



# Project Information Document (PID)

Concept Stage | Date Prepared/Updated: 04-Aug-2020 | Report No: PIDC29871



**BASIC INFORMATION**

**A. Basic Project Data**

Country OECS Countries	Project ID P171833	Parent Project ID (if any)	Project Name Unleashing the Blue Economy of the Eastern Caribbean (UBEEC) (P171833)
Region LATIN AMERICA AND CARIBBEAN	Estimated Appraisal Date Jan 18, 2021	Estimated Board Date Mar 31, 2021	Practice Area (Lead) Environment, Natural Resources & the Blue Economy
Financing Instrument Investment Project Financing	Borrower(s) Commonwealth of Dominica - Ministry of Finance, Grenada - Ministry of Finance, Planning, Economic Development and Physical Development, St. Vincent and the Grenadines - Ministry of Finance and Economic Planning, Saint Lucia - Ministry of Finance, Economic Growth, Job Creation, External Affairs and the Public S	Implementing Agency OECS Commission	

**Proposed Development Objective(s)**

The PDO is to strengthen the management and resilience of marine and coastal assets to stimulate select OECS economies at the regional, national and community level.

**PROJECT FINANCING DATA (US\$, Millions)**

**SUMMARY**

<b>Total Project Cost</b>	60.00
<b>Total Financing</b>	60.00
<b>of which IBRD/IDA</b>	60.00
<b>Financing Gap</b>	0.00



DETAILS

World Bank Group Financing

International Development Association (IDA)	60.00
IDA Credit	60.00

Environmental and Social Risk Classification

Substantial

Concept Review Decision

Track II-The review did authorize the preparation to continue

Other Decision (as needed)

B. Introduction and Context

Country Context

- The OECS countries face high levels of economic, social, and environmental vulnerability, now exacerbated by the COVID-19 pandemic.**<sup>1</sup> Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines (SVG), the participating countries of UBEEC, are Small Island Developing States (SIDS) with a population ranging between 71,600 to 182,000 people (2018), and an average per capita gross national income of US\$12,357<sup>2</sup>. These countries rely heavily on tourism for income generation (40% GDP), and employment (45%)<sup>3</sup>, as well as marine fisheries for food security and rural livelihoods. Hence, the current pandemic has exposed the fragility of their tourism sector and overall OECS economies. Missing the opportunity to address the impacts of the pandemic in the region, may cause these countries to enter into a protracted recession.
- The OECS countries are highly vulnerable to natural hazards and climate risk, leading to increased natural degradation and losses of infrastructure and livelihoods.** The average annual losses by OECS countries from extreme weather events in the period 1993-2012 ranged from about one percent of GDP in SVG to nine percent in Grenada.<sup>4</sup> But the frequency and intensity of natural disasters is on the rise. For instance, in 2016, SVG was hit by a hurricane and two major tropical cyclones, and during the 2017 hurricane season Dominica suffered infrastructure damages and losses estimated at 226 percent of its annual GDP. These natural hazards present a threat each year, which is now amplified by the immediate and medium-term economic impacts of the COVID-19 pandemic.
- Yet, the extensive ocean and coastal space of the OECS countries provide a unique comparative advantage to unlock the contribution of the marine-based assets to employment and GDP growth.** Such an approach, commonly known

<sup>1</sup> Justin Ram, J. Jason Cotton, Raquel Frederick, Wayne Elliott, Measuring Vulnerability: A Multidimensional Vulnerability Index for the Caribbean. CDB Working Paper No. 2019/01

<sup>2</sup> <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>

<sup>3</sup> World Travel and Tourism Council (WTTC) <https://wtcc.org/Research/Economic-Impact>

<sup>4</sup> World Bank Group. Regional Partnership Strategy for The OECS for the period FY15-19



as the 'Blue Economy', seeks to promote economic growth, social inclusion, and the improvement of livelihoods while at the same time ensuring environmental sustainability of the oceans and coastal areas.<sup>5</sup> To support and accelerate their transition to a sustainable blue economy, OECS countries will need to embrace collective and joined-up actions to build long-term sustainability and resilience. The COVID-19 crisis has further underscored the need to enhance inter-regional cooperation.

