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R2017-0075/1

IDA/R2017-0074/1

March 20, 2017

**Closing Date: Thursday, April 6, 2017  
at 6 p.m.**

FROM: Vice President and Corporate Secretary

**Grenada, St. Lucia and St. Vincent and the Grenadines  
Organization of Eastern Caribbean States (OECS) Regional Tourism Competitiveness Project**

**Project Appraisal Document**

Attached is the Project Appraisal Document regarding a proposed loan to Grenada and proposed credits to St. Lucia and St. Vincent and the Grenadines for the OECS Regional Tourism Competitiveness Project (R2017-0075; IDA/R2017-0074), which is being processed on an absence-of-objection basis.

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Report No: PAD1308

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
AND  
INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT APPRAISAL DOCUMENT ON

A PROPOSED CREDIT IN THE AMOUNT OF US\$15.0 MILLION  
(SDR 11.2 MILLION EQUIVALENT)  
TO SAINT LUCIA

A PROPOSED LOAN IN THE AMOUNT OF US\$6.0 MILLION  
TO GRENADA

AND A PROPOSED CREDIT IN THE AMOUNT OF US\$5.0 MILLION  
(SDR 3.8 MILLION EQUIVALENT)  
TO SAINT VINCENT AND THE GRENADINES

FOR AN

OECS REGIONAL TOURISM COMPETITIVENESS PROJECT  
March 16, 2017

Trade and Competitiveness Global Practice  
Latin America and the Caribbean

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## CURRENCY EQUIVALENTS

(Exchange Rate Effective: January 27, 2017)

Currency Unit = Eastern Caribbean Dollar (XCD)  
XCD 2.71 = US\$1  
US\$ 1 = SDR 0.74

## FISCAL YEAR

Grenada and Saint Vincent and the Grenadines: January 1–December 31

Saint Lucia: April 1–March 31

## ABBREVIATIONS AND ACRONYMS

ASA	Advisory Services and Analytics
ATTA	Adventure Travel Trade Association
CGF	Caribbean Growth Forum
CQS	Consultants' Qualifications Selection
DD	Difference-in-Difference
DFID	United Kingdom Department for International Development
DPND	Department of Planning and National Development
EA	Environmental Assessment
EIA	Environmental Impact Assessment
EFA	Economic and Financial Analysis
EMP	Environmental Management Plan
ERR	Economic Rate of Return
ESMF	Environmental and Social Management Framework
EU	European Union
FDI	Foreign Direct Investment
FM	Financial Management
FMS	Financial Management System
FMSB	Financial Management Sector Board
GDP	Gross Domestic Product
GRS	Grievance Redress Service
ICB	International Competitive Bidding
IFC	International Finance Corporation
IFMIS	Integrated Financial Management Information System
IFR	Interim Financial Report
IT	Information Technology
MOE	Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation of Saint Lucia
MOF	Ministry of Finance and Energy of Grenada
MOP	Ministry of Economic Planning, Sustainable Development, Industry, Trade, Information, and Labour of Saint Vincent and the Grenadines

M&E	Monitoring and Evaluation
NCB	National Competitive Bidding
NPV	Net Present Value
OECS	Organisation of Eastern Caribbean States
PRA	People's Revolutionary Army
PRG	People's Revolutionary Government
PDO	Project Development Objective
PCU	Project Coordination Unit
PSC	Project Steering Committee
PSIPMU	Public Sector Investment Program Management Unit of Saint Vincent and the Grenadines
PSM	Propensity Score Matching
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
QBS	Quality-Based Selection
QCBS	Quality- and Cost-Based Selection
RPF	Resettlement Policy Framework
STCW	Standards of Training, Certification, and Watchkeeping for Seafarers
SVG	Saint Vincent and the Grenadines
TA	Technical Assistance
TCMP	Tobago Cays Marine Park
TTL	Task Team Leader

Regional Vice President:	Jorge Familiar
Country Director:	Tahseen Sayed Khan
Senior Global Practice Director:	Anabel Gonzalez
Practice Manager:	Marialisa Motta
Task Team Leader:	Raha Shahidsaless



**GRENADA, SAINT VINCENT AND THE GRENADINES, AND SAINT LUCIA  
OECS Regional Tourism Competitiveness Project**

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**PAD DATA SHEET***OECS Countries**OECS Regional Tourism Competitiveness Project (P152117)***PROJECT APPRAISAL DOCUMENT***LATIN AMERICA AND CARIBBEAN**Trade and Competitiveness Global Practice*

