure.

<sup>20</sup> CDB is mobilising resources under a GeoSmart initiative, and has already signed agreements with the Inter-American Development Bank (IDB) as part of a Sustainable Energy Facility (SEF) for the Eastern Caribbean. This is a loan and grant package of USD71 mn for RE and EE in six independent Organisation of Eastern Caribbean States (OECS) countries. The SEF resource package is projected to increase with Green Climate Fund (GCF) resources coming through IDB. Also, CDB recently received approval for EU-CIF grants of twelve million Euros (EUR12 mn) to support GE development in the Eastern Caribbean.

the previous CSP, the increase may appear surprising, however, a number of the following factors could support an increase:

- (a) Climate risk, which has increased the need for investing in the climate-resilient economic and social infrastructure.
- (b) On the fiscal side, GOSKN has less constraints regarding its financing sources than it had during IMF's SBA which affected the last CSP, and GOSKN's absorption capacity for new finance has increased since 2012, as the debt-to-GDP ratio has declined dramatically and the economy has expanded strongly<sup>21</sup>.
- (c) The proposed interventions in this CSP can be expected to have economic and social returns which will raise the economic growth potential of the country, thereby contributing positively to debt sustainability.
- (d) Fixed investments fell by more than 50% in 2016, and are likely to fall again in 2017<sup>22</sup>. Given the pending investment needs across the three main pillars mentioned above, it is very likely that public investments need to be raised significantly over the CSP period to deal with social issues and to preserve the growth potential of the economy.
- (e) A fall in CBI revenues since 2015 is seriously limiting GOSKN's ability to self-finance its investment needs for the time being.

4.12 The utilisation of the estimated envelope over the strategy period will depend on three critical factors: (a) the evolution of public finances over the strategy period; (b) how interventions fit into a wider development plan that is consistent with the PSIP and has clear delivery mechanisms; and (c) the extent to which technical capacities in key line ministries are suitable for project preparation and execution. CDB will intensify its macroeconomic surveillance to improve its monitoring of public finances over the strategy period. Additionally, technical capacity limitations will be addressed by providing in-country capacity building in PCM and PPAM for executing agencies and associated line ministries.

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<sup>21</sup> The public sector debt-to-GDP ratio fell from 137.9% in 2012 to an estimated 61.7% in 2017. Also, nominal GDP has increased from Eastern Caribbean dollars (XCD) 1,983 mn in 2012 to an estimated XCD2,562 mn in 2017.

<sup>22</sup> Although fiscal data for December 2016 is not yet available, fixed investment declined by 54.3% to XCD52.6 mn between January and November 2016, when compared to the same period in 2015. In 2017, fixed investment declined by a further 9% in the January to August period to XCD35.1 mn when compared to the same period in 2016, therefore undershooting the budgeted amount for the period by 58%.

**TABLE 4.1: INDICATIVE ASSISTANCE PROGRAMME**

<b>Proposed Areas for Support</b>	<b>USD (mn)</b>
<b><u>Pillar I - Economic Development and Enhanced Livelihoods</u></b>	<b>15.95</b>
TA in legislative and governance areas and training	0.95
Hospitality Training Institute	5.0
Line of Credit	10.0
<b><u>Pillar II - Inclusive Social Development</u></b>	<b>13.45</b>
Education Sector Transformation Programme	10.0
TA and capital projects supporting vulnerable groups	3.45
Upgrade to health care facilities	TBD
Support development of youth via the Cultural and Creative Industries Innovation Fund	TBD
<b><u>Pillar III - Environmental Protection and Infrastructure Enhancement</u></b>	<b>36.75</b>
TA and capital projects targeting environmental sustainability	7.8
Institutional strengthening and climate-resilient road rehabilitation	17.0
TA and enhancement in the water sector and physical planning	6.4
Regional Water Enhancement Study	TBD
TA and investment projects in the energy sector, including renewables	5.55
Support for GE	10.0
<b>Total</b>	<b>76.15</b>

## RESULTS MONITORING

4.13 The RMF in Appendix 4 will be used to monitor and assess development results. It identifies the country's development objectives to which each of CDB's indicative intervention(s) is aligned, the sector constraint(s) to be addressed, the expected outcomes to which the proposed intervention(s) are expected to contribute (including gender equality), and the performance indicators against which the results will be measured. For strategic purposes, the RMF is pitched at the sector level; however, the project-level RMF will be specified during project design. Monitoring and coordination of the Strategy will be done by both CDB (primarily the Economics Department) and country authorities. CDB's engagement will be focused on promoting mutual accountability for results and fostering open and frequent policy dialogue with GOSKN. Strategy implementation will be monitored on a continuous basis and by the means of a mid-term review as well. The Mid-term Review will be undertaken in 2019 to assess progress towards meeting expected sector outcomes in addition to assessing portfolio progress and utilisation of the resource envelope, within the context of possible changes to the country's fiscal circumstances. An end-of-strategy evaluation will also be undertaken to assess its contribution to sector outcomes.

## IMPLEMENTATION PLAN, ROLES AND RESPONSIBILITIES

4.14 Implementation of the Country Strategy will be guided by a coherent operational framework that defines specific roles and responsibilities at both the country and Bank levels once projects have been approved. The relevant line ministries/agencies (in close collaboration with MOF and the Ministry of Sustainable Development) will have responsibility for the management of specific projects, while CDB will assist with implementation through technical and financial assistance, and will work closely with the relevant executing agencies to ensure timely implementation of projects following Board approval. Where

needed, capacity-building support will be provided to facilitate efficient execution of projects and, by extension, promote the realisation of the expected sector outcomes of the proposed Country Strategy. Capacity building and sensitisation on gender equality considerations will be part of the institutional strengthening related to the execution of projects. The mechanism to promote efficient strategy implementation will be through structured communication channels and regular reporting. CDB will work closely with country officials to promote and improve cross-agency/cross-sector dialogue and collaboration, with a view to fostering a common understanding of the results and the collective responsibility for their achievement. Moreover, CDB will continue to actively monitor socioeconomic developments in SKN and have regular policy dialogue with country officials in order to ensure that the Strategy is appropriately adjusted to reflect any changes in GOSKN's priorities.