#### Sectoral and Institutional Context

4. **The OECS has jurisdiction over an extensive area of marine and coastal space characterized by a land to sea ratio greater than 1:80.** Such a large ocean space presents opportunities for the OECS to diversify its economy, and embrace a 'blue economy' approach, one that would foster a more swift economic recovery from COVID-19, expand economic output, create jobs, and builds local skills while conserving the public good nature of the marine and coastal resources. These resources currently provide food, livelihoods, and income to millions of people through fisheries, tourism, coastal protection, transportation, and resilience to climate change. Unfortunately, the OECS competitiveness and economic growth opportunities are threatened by the increasing development pressures (e.g. unsustainable practices, soil erosion), competing interests for the use of marine/coastal resources, and the weak regulations over the marine space, all of which contribute to the degradation of the marine habitat (e.g. coral reefs), which is directly responsible for great revenue losses in the tourism sector.
5. **By optimizing the use of the marine space, the OECS can create opportunities for micro, small and medium sized enterprises (MSMEs) to flourish and increase their competitiveness.** Inadequate access to finance for MSMEs was one of the key factors contributing to the weak competitiveness of the region<sup>6</sup>, a situation which the COVID-19 pandemic has exacerbated. MSMEs represent the largest share of business and employment in the region and are among the strongest drivers of economic development and innovation. Increasing access to finance to this market will unleash MSME growth across regional value chains, and ultimately make a large impact on jobs, climate resilience and the region's economic recovery.
6. **Tourism is the main pillar of economic growth in the region, contributing on average 42% of GDP and 45% of employment in Dominica, Grenada, St. Lucia, and SVG.**<sup>7</sup> A competitive and robust tourism sector is thus critical to OECS economies, especially since the sector has significant linkages to other areas of economic activity, including fisheries and waste management. However, from a product perspective, cruise-based travel and all-inclusive resorts have dominated tourism in the OECS, a model that has lower benefits on shared prosperity at the local level. A shift towards higher-spending and fast-growing tourism market segments such as nature-based tourism, wedding and honeymoon, luxury, health and wellness, and yachting can bring higher benefits to the local communities and support the economic recovery in the region. Thus, tapping into these fast-growing and higher-spending tourism market segments<sup>8</sup> characterized by high labor intensity and strong inter-sectoral local community linkages would not only multiply growth and job creation spillover effects, but also benefit the poorest segments of the population who rely on natural assets for their livelihoods.

<sup>5</sup> World Bank and United Nations Department of Economic and Social Affairs (2017) The Potential of the Blue Economy: Increasing Long-term Benefits of the Sustainable Use of Marine Resources for Small Island Developing States and Coastal Least Developed Countries. World Bank, Washington DC.

<sup>6</sup> World Bank Group. Regional Partnership Strategy for The OECS for the period FY15-19

<sup>7</sup> World Travel and Tourism Council (WTTC) 2019 Key Highlights for Dominica, Grenada, St. Lucia, and SVG.

<sup>8</sup> Center for Responsible Travel (CREST). The Case for Responsible Travel: Trends and Statistics 2019. Bricker, Kelly. Trends and Issues for Ecotourism and Sustainable Tourism