Report No.: PAD1308

Basic Information			
Project ID P152117	EA Category B - Partial Assessment	Team Leader(s) Raha Shahidsaless	
Lending Instrument Investment Project Financing	Fragile and/or Capacity Constraints [ ]		
	Financial Intermediaries [ ]		
	Series of Projects [ ]		
Project Implementation Start Date 1-Sept-2017	Project Implementation End Date 1-Sept-2023		
Expected Effectiveness Date 31-August-2017	Expected Closing Date 1-Sept-2023		
Joint IFC No			
Practice Manager Marialisa Motta	Senior Global Practice Director Anabel Gonzalez	Country Director Tahseen Sayed Khan	Regional Vice President Jorge Familiar
Borrower: Grenada, Saint Lucia, Saint Vincent and the Grenadines			
Responsible Agency: Ministry of Economic Planning, Sustainable Development Industry, Information, and Labour, Saint Vincent and the Grenadines			
Contact: Laura Anthony-Brown	Title: Director of Planning		
Telephone No.: 784-456-1111	Email: cenplan@vincysurf.com		
Responsible Agency: Ministry of Finance and Energy of Grenada			
Contact: Ms. Kim Frederick	Title: Permanent Secretary (Acting)		
Telephone No.: 473-440-6843	Email: kim.frederick@gov.gd		

Responsible Agency: Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation of Saint Lucia							
Contact: Tracy Polius				Title: Permanent Secretary			
Telephone No.: 758-468-5501				Email: Tracy.polius@govt.lc			
<b>Project Financing Data (in US\$, millions)</b>							
<input checked="" type="checkbox"/> [ X ]	Loan	<input type="checkbox"/> [ ]	IDA Grant	<input type="checkbox"/> [ ]	Guarantee		
<input checked="" type="checkbox"/> [ X ]	Credit	<input type="checkbox"/> [ ]	Grant	<input type="checkbox"/> [ ]	Other		
Total Project Cost:				26.00	Total Bank Financing:		26.00
Financing Gap:				0.00			
<b>Financing Source</b>					<b>Amount</b>		
BORROWER/RECIPIENT					0.00		
International Bank for Reconstruction and Development					6.00		
International Development Association (IDA)					20.00		
Total					26.00		
<b>Expected Disbursements (in US\$)</b>							
Fiscal Year	FY18	FY19	FY20	FY21	FY22	FY23	FY24
Annual	600,000	2,000,000	5,000,000	5,000,000	6,000,000	7,000,000	400,000
Cumulative	600,000	2,600,000	7,600,000	12,600,000	18,600,000	25,600,000	26,000,000
<b>Institutional Data</b>							
<b>Practice Area (Lead)</b>							
Trade & Competitiveness							
<b>Contributing Practice Areas</b>							
Transport & ICT							
<b>Cross Cutting Topics</b>							
<input checked="" type="checkbox"/> [X]	Climate Change						
<input type="checkbox"/> [ ]	Fragile, Conflict & Violence						
<input checked="" type="checkbox"/> [X]	Gender						
<input checked="" type="checkbox"/> [X]	Jobs						
<input type="checkbox"/> [ ]	Public Private Partnership						

Sectors / Climate Change				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation Co-benefits %	Mitigation Co-benefits %
Industry and trade	Other industry	70	-	-
Transportation	Ports, waterways and shipping	15	-	4%
Urban	Urban Development	15	-	-
Total		100		
<input type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
Themes				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Trade and integration	Regional integration	50		
Trade and integration	Export development and competitiveness	30		
Financial and private sector development	Infrastructure services for private sector development	20		
Total		100		
Proposed Development Objective(s)				
The project development objectives are to (i) facilitate the movement of tourists within the participating countries using ferries; (ii) improve selected tourism sites; and (iii) strengthen implementation capacity for regional tourism market development.				
Components				
Component Name		Cost (US\$, millions)		
Component 1: Facilitation of the Movement of People		2.52		
Component 2: Pilot Tourism Investments		18.54		
Component 3: Market Development and Promotion Capacity-Building		2.79		
Component 4: Project Implementation Support		2.15		
Systematic Operations Risk- Rating Tool (SORT)				
Risk Category			Rating	
1. Political and Governance			Moderate	

2. Macroeconomic	Substantial		
3. Sector Strategies and Policies	Substantial		
4. Technical Design of Project or Program	Substantial		
5. Institutional Capacity for Implementation and Sustainability	Substantial		
6. Fiduciary	Substantial		
7. Environment and Social	Moderate		
8. Stakeholders	Moderate		
9. Other: Regional Dimension	Substantial		
<b>OVERALL</b>	Substantial		
<b>Compliance</b>			
<b>Policy</b>			
Does the project depart from the CAS in content or in other significant respects?	Yes [ ]	No [ X ]	
Does the project require any waivers of Bank policies?	Yes [ ]	No [X ]	
Have these been approved by Bank management?	Yes [ ]	No [ ]	
Is approval for any policy waiver sought from the Board?	Yes [ ]	No [X]	
Does the project meet the Regional criteria for readiness for implementation?	Yes [X]	No [ ]	
<b>Safeguard Policies Triggered