## **COORDINATION WITH OTHER DEVELOPMENT PARTNERS**

4.15 Strong and active coordination between development partners is essential to the successful implementation of any country assistance strategy and to increase the likelihood of achieving meaningful development results. It is necessary to not only reduce duplication, but provide an indication of potential niche areas and an opportunity for partnerships where there are common interests and complementary specialties. In SKN, the Department of Economic Affairs and PSIP within the Ministry of Sustainable Development is responsible for the coordination of development partners on an ongoing basis. CDB will pursue an active engagement strategy with PSIP and with other relevant partners in the areas/sectors of its interventions in order to avoid duplication and to optimise its development support. Areas for possible collaboration will be actively pursued. Appendix 5 summarises the current activities of development partners.

4.16 The WB/OECS Regional Partnership Strategy 2015-19 (which was published in 2014) addresses development challenges in OECS as a whole. The targeted interventions centre on the three main themes: (a) competitiveness; (b) public sector modernisation; and (c) resilience. WB does not have a specific country allocation for SKN and reports a total net commitment to the overall OECS at USD134.1 mn as of fiscal year 2014. The size of the WB/OECS net commitment looks modest, when compared to CDB's net commitment of USD78 mn at the end of July 2017 exclusively to SKN.

4.17 The 11<sup>th</sup> EU Fund National Indicative Programme (2014-2020) for the cooperation between SKN and the EU envisages a EUR2.8 mn grant to SKN, including EUR2.6 mn to the focal sector of RE/EE. The funding is being provided through a Sector Budget Support Modality. Therefore, CDB will seek areas of cooperation as outlined in the Revised NEP (2014), which provides the development objectives to facilitate the transformation of the energy sector.

## **5. RISK ANALYSIS AND MITIGATION**

5.01 There are a number of risks associated with this strategy. These risks can be categorised under the headings of financial risks, operational risks, strategic and other risks. Various risk mitigation measures have been established to manage these risks within tolerable levels through a framework of measurement, monitoring and control policies, procedures and processes. The financial risks to CDB include the impact on its outlook and financial health from lower-than-expected loan targets, approvals and disbursement. This can be caused by factors including: stronger-than-expected fiscal performance; and weak implementation capacity of GOSKN, among others.

5.02 CDB's Office of Risk Management (ORM) has overall responsibility for the establishment and oversight of its risk management framework. ORM policies are established to identify, analyse and monitor the risks faced by CDB, to set appropriate risk limits and controls, and to ensure adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market conditions and CDB's activities. The primary risks encountered by CDB are as follows:

- (a) **Credit Risk** is the risk of financial loss to CDB if GOSKN or counterparty to a financial instrument fails to meet its contractual obligations that arise principally from the loans and advances to customers and investments.
- (b) **Liquidity Risk** is the risk that GOSKN may encounter difficulty in meeting obligations associated with its financial liabilities or responsibilities that are settled by cash or another financial asset. With respect to this strategy, the concern would be largely in relation to the availability of counterpart contributions that would normally be required from the borrowers for the financing of projects by CDB. Prudent liquidity risk management requires GOSKN to maintain sufficient cash and short-term marketable securities, and monitor future cash flows to ensure that adequate liquidity is maintained.
- (c) **Operational Risks** emanate from the execution of business activities and relate to the potential loss or damaged reputation from failed or inadequate internal processes, people and systems, or from external events. It is the risk arising from direct or indirect loss or damaged reputation attributable to fraud, human error, processes or technological internal controls.

5.03 Table 5.1 summarises these risks as they relate to SKN, as well as CDB's proposed mitigation measures.

5.04 Other measures to help mitigate these risks include: (a) greater focus on economic diversification in the CSP, especially with respect to the tourism concept; (b) quick response to address the socioeconomic effects of natural hazards; (c) making the most of sources of concessional funding, such as CALC; and (d) active engagement of development partners and wide stakeholder consultations.

**TABLE 5.1: RISK ASSESSMENT AND MITIGATION MEASURES**

<b>Risk Type</b>	<b>Description of Risk</b>	<b>Mitigation Measures</b>
Credit	Macroeconomic shock or unforeseen circumstances impair GOSKN's ability to meet its debt obligations and could pose threat to the degree to which the CSP may be implemented.	GOSKN's debt-to-GDP ratio fell from 156.5% in 2010 to 65.6% in 2016, and is on target to meet the 60% Eastern Caribbean Central Bank target by 2018. The reduction in debt was possible partly because of buoyant CBI revenues, which in 2017 are showing signs of decline. In addition, unravelling of the debt-land swap would increase debt. Therefore, while credit risk is likely to be low, CDB will continue to monitor and to advise GOSKN on policies and practices that enhance growth and improve the public finances. The Mid-term Review provides an opportunity to reassess the CSP, as well as the country's growth and fiscal prospects.
Liquidity	GOSKN has insufficient liquidity to meet debt service obligations to CDB and to provide counterpart contributions.	This risk is likely to be small, but CDB will monitor regularly. Debt service as a share of Government revenue fell from 16% in 2013 to a projected 8.4% in 2017, as debt was paid off. The Mid-term Review provides an opportunity to reassess the CSP, as well as SKN's liquidity position.
Operational	Implementation capacity constraints.	GOSKN acknowledges the need to improve implementation capacity. To strengthen project implementation capacity, CDB will provide PPAM and PCM training, as well as support to improve public procurement.
Operational	CC and weather-related natural disasters.	GOSKN's participation in the Caribbean Catastrophe Risk Insurance Facility, as well as ongoing efforts to mainstream Disaster Risk and Recovery. The CSP will provide support to reduce vulnerability to such events. All interventions will be climate screened.

**GENDER ANALYSIS**

<b>Strategy stage</b>	<b>Criteria</b>	<b>Score</b>
Analysis	Gender dialogue with ministries and authorities with national oversight and relevant gender-related public/private sector organisations and NGOs has taken place.	0.5
	Gender analysis has been conducted covering the socioeconomic, sectoral and institutional context.	0.5
Design	Indicative interventions address all identified gender disparities and resources are allocated to them.	0.5
	or Indicative interventions address some of the identified gender disparities and resources are allocated to them.	
Implementation	Indicative interventions address weaknesses in the national gender machinery (i.e. national gender bureau, gender focal points) and resources are allocated to them.	0.5
	Indicative interventions address weaknesses in the gender mainstreaming capacities of other ministries and Government agencies (e.g. statistical offices) and resources are allocated to them.	0.5
M&E	Sex-disaggregated data are included in baselines, indicators and targets of the Results Framework. or CSP indicates that data will be collected during implementation.  At least one gender-responsive outcome indicator for each intervention addressing gender disparities is included in Results Framework.	0.5

<b>Gender Mainstreamed (GM): if 3 to 4 points.</b> <b>Marginally Mainstreamed (MM): if 2 to 2.5 points.</b> <b>NO: if projects score 0 to 1.5; if NO please give a justification why.</b>
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**GM:** the CSP has taken gender considerations fully into account and has potential to contribute significantly to Gender Equality.