7. **The fisheries sector remains an important source of jobs and food security in the OECS region.** Whereas the marine capture fisheries and aquaculture sector represent less than 1% of GDP of OECS countries, it employs between twenty percent (Dominica) and seven percent (SVG) of the total labor force<sup>9</sup> and is a key supplier to the hotel sector. Women conduct the majority of supportive roles and processing and marketing work in the fisheries sector, but their roles may not be adequately measured, valued, and/or compensated.<sup>10</sup> The sector faces ongoing decline in overall landings due to overfishing, poor governance, changing environmental conditions, and the falling domestic and international demand caused by the COVID-19 crisis. Opportunities for sustainable blue growth in the fisheries sector rest on value-addition, rebuilding depleted and overfished stocks, improving management through greater investment in data collection and human resources, fostering fishers' stewardship through co-management schemes, and combating illegal, unreported and unregulated (IUU) fisheries.
8. **Aquaculture, the world's fastest growing food production system, has considerable potential to grow and generate jobs in the OECS, while diversifying island economies beyond tourism.** The commercial aquaculture sector in OECS countries has traditionally been very small-scale with a focus on seamoss mariculture and on-shore farming of tilapia and shrimp. The lack of scale in off-shore aquaculture has been due to challenging environmental conditions, whereas the factors limiting on-shore farming include competition for scarce flat land, and sometimes freshwater shortages. But three important realities have paved way for increased aquaculture in the OECS: (i) new technological options for growing a wider range of species are being designed and piloted in and for small islands; (ii) export markets for seafood keep growing; and (iii) local markets are likely to become an important source of demand for farmed seafood.
9. **Ocean pollution is a significant issue for the OECS, damaging valuable natural capital, affecting the quality of life of local inhabitants and visitors, and impacting the economies of the entire region.** About eighty percent comes from land-based sources (mostly untreated wastewater, litter, and agricultural run-off)<sup>11</sup>, but industrial pollutants, heavy metals and discharges from shipping and cruise ship also contribute to the problem. Analysis of the available marine litter and plastics data collected in the Caribbean region indicates that much of the debris reaches the ocean from landfills due to storms and coastal flooding, or after being dumped along roadsides or into creeks, rivers, storm drains and sewers. The lack of proper solid waste management, especially waste disposal systems and services, is extremely alarming. There is an apparent lack of overall and integral planning for the sector. This prevents efficient waste collection operations where the recycling market is also relatively nascent. Tackling waste management will become even more important to the tourism competitiveness and socioeconomic sustainability as the OECS endeavors to attract back a shrinking number of international tourists.
10. **At the regional level, the OECS took a first important step to promote a common approach to ocean governance by adopting the Eastern Caribbean Regional Ocean Policy (ECROP) and its Strategic Action Plan.** Endorsed by the OECS' Heads of Government in 2013, ECROP guides the future use of the region's marine waters and provides a basis for enhanced coordination and management of ocean resources within the Eastern Caribbean. In line with ECROP, the World Bank's OECS Caribbean Regional Oceanscape Project (CROP P159653) aims to strengthen the policy and regulatory frameworks for enhanced ocean governance. This 'up-stream' regulatory framework is embodied in the Coastal and Marine Spatial Plans (CMSPs), the regional and national ocean policies, and the cabinet approved National Ocean Governance Committees (NOGCs), all of which are the foundation for growing the blue economy in the region. With these institutional frameworks in place, the specific 'down-stream' investments will encounter the institutional

<sup>9</sup> FAO Fishery and Aquaculture Country Profiles <http://www.fao.org/fishery/countryprofiles/search/en>

<sup>10</sup> Nembhard, Nadine. "Caribbean Fisheries: Perspectives on Gender." Gender in Fisheries Team, University of the West Indies - Centre for Resource Management and Environmental Studies.

<sup>11</sup> Diez et al (2019). Marine Pollution in the Caribbean: Not a Minute To Waste. World Bank Group.



support, backed by ocean policies, and even the physical space (outlined in the CMSPs) to be successfully executed to deliver results and further advance the blue economy agenda.

### C. Proposed Development Objective(s)

11. *The PDO is to strengthen the management and resilience of marine and coastal assets to stimulate select OECS economies at the regional, national and community level.*

Key Results (From PCN)

12. The following key results are proposed for measuring achievement of the PDO:

- i. Number of sectoral regulations, policies and strategies adopted in-line with blue economy vision and COVID-19 recovery goals
- ii. Number of MSMEs supported that increase jobs and their productivity; o/w owned by women
- iii. Number of jobs created from support of MSMEs and infrastructure investments
- iv. Improved management of targeted marine and coastal assets