**MM:** the CSP has taken gender considerations partially into account and has limited potential to contribute to Gender Equality.

**NO:** no contribution to Gender Equality, it is not reflected in the CSP, or appears as a formal reference only.



**CLIMATE AND DISASTER RISK SCREENING**

**Basic Project/Programme Information**

<b>Project Title:</b> Country Strategy Paper
<b>Country:</b> St. Kitts and Nevis
<b>Sector:</b> Multi-Sector
<b>Country Objectives and Brief Description:</b>
To identify the overall risk to priority sectors identified as critical to meeting the country's CSP goals and priorities, based on climate and geophysical hazards and sector potential impact, but adjusted for the sector's institutional readiness and for the challenges and opportunities presented by the larger development context.
<b>Project Cost:</b> N/A

**Summary of Climate and Disaster Risk Screening**

<b>2. Exposure<sup>1</sup> : Brief description of Hazards and Climate Risks likely to affect the CSP<sup>2</sup></b>	
<b>Hazard</b>	<b>Description<sup>3</sup></b>
<p>The hazards listed below are the significant ones for the country.</p> <ol style="list-style-type: none"> <li>1. Extreme Temperature</li> <li>2. Extreme Precipitation and Flooding</li> <li>3. Drought</li> <li>4. SLR</li> <li>5. Storm Surge</li> <li>6. Strong Winds</li> <li>7. Earthquakes</li> </ol>	<p><u>Temperature</u></p> <p>Mean annual temperature has increased by around 0.5°C since 1960, at an average rate of 0.12°C per decade. Warming has been more rapid in the June-August and September-November periods, at a rate of 0.16°C per decade, compared to 0.08-0.10°C per decade in the December-February and March-May periods. Climate models indicate statistically increasing trends in sea surface temperatures (about 0.12°C per decade) in the waters surrounding SKN.</p> <p><i>Future</i></p> <p>Warming is expected to be more prevalent as years progress. Temperatures are expected to increase between 0.4 and 2.1°C by 2060. 'Hot' days and nights per year are projected to increase and occur on 26%-66% of days and nights by the 2060s, and by 37%-100% of days and nights by the 2090s. 'Cold' days and nights are projected to decrease and occur on 0% of days per year by the 2090s.</p>

<sup>1</sup> The presence of people, livelihoods, species or ecosystems, environmental services and resources, infrastructure, or economic, social, or cultural assets in places that could be adversely affected by a hazard.

<sup>2</sup> A physical process or event (hydro-meteorological or oceanographic variables or phenomena) that can harm human health, livelihoods, or natural resources.

2. Exposure: Brief description of Hazards and Climate Risks likely to affect the CSP	
	<p><b><u>Rainfall</u></b></p> <p>Mean rainfall over SKN has not changed with a significant trend since 1960. SKN suffered four flood events of varying intensities in the years 1984, 1987, 1998 and 1999, respectively. In 2004, flood events affected the road network around the island and inundated households, affecting lands, property, buildings and furniture.</p> <p><i>Future</i></p> <p>Projections vary by region and are highly uncertain at the seasonal level. -53 to +15% by 2090. Projections of mean annual rainfall indicate overall decreases. Number of dry expected to increase in tandem with rainfall thus creating more intense storms, floods and droughts. Towards 2090. Tropical cyclones and storms are likely to increase in intensity owing to a warmer climate and higher sea surface temperatures. However, there is greater uncertainty in changes in frequency which contributes to uncertainties in future wet season rainfall.</p> <p><b><u>Drought</u></b></p> <p>Drought has mainly been identified as a critical hazard for Nevis. Over 50% of the island receives less than 50 inches of rainfall per year. The greatest vulnerability lies in the south and south-east section of the island, in particular the Charlestown water zone and Butlers/Manning water zone.</p> <p>In 2017, St. Kitts experienced drought conditions which resulted in island wide rationing of water.</p> <p><i>Future</i></p> <p>Projections of mean overall rainfall indicate decrease. In the future, lower than average rainfall and meteorological drought conditions, particularly in Nevis which already receives less rainfall than St. Kitts, will compromise freshwater availability. Furthermore, increased demand may lead to over-abstraction exacerbating salinisation of freshwater supplies. Efforts to protect wells and aquifers from salt water intrusion need to be made.</p>

**2. Exposure: Brief description of Hazards and Climate Risks likely to affect the CSP****Sea Level Rise**

Over 60% of the population in SKN are situated in coastal areas, rendering them vulnerable to SLR, storm surge and coastal flooding. Disaster risk priorities should therefore focus on protection of coastal zones.

*Future*

Up to 1 metre SLR could occur by mid-century.

Hurricanes and tropical storms have increased. In Nevis, areas along the north-eastern to south-eastern seafront have relatively high vulnerability to storm surge, including Charlestown Port. In St. Kitts, areas at risk of storm surge occur along the south-western seafront, as well as along the waterfront of Basseterre. Over 60% of the population in SKN are situated in coastal areas, rendering them vulnerable to SLR, storm surge and coastal flooding. Disaster risk priorities should therefore focus on protection of coastal zones.

**Tropical Cyclones**

Tropical cyclones and storms are likely to increase in intensity owing to a warmer climate and higher sea surface temperatures.

Hurricanes and tropical storms have increased. Hurricanes Irma and Maria, both Category 5, impacted the Caribbean region in September 2017 causing serious impacts to road, water and energy infrastructure, coastlines, building infrastructure, the land and marine environment and communication infrastructure in St. Kitts and Nevis. Climate models indicate statistically increasing trends in sea surface temperatures (about 0.12°C per decade) in the waters surrounding SKN.

Hurricane frequency and intensity seemed to increase throughout the 1990s, with the country suffering the impacts of five major hurricanes between 1995 and 1999. Hurricane Georges in 1998 caused destruction of vital economic and social infrastructure and the damage is estimated to have amounted to 140% of GDP.

*Future*

Tropical cyclones and storms are likely to increase in intensity owing to a warmer climate and higher sea surface temperatures.

**Earthquake**

Since 1957 there have been two major earthquake swarms associated with Mt. Liamuiga and a number of minor ones. The first swarm occurred between August 8 and 11, 1974, when 21 small earthquakes occurred beneath the volcano. No major risk at present.

### **3. Sensitivity of Sectors**

#### **Key Sectors in CSP**

1. Education
2. Transport
3. Water
4. Coastal Resources
5. Tourism

#### **Sensitivity to climate change and natural hazards**

The transport, water, coastal resources and tourism sectors were assessed to have high sensitivity to climate variability and CC. The education sector on the other hand, was assessed to have moderate sensitivity to the potential impacts of climate variability and CC. Extreme precipitation and flooding; strong winds; storm surges and SLR posed the main threat for the transport sector. For the water sector, drought and strong winds were the main threats. For coastal resources, SLR, storm surges and strong winds emerged as the main areas of concern. (See Table 1).

### **4. Climate and Geo-physical Hazards, and Potential Impacts for Priority Sectors**

#### **Climate and Disaster Risk Assessment Summary:**

Except for the education sector, priority sectors in the CSP have a high level of vulnerability to climate variability (see Table 2).

#### **Water Resources**

SKN's water resources are vulnerable to sea level rise and temperature increase leading to higher evaporation rates. All of the groundwater resources from St. Kitts are sourced from coastal aquifers. With between 65%-70% of all water sourced from groundwater, early signs of saltwater intrusion are beginning to be observed. The average annual rainfall in Nevis is 1,170 mm, which is considerably lower than in St. Kitts. However, St. Kitts also experienced drought in 2017. As a result, many residents often resort to storage of rainwater in cisterns to augment supply. Although the island can meet current demand, most of the wells in Nevis are considered to be producing near peak capacity. Given the centrality of ground water sources to the national water supply, the problem of water resources is primarily one of keeping and protecting the underground water resources. This requires the implementation of measures for rational use of available water and controlled rate of pumping from aquifers.

#### **Transport**

A considerable portion of the road network in SKN is located in coastal areas or in low-lying areas, which makes them vulnerable to the effects of natural hazards and climate risk. In St. Kitts two major transport arteries, namely Old Road Highway and Fortlands Road have deteriorated due to coastal erosion. These roads provide access to critical facilities and services from the capital for residents along the southern coast of the island. Given the critical role of infrastructure in facilitating economic development, a comprehensive approach to addressing infrastructure adaptive capacity is essential so that CC impacts can be withstood with minimal disruptions to services.

#### **Coastal Resources**

Over 60% of the population in SKN are situated in coastal areas. The islands' coasts may be exposed to SLR and other impacts of CC, including a worsening of present trends of coastal erosion, saline intrusion and sea flooding. These processes could negatively impact natural resources (including coral reefs) and infrastructure. Disaster risk priorities should therefore focus on protection of coastal zones.

**Education**

The education sector was assessed to have moderate sensitivity to the potential impacts of climate variability and CC, however, all of SKN's schools are exposed to strong winds associated with storms. With the effects of CC and natural hazards projected to intensify, future design and construction must take areas CC and natural hazard risks into consideration.

Overall, adaptive capacity in all sectors is at a low level signaling the need for interventions to address areas of shortcoming. More emphasis needs to be placed on:

1. Mainstreaming CC into key sectors by undertaking climate vulnerability assessments and developing climate resilient investment master plans for key infrastructure sectors.
2. Developing measures to support climate resilient water resources management (including measures to improve water use efficiency).
3. Integrating climate considerations into coastal resources management.

**6. Overall Risk Assessment Rating (None/Low/Moderate/High): High**

**TABLE 1: KEY DRIVERS OF IMPACT**

<b>KEY DRIVERS OF IMPACTS</b>		
<b>Sector</b>	<b>Historical/Current Drivers</b>	<b>Future Drivers</b>
<b>Education</b>		Extreme Temperature; Extreme Precipitation and flooding; Drought; Strong Winds
	*	*
<b>Transport</b>	Extreme Precipitation and flooding; SLR	Extreme Temperature
	Storm Surge; Strong Winds	Extreme Precipitation and flooding; SLR; Storm Surge; Strong Winds
<b>Water</b>	Storm Surge; Strong Winds	Extreme Temperature; Extreme Precipitation and flooding; SLR; Storm Surge
	Drought	Drought; Strong Winds
<b>Other (Coastal)</b>	Extreme Precipitation and flooding; SLR	Extreme Precipitation and flooding; Drought
	Storm Surge; Strong Winds	SLR; Storm Surge; Strong Winds
<b>Other (Tourism)</b>	Drought; SLR; Strong Winds	Extreme Temperature; Extreme Precipitation and flooding
	Storm Surge	Drought; SLR; Storm Surge; Strong Winds

Key:

High Risk

Moderate Risk

\* If a cell is blank it implies there is 'No high or moderate risks' identified from any hazard.

**TABLE 2: OVERALL SECTOR RISK**

	EDUCATION		TRANSPORT		WATER		OTHER (COASTAL)		OTHER (TOURISM)	
	Historical/ Current	Future	Historical/ Current	Future	Historical/ Current	Future	Historical/ Current	Future	Historical/ Current	Future
Potential Impact										
Extreme Temperature										
Extreme Precipitation and Flooding										
Drought										
Sea Level Rise										
Storm Surge										
Strong Winds										
Earthquake		X		X		X		X		X
Overall Sector Potential Impact										
Institutional Readiness Score										
	3-Minimal		4-Minimal		4-Minimal		4-Minimal		4-Minimal	
Preliminary Sector Impact										
Development Context Considerations										
	• Other ( Uncertai n ) : Does not affect risk		• Other ( Uncertai n ) : Does not affect risk		• Other ( Uncertai n ) : Does not affect risk		• Legal enforcement : Increases risk		• Legal enforcement : Increases risk	
Overall Sector Risk										

Insufficient Understanding	No Potential Impact	Low Potential Impact	Moderate Potential Impact	High Potential Impact
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**SOCIAL VULNERABILITY MATRIX**