### D. Concept Description

13. **The proposed UBEEC project aims to stimulate economic recovery in the participating countries (Dominica, Grenada, St Lucia and SVG), strengthening marine and coastal resilience, and improving the competitiveness of their economies in three critical and interconnected sectors/areas: tourism, fisheries and aquaculture, and waste management.** Growth and jobs in these key sectors have been heavily impacted by the COVID-19 pandemic. For a quicker recovery of these economies, the proposed project will achieve its objectives through strengthening regional and national policies and institutional framework to bring back business and attract new investments; scaling up innovative financing mechanisms aimed at enhancing employment, productivity and liquidity in the tourism, fisheries and waste management value chains through a MSME grant program and fisheries insurance; supporting investment in key infrastructure to de-risk private investment in ocean economic activities and build resilience; and adopting a contingency emergency mechanism to promptly respond to future crises. The challenges addressed by the project are regional in nature. Addressing them requires action at the national level, which will yield important regional benefits, enhance country ownership and national institutions. Coordination among the four participating countries is critical for enhancing synergies given their economic dependence on tourism and their shared marine ecosystems and fishery resources, as well as mitigating coastal and marine pollution.

14. **The project will be financed with US\$60 million (tbc) over a five-year period.** The regional approach is being employed with the potential cross-country spillover benefits of project investments. The project is organized around four components implemented in parallel across the tourism, fisheries and aquaculture, and waste management sectors/areas in all four countries and at the regional level. The following description presents a menu of activities that will be implemented selectively in the four countries and OECS Commission according to their specific sectoral context and priorities.

### COMPONENT 1: STRENGTHEN GOVERNANCE, POLICIES, AND CAPACITY BUILDING FOR KEY PRODUCTIVE SECTORS/AREAS

15. Component 1 will support the implementation of a robust policy and institutional framework at both regional and national levels to ensure that marine and coastal development contribute to the expansion of economic output and



bolster the creation of jobs with the long-term goal of improving competitiveness and reducing poverty levels. An enabling environment that sustains economic growth, job generation, and environmental sustainability has become ever more critical to the viability of blue economy sectors in the age of COVID-19. Component 1 activities will be carried out at the national and regional levels, complemented by capacity building interventions.

## **COMPONENT 2: SCALE UP ACCESS TO FINANCE AND INFRASTRUCTURE INVESTMENTS IN THE BLUE ECONOMY**

16. Component 2 will focus on innovative finance mechanisms to direct investments into economic activities that enhance ocean health and resilience, leading to an increase in employment and greater GDP contribution from ocean assets. This Component will support a regional grants program to ensure the resiliency of MSMEs, helping them to ensure business continuity, create jobs and mitigate the socio-economic impacts of COVID-19; and a fisheries insurance to support fishers' livelihoods against extreme climatic events. This component is also designed to enable private sector-led growth by financing a Project Preparation Facility (PPF) for critical and resilient infrastructure development in tourism, fisheries and aquaculture, and waste management that are sustainable, technologically advanced and resilient.

## **COMPONENT 3: CONTINGENT EMERGENCY RESPONSE COMPONENT (CERC)**

17. Component 3 will support capacity of the participating countries to respond in the event of a future eligible emergency. CERC is designed to provide swift response in the event of an eligible crisis or emergency. Such events may include a disease outbreak such a COVID-19.

## **COMPONENT 4: PROJECT MANAGEMENT, M&E AND COMMUNICATION**

18. The objective of this component is to ensure effective project implementation, monitoring of activities and final project evaluation. The component will finance goods, consulting and non-consulting services, training and operating costs to the Project Implementing Units (PIU) in each country for expenditures related to project activities.

### **Project beneficiaries**

19. **The project involves a range of beneficiaries at the regional, national and community levels.** The project beneficiaries will include government institutions, Ministries of Finance; Ministries of Tourism; Ministries of Agriculture, Forestry, Fisheries; Ministries of the Environment; and Ministries of Transport and Works. The other beneficiaries will be MSMEs in the three blue economy sectors targeted by this project as well as coastal communities that derive livelihoods from coastal and marine resources. Fishers will benefit from improved sustainability of the sector. Tourism operators and service providers will benefit from product diversification, improved training, and better market segmentation.