<b>Name of Institution</b>	<b>Beneficiaries</b>	<b>Types of Risks/ Vulnerabilities Faced</b>	<b>Existing Policies and Programmes</b>	<b>Partners</b>	<b>Recommendations for Mitigation</b>
GOSKN	Children under 18 years.	<ul style="list-style-type: none"> <li>i. Access to ECD services for the 0-2 age cohort is severely limited.</li> <li>ii. Inefficiency in upper secondary leading to high drop-out rate (27% in Form 4).</li> <li>iii. Sub-optimal outcomes at the end of the Basic School Cycle.</li> <li>iv. Limited quality and reach in special needs education.</li> <li>v. Limited access to training.</li> </ul>	ESP 2017-2021	MOE.  United Nations Educational, Scientific and Cultural Organisation (UNESCO)/ United Nations Children's Fund (UNICEF)/ United States Agency for International Development (USAID)/ Organisation of American States (OAS), CDB.	<ul style="list-style-type: none"> <li>i. Expanding ECD services, particularly for the 0-4 age cohort.</li> <li>ii. Implementing comprehensive curriculum and assessment reform programmes to meet the learning needs of all students.</li> <li>iii. Institutional strengthen of teaching service to enhance teacher effectiveness.</li> <li>iv. Addressing the skills development needs of secondary school and out-of-school/ vulnerable/at-risk youth.</li> </ul>
		Children affected by GBV  Child in need of care and protection	<ul style="list-style-type: none"> <li>i. New Horizon Rehabilitation Centre.</li> <li>ii. Juvenile Justice Reform Project.</li> <li>Children Family and Youth Resilience Programme.</li> </ul>	USAID/ The United Nations Development Programme (UNDP)/ OECS.	Enhance provision for children in need of care and protection from the state:  <ul style="list-style-type: none"> <li>i. Structural provisions.</li> <li>ii. Institutional Strengthening.</li> </ul>



<b>Name of Institution</b>	<b>Beneficiaries</b>	<b>Types of Risks/ Vulnerabilities Faced</b>	<b>Existing Policies and Programmes</b>	<b>Partners</b>	<b>Recommendations for Mitigation</b>
	Young Persons (ages 15 to 35 years)	<ul style="list-style-type: none"> <li>i. Unemployment.</li> <li>ii. Poverty.</li> <li>iii. Limited certification and access to formal training.</li> <li>iv. Crime and Violence.</li> <li>v. Disenfranchisement.</li> <li>vi. Exclusion from credit programmes.</li> </ul>	<ul style="list-style-type: none"> <li>i. STEP.</li> <li>ii. TA - National Youth Policy.</li> <li>iii. Formulation of National Culture and Creative Arts Strategic Plan.</li> <li>iv. PSP 2011-19.</li> </ul>	<ul style="list-style-type: none"> <li>i. National Skills Training Programme.</li> <li>ii. Ministry of Youth Sports and Culture (MYSC).</li> <li>iii. Commonwealth Secretariat.</li> <li>iv. UNESCO.</li> <li>v. RSCNPF.</li> <li>vi. CDB.</li> </ul>	<ul style="list-style-type: none"> <li>i. Implementation of increased opportunities for access to certified training.</li> <li>ii. Implementation of National Youth Policy.</li> <li>iii. Implementation of National Culture and Creative Arts Strategic Plan.</li> </ul>
	Women	<ul style="list-style-type: none"> <li>i. Unemployment/ Underemployment.</li> <li>ii. GBV.</li> <li>iii. Teen pregnancy.</li> <li>iv. Voiceless in decision making.</li> <li>v. Single parenting.</li> </ul>	<ul style="list-style-type: none"> <li>i. Formulation of Strategy for GBV.</li> <li>ii. Democracy and Governance in Decision Making.</li> <li>iii. Men as Allies in Parenting and against GBV.</li> <li>iv. Viola Project (for adolescent mothers).</li> </ul>	<ul style="list-style-type: none"> <li>MYSC/ Pan American Health Organisation/ United Nations Development Fund for Women/ Organisation of American States.</li> <li>US Peace Corp.</li> <li>UNICEF.</li> </ul>	<ul style="list-style-type: none"> <li>i. Coordination of initiatives under a policy and strategic operating framework.</li> <li>ii. Creating a safe haven for persons affected by GBV.</li> </ul>

<b>Name of Institution</b>	<b>Beneficiaries</b>	<b>Types of Risks/ Vulnerabilities Faced</b>	<b>Existing Policies and Programmes</b>	<b>Partners</b>	<b>Recommendations for Mitigation</b>
	Households in at-risk communities (Rural and Urban).	i. Poverty. ii. Access to health care, sanitation, water and adequate housing. iii. Limited livelihood opportunities. iv. Gaps in access to social, economic and recreation services.	i. National Social Protection Strategy. ii. The Basic Needs Trust Fund (BNTF). iii. Mold Empower Nurture and Direct (MEND) – Pilot.	CDB. WB/ UNICEF/ United Nations Entity for Gender Equality and the Empowerment of Women (UN WOMEN)/ Government of Jamaica/ Government of Saint Lucia.	i. Duplication and expansion of MEND. ii. Formulate Community Development Strategy for sustainability of BNTF approaches and programmes.
	National Statistical Institute	Financial, technical and human resources inadequacies.	i. TA – completion of Labour Force Survey. ii. Institutional Strengthening. iii. Enhanced CPA.	WB/ UNDP/ OECS/ Caribbean Community. UN- Strengthening Evidence-based Decision Making for Citizen Security in the Caribbean. USAID/ CDB.	Continued implementation and sustainability of capacity enhancement initiatives.

## RESULTS MONITORING FRAMEWORK

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR I: Economic Development and Enhanced Livelihoods</b>					
Safeguarding macroeconomic and fiscal stability.	i. Susceptibility of fiscal indicators to CBI.	i. Improved institutional arrangements for creating fiscal buffers.	i. Recommendations of TA implemented.	i. TA for setting up fund, including training of officials: <ul style="list-style-type: none"> <li>- Objectives, goals.</li> <li>- Legal structure.</li> <li>- Rules on funding and withdrawals.</li> <li>- Determining the investment policy.</li> </ul>	<b>Main Risks</b> <ul style="list-style-type: none"> <li>i. GRF not established.</li> <li>ii. GRF established, but not set up in a way conducive to reach its goals in an efficient way.</li> <li>iii. Low CBI revenue or external economic or natural shock could lower fiscal buffers.</li> </ul> <b>Mitigation Risks</b> <ul style="list-style-type: none"> <li>i. CDB working close with GOSKN in establishment of GRF.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR I: Economic Development and Enhanced Livelihoods</b>					
Increased Productivity, Competitiveness and Economic Diversification.	<ul style="list-style-type: none"> <li>i. Insufficient number of skilled workers within the hotel and restaurant sector.</li> <li>ii. Lack of certification of skilled artisans.</li> <li>iii. Insufficient access to finance by MSMEs.</li> <li>iv. Insufficient technical capacity of MSMEs, including key business skills.</li> <li>v. Limited capacity of Development Agencies to support entrepreneurs due to delays in legislative reforms.</li> </ul>	Increased skills set in the tourism sector and improved enabling environment for MSMEs.	<ul style="list-style-type: none"> <li>i. % of hospitality students certified with Caribbean Vocational Qualification Level 2 or greater certification. <i>Baseline (2017):0%. Target (2021): 30%. (Source: MOE).</i></li> <li>ii. Increased number of artisans trained by the Caribbean Technological Consultancy Services (CTCS) by 2021. <i>Baseline (2017): 0 Target (2021): 100 (Source: CTCS).</i></li> <li>iii. Increased share of MSME goods/services comply with the national quality standards. <i>Baseline (2016):0 %. Target (2021): 20% (Source: GOSKN).</i></li> <li>iv. Compliance with regional cooperation and trade agreements legislated by 2021.</li> </ul>	<ul style="list-style-type: none"> <li>i. Loan for establishing hospitality training institute.</li> <li>ii. Training artisans with CTCS' Computerised Job Estimation Tool.</li> <li>iii. Lines of credit to financial intermediaries for lending to MSMEs.</li> <li>iv. MSME sector training in key business skills, including procurement.</li> <li>v. TA to support the legislative reforms for GOSKN to comply with regional cooperation and trade agreements and trade standards.</li> </ul>	<p><b>Main Risks:</b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Macroeconomic challenges.</li> <li>iii. Low level of up-take for the CTCS MSME training programme courses by the MSME sector</li> </ul> <p><b>Mitigation Measures:</b></p> <ul style="list-style-type: none"> <li>i. Active supervision of project/programme activities by CDB staff.</li> <li>ii. TA to financial institutions for institutional strengthening.</li> <li>iii. CTCS to work closely and partner with existing institutions and programmes supporting MSMEs, including the National Entrepreneurial Development Division and the Nevis Small Enterprise Development Unit Programme.</li> <li>iv. CDB will also maintain dialogue with the country authorities and offer policy advice to ensure that issues are addressed early. Additionally, CDB will engage other development partners in the process.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR I: Economic Development and Enhanced Livelihoods</b>					
Improved Governance and Development Planning.	<ul style="list-style-type: none"> <li>i. Capacity gaps in public policy development, project management, and M&amp;E.</li> <li>ii. Lack of operations and guidelines to implement Procurement and Contract Administration Act 2012 and lack of public procurement capacity.</li> <li>iii. Lack of technical skills in the public sector to implement capital projects.</li> </ul>	Improved technical capacity to develop national policies, improved procurement regulations and procurement capacity, and improved technical skills regarding project management and implementation.	<ul style="list-style-type: none"> <li>i. 30% of national and/or sector policies developed with M&amp;E systems in place  <i>Baseline (2016): 0%. Target: (2021): 30%. (Source: Ministry of Sustainable Development).</i></li> <li>ii. 100% of Procurement and Contract Administration Act 2012 provisions implemented by 2021.</li> <li>iii. Increased percentage of public officials trained in procurement. <i>Baseline, target and source: tbd.</i></li> <li>iv. Increased percentage of capital projects fully implemented <i>Baseline (2016): 60%. Target (2021): 80%. (Source: Ministry of Sustainable Development).</i></li> </ul>	<ul style="list-style-type: none"> <li>i. Support for development planning, including prioritising, sequencing, delivery, multi-year budgeting, and performance measurement.</li> <li>ii. Training in PPAM, PCM, and M&amp;E.</li> <li>iii. TA support to develop procurement regulations and operational guidelines and to train GOSKN officials.</li> </ul>	<p><b>Main Risks:</b> Implementation capacity constraints.</p> <p><b>Mitigation Measures:</b> Continuous and timely engagement by CDB staff to assess country capacity needs and identify support needed.</p> <p><b>Main Risks</b> Procurement and Contract Administration Act 2012 remains not fully promulgated.</p> <p><b>Mitigation Risks</b> TA to provide support to improve the procurement Act as part of the process to develop the operational guidelines and regulations.</p> <p><b>Main Risks</b> Limited GOSKN technical staff available to participate in PPAM and PCM training.</p> <p><b>Mitigation Measures</b> Work closely with GOSKN training and human resource departments in St. Kitts and in Nevis to jointly deliver the PPAM and PCM and M&amp;E training programme activities.</p>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR II: Inclusive Social Development</b>					
Enhanced Outcomes	Educational	<ul style="list-style-type: none"> <li>i. Inadequate diagnostic, intervention and student-support programmes.</li> <li>ii. Insufficient trained staff in mainstream schools, constrain the quality and reach of special needs education.</li> <li>iii. The curriculum and assessment framework is either inadequate (in primary education) or absent (in lower secondary).</li> <li>iv. Inadequate climate resilient and child-friendly learning environments.</li> <li>v. Sub-optimal arrangements, including facilities and organisational structures, for sector governance and service delivery.</li> <li>vi. Limited provision of demand-driven TVET.</li> </ul>	<p>Enhanced Student Learning Outcomes and Teacher Effectiveness and improved workforce development for economic competitiveness.</p> <ul style="list-style-type: none"> <li>i. % of schools certified as SMART based on regional standards.  <i>Baseline (2017): 0% public schools certified. Target (2021): 10% public schools certified. (Source: MOE).</i></li> <li>ii. MOE revised organisational structure approved.  <i>Baseline (2017): Not in place. Target (2021): In place. (Source: MOE).</i></li> <li>iii. Decrease in drop-out rates in upper secondary (Form 4).  <i>Baseline (2015): 27%. Target (2021): 10%. (Source: MOE).</i></li> </ul>	<ul style="list-style-type: none"> <li>i. Providing the enabling environment (new MOE facilities and institutional strengthening) for improved sector planning, management, support services and stakeholder engagement and accountability.</li> <li>ii. Expanding ECD services, particularly for the 0-4 age cohort and implementing comprehensive curriculum and assessment reform programmes to meet the learning needs of all students.</li> <li>iii. Professionalising the teaching service and improving teacher effectiveness.</li> <li>iv. Addressing the skills development needs of out-of-school/vulnerable/at-risk youths.</li> <li>v. Lines of credit to financial intermediaries for lending to students from low income households.</li> </ul>	<p><b>Main Risks:</b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Timely pre-appraisal inputs such as designs for infrastructure works.</li> </ul> <p><b>Mitigation Measures:</b></p> <ul style="list-style-type: none"> <li>i. Active supervision of project/programme activities by CDB staff.</li> <li>ii. CDB will maintain dialogue with the country authorities and finalise arrangements for pre-appraisal inputs such as financing preparation of designs.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Areas for Support	Risks and Mitigation
<b>PILLAR II: Inclusive Social Development</b>					
Social Inclusion and Gender Equality	i. Legislative, policy and operational framework to support gender equality is limited.  ii. Inadequate coordination of gender mainstreaming among stakeholders.	i. Enhanced capacity of specialist staff provide technical support during design and implementation of Gender Policy.  ii. Increased development programmes with gender-specific objectives supported by clear budgetary allocations.  iii. Increased awareness of, and focus on, gender issues in national policy dialogue across all Ministries.	i. Evidence-based Gender Policy and Action Plan in place by December 2019.  ii. Number of line Ministries that integrate gender equality integrated in sector planning and budgetary allocations.  iii. Number of development interventions with gender-specific objectives.	i. TA to undertake national planning, formulation and review of Gender Policy and Action Plan.	<b>Risks:</b>  Limited staff capacity in regard to maintenance of timelines to facilitate development.  <b>Mitigation:</b>  Timely response by CDB to provide TA and oversight of development of related policy and action plan.
Reducing Crime and Increasing Security	i. Absence of safe-haven shelter for persons affected by GBV.  ii. Inadequacies in the functional design of the juvenile rehabilitation centre.  iii. Mismatch of skills of existing technical personnel to effectively perform diagnosis at juvenile rehabilitation centre.	i. Increased access to shelter and protection for persons affected by GBV.  ii. Increased technical and operational capacities at juvenile rehabilitation centre.	i. % of persons affected by GBV accessing shelter.  <i>Baseline (2017): 0%</i> <i>Target (2021): 50% of affected persons</i> <i>(Source: Police and Shelter Records).</i>  ii. % of technical staff trained in relevant functional areas.  <i>Baseline (2017): 0%</i> <i>Target (2021): 100%</i> <i>(Source: Public Service Records).</i>  iii. Structural modernisation of juvenile rehabilitation centre and court records completed by 2021.	i. Establishment of safe haven for persons affected by GBV.  ii. Institutional strengthening through development of operational policies and procedures of juvenile rehabilitation centre.  iii. Modernisation of juvenile rehabilitation centre to meet functional needs.	<b>Risks:</b>  Inability to procure TA in a timely manner and commit personnel for formulation of operational manual.  <b>Mitigation:</b>  Timely response by CDB and authorities to facilitate recruitment of TA.