20. **The project is expected to address gender gaps.** Women are key players in strategic sectors linked to the health of the Caribbean Sea and the economy of its island states, and are most directly affected by changes and deterioration in marine ecosystem function. Thus, enhancing sustainable tourism and fisheries management has the potential to be a vehicle for empowering women in the OECS. As such, the project aims to: (a) foster women's participation in engagement activities to bring a powerful voice and visibility to their contribution to Caribbean economies; and (b) through this dialogue, encourage the formulation of gender-sensitive policies for the benefit of the Caribbean's blue economy, particularly pertaining to the region's ocean-based tourism and fisheries.

### **Climate Change:**



21. **The project will foster multi-sectoral and participatory approaches to climate resilience in marine and coastal areas through a combination of actions that result in multiple benefits such as decreased vulnerability of coastal communities and improved habitat availability or functioning.** Overall, the project is expected to strengthen the knowledge base and the analytical capacity needed to facilitate the integration of climate adaptation and mitigation measures in the protection of coastal and marine habitats as well as other ocean economic sectors such as in fisheries and tourism.

Legal Operational Policies	Triggered?
Projects on International Waterways OP 7.50	TBD
Projects in Disputed Areas OP 7.60	No

Summary of Screening of Environmental and Social Risks and Impacts

The Environmental and Social Risks Classification (ESRC) for this Project is Substantial.

The environmental risk is expected to be Substantial. Activities will occur at the regional and national level in four countries in the tourism, fisheries and aquaculture, and waste management sectors in both the marine and terrestrial environment. Several activities are likely to occur in sensitive areas such as replanting of mangrove, enhancement of marine protected areas, developing scuba diving trails and developing artificial reefs. Due to the impacts of COVID-19, the project can potentially finance small-scale equipment for incineration of medical waste by medical facilities/activities. Though the size and location of the incinerators is not known currently, inappropriately designed, constructed and operated incinerators may release a wide variety of pollutants depending on the composition of the waste, which can negatively affect the environment and health of people. Other risks are related to improving the waste management sectors as PPP investments such as improving wastewater treatment plants, waste collection, segregation, recycling as well as those related to fisheries such as building/refurbishing landing site and processing facilities. Depending upon the scale and location, construction related impacts are possible in ecologically sensitive areas. In addition, capacity concerns of the private management firm and at the national level adds to the risk.

The project social risk rating is Substantial. The project will be implemented across a fairly wide geographical area, which encompasses both onshore and offshore areas of four countries in the OECS. While the project activities that will be funded are not fully defined, the project will include the creation of regulations that have the potential to restrict access for fishers and tourism tour operators to areas in which they usually earn a livelihood. The project will also fund the development of licensing regulations for tourism operators which might be accompanied by prohibitive costs for some operators. If stakeholder engagement is not adequately designed and executed, the project could potentially run the risk of elite capture as it relates to access to capacity building training as well as the MSME grants mechanism. Furthermore, project activities will involve civil works. While the extent and location of these works are not yet identified, they may have the potential to cause some degree of displacement, both temporary and permanent to vulnerable groups. With respect to labor, there will be the need to utilize primary suppliers, therefore there are risks as it relates to child and forced labor, along with labor safety concerns. The project will likely impact the Kalinago community in Dominica, which is amongst the most vulnerable, as they are involved in both fishing and tourism. It is planned that the project will hire a firm to manage its activities and this firm will act as the PIU. There are concerns related to whether the selected firm will have the capacity to manage E&S issues.

Nine ESSs are considered relevant to the proposed operations at this stage. These are: ESS1-ESS8 and ESS10.



## CONTACT POINT

### World Bank

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### Borrower/Client/Recipient

Commonwealth of Dominica - Ministry of Finance

Grenada - Ministry of Finance, Planning, Economic Development and Physical Development

St. Vincent and the Grenadines - Ministry of Finance and Economic Planning

Saint Lucia - Ministry of Finance, Economic Growth, Job Creation, External Affairs and the Public S

### Implementing Agencies

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**APPROVAL**

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