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Interventions	Risks and Mitigation
<b>PILLAR III: Environmental Protection and Infrastructure Enhancement</b>					
Promoting Environmental Sustainability with a Focus on Safe and Reliable Infrastructure.	<ul style="list-style-type: none"> <li>i. Inadequate capacity to access GCF and other climate-financing mechanisms.</li> <li>ii. Limited personnel with training in geographical information systems.</li> <li>iii. Erosion of coastline, including beaches, impacting the tourism product.</li> <li>iv. Ineffective beach monitoring due to the lack of proper equipment and training.</li> <li>v. Unsustainable water resources management.</li> <li>vi. Absence of a master plan for the management of the water sector.</li> <li>vii. Excessive flooding in Basseterre.</li> </ul>	Strengthened environmental management supported by safe and reliable infrastructure.	<ul style="list-style-type: none"> <li>i. Number of project proposals developed for submission to GCF and other GCF mechanisms.  <i>Baseline (2017): 0. Target (2021): 2.</i></li> <li>ii. Number persons trained in use of geographical information systems.  <i>Baseline (2017): 2. Target (2021): 5.</i></li> <li>iii. Development of a Water Master Plan.  <i>Baseline (2017): none Target (2021): one</i></li> <li>iv. Conduct of Water Tariff Study.  <i>Baseline (2017): none Target (2021): one</i></li> <li>v. Water storage capacity in Nevis increased from two days to three days by 2021.</li> <li>vi. TAs for drainage improvement work completed by 2021. Reduction in number of days of flooding in Basseterre.  <i>Baseline and target: tbd. (Ministry of Works)</i></li> </ul>	<ul style="list-style-type: none"> <li>i. Support for capacity building to access climate financing.</li> <li>ii. TA for geomatics capacity enhancement for physical planning, coastal management and DRM.</li> <li>iii. TA for climate-resilient solutions for coastal protection in SKN.</li> <li>iv. Enhancing both St. Kitts' and Nevis' capacity and equipment for improving coastal management.</li> <li>v. Support for assessing water resources, developing a water resources master plan, a water tariff study and building resilience of water infrastructure.</li> <li>vi. Support for preparation of Master Plan for enhancement of the urban drainage network.</li> </ul>	<p><b>Main Risks:</b></p> <ul style="list-style-type: none"> <li>i. Sustained weakness with respect to inter-sector coordination.</li> <li>ii. Implementation capacity constraints.</li> <li>iii. Lack of country ownership to support sector outcomes and lack of enforcement of legislation and policies.</li> </ul> <p><b>Mitigation:</b></p> <ul style="list-style-type: none"> <li>i. CDB to maintain regular dialogue with GOSKN offering policy advice and ensuring timely identification of issues.</li> <li>ii. Additionally, CDB is to engage other development partners in the process.</li> </ul>



Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Interventions	Risks and Mitigation
<b>PILLAR III: Environmental Protection and Infrastructure Enhancement</b>					
Promoting Environmental Sustainability with a Focus on Safe and Reliable Infrastructure (continued).	<p>vii. Inadequate road quality, such as pavement deterioration and flooding.</p> <p>viii. Outdated Urban Revitalisation Plan, lacking development plan for Basseterre Waterfront and space rationalisation of urban environment.</p> <p>ix. Capacity issues in Physical Planning Department.</p> <p>x. Lack of map digitisation.</p>	Strengthened environmental management supported by safe and reliable infrastructure.	<p>vii. Taking-Over Certificate issued for rehabilitation work at Old Road Bay by December 2019.</p> <p>viii. 5-km of road on St. Kitts, re-paved to climate resilient standard by 2021.</p>	<p>vii. TA to review the outcome document for sea defense and slope stabilisation and rehabilitation work at Old Road Bay.</p> <p>viii. Revised urban revitalisation plan.</p> <p>ix. TA for map digitisation and relevant training of officers.</p>	<p><b>Main Risks:</b></p> <p>i. Sustained weakness with respect to inter-sector coordination.</p> <p>ii. Implementation capacity constraints.</p> <p>iii. Lack of country ownership to support sector outcomes and lack of enforcement of legislation and policies.</p> <p><b>Mitigation:</b></p> <p>i. CDB to maintain regular dialogue with GOSKN offering policy advice and ensuring timely identification of issues.</p> <p>ii. Additionally, CDB is to engage other development partners in the process.</p>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Interventions	Risks and Mitigation
<b>PILLAR III: Environmental Protection and Infrastructure Enhancement</b>					
Improving security, efficiency and sustainability of the energy sector.	<ul style="list-style-type: none"> <li>i. Weak legislative and regulatory framework to support RE and EE, including absence of utility regulator.</li> <li>ii. Low share of renewables in electricity production (5.7% in 2015 according to US Department of Energy).</li> <li>iii. Weak human and institutional capacity in government to manage and implement GE projects.</li> <li>iv. Weak electricity infrastructure in Nevis.</li> <li>v. Weak institutional arrangements for energy sector management.</li> </ul>	Strengthened legislative and regulatory framework, cleaner supply and higher security in the energy sector.	<ul style="list-style-type: none"> <li>i. PUC established for both St. Kitts and Nevis. <i>Baseline (2017): Not established.</i> <i>Target (2021): Established.</i></li> <li>ii. Number of recommendations adopted as benchmarks for the utility operations. <i>Baseline (2017): 0.</i> <i>Target (2021): 3.</i></li> <li>iii. Number of trained government technical officers in RE project selection, and project management. <i>Baseline (2017): 3.</i> <i>Target (2021): 12.</i></li> <li>iv. Number of studies completed for the Environmental and Social Impact Assessment (ESIA), feasibility of GE projects and cost of service for electricity utilities. <i>Baseline (2017): 0.</i> <i>Target (2021): 4.</i></li> <li>v. Decreased SKELEC and NEVLEC system loss. <i>Baseline (2015): SKELEC 17%; NEVLEC 20%.</i> <i>Target (2021): SKELEC 15%; NEVLEC 15%.</i> <i>(Source: Energy Transition Initiative 2015.</i></li> </ul>	<ul style="list-style-type: none"> <li>i. Strengthening the regulatory framework, including establishment of PUC.</li> <li>ii. Define minimum operating standards for energy utilities.</li> <li>iii. Provide TA for GE-related ESIA and Advisory Services.</li> <li>iv. Capacity support for NIA, including PPP-related support and Project Management Unit.</li> <li>v. TA for the development of an operational framework to guide establishment of Energy Units on both St. Kitts and Nevis by December 2019.</li> </ul>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Lack of country ownership to support sector outcomes.</li> <li>iii. Funding constraints.</li> </ul> <p><b>Mitigation Measures:</b></p> <ul style="list-style-type: none"> <li>i. Continuous and timely CBD staff engagement to assess capacity needs and provision of support.</li> <li>ii. Continuous and timely CBD staff dialogue with GOSKN regarding priorities.</li> <li>iii. Access to concessionary finance.</li> </ul>

Country Development Priorities	Specific Sector Constraints Being Addressed by CDB	Sector Outcomes Being Targeted	Outcome Indicators	CDB's Indicative Interventions	Risks and Mitigation
<b>PILLAR III: Environmental Protection and Infrastructure Enhancement</b>					
Improving security, efficiency and sustainability of the energy sector (continued).		Strengthened legislative and regulatory framework, cleaner supply and higher security in the energy sector.	<p>vii. Transmission lines installed.</p> <p><i>Baseline (2017): 0 km.</i> <i>Target (2021): 4 km.</i></p> <p>viii. Supervisory Control and Data Acquisition (SCADA) systems installed.</p> <p><i>Baseline (2017): 1.</i> <i>Target (2021): 2.</i></p> <p>ix. Decrease in energy intensity.</p> <p><i>Target (2021): 5%.</i></p>	<p>vi. Capital investment: NEVLEC grid upgrade, SCADA installation.</p> <p>vii. GE drilling.</p>	<p><b>Risks:</b></p> <ul style="list-style-type: none"> <li>i. Implementation capacity constraints.</li> <li>ii. Lack of country ownership to support sector outcomes.</li> <li>iii. Funding constraints.</li> </ul> <p><b>Mitigation Measures:</b></p> <ul style="list-style-type: none"> <li>i. Continuous and timely CBD staff engagement to assess capacity needs and provision of support.</li> <li>ii. Continuous and timely CBD staff dialogue with GOSKN regarding priorities.</li> <li>iii. Access to concessionary finance.</li> </ul>

### DEVELOPMENT PARTNERS' CURRENT ACTIVITIES

Area	CDB	IDB	IMF	WB*	EU	UNDP/ UNICEF/ ILO	US AID	UNESCO	OAS
Agriculture	PPP advice on agro-farm.								
Energy	Sustainable Energy Facility.	Sustainable Energy Facility.			Renewable and Sustainable Energy				
Tourism	Hospitality training institute.			Measures to enhance the competitive-ness of tourism and create stronger linkages with agribusinesses.					
Education	Sector transformation programme and TVET Enhancement Project.			Establishment of quality standards and improvement in teaching.		Support for Effective Schools Framework and ECD.	Improving students' literacy/ reading outcomes through the OECS Early Learners Programme.	Support for the develop-ment and implemen-tation of ESP.	Implementation for a digital classroom pilot in 10 schools.
Environment and Coastal Protection	TA on climate-resiliency of coastal infrastructure.			Support for building resilience and enhanced DRM capacity.					
Governance	Potential follow-up support for GRF.		i. GRF. ii. CARTAC training in statistics.	Support for PFM.					
Citizen Security									

Area	CDB	IDB	IMF	WB*	EU	UNDP/UNICEF/ ILO	US AID
Private Sector Development/ Trade	i. Lines of credit to DBSKN and St. Kitts Cooperative Credit Union.  ii. TA to improve export penetration.	Support for MSMEs through Compete Caribbean.		i. Support for action plans stemming from CGF process.  ii. Support for financial sector strategy.  iii. LFS.	Economic Partnership Agreement.	Labour reforms.	
Public Sector Modernisation/ Governance	PPAM and PCM training; procurement support.						
Social Protection/Poverty Reduction	Enhanced CPA National Gender Policy and Action Plan Crisis centre Institutional strengthening of New Horizon Rehabilitation Centre.					i. Data management project at New Horizon Rehabilitation Centre.  ii. Development of multidimensional poverty index.	i. Juvenile justice reform project.  ii. Retrofitting of New Horizon Rehabilitation Centre (via OECS).
Transportation	Coastal protection and enhanced climate resilient infrastructure.						
Water and Sanitation	Water and drainage enhancement.						
Health Sector	Development of universal health care scheme.			Enhanced data to support evidence-based health policy to address non-communicable diseases.			

Based on Regional Partnership Strategy for the OECS (2015-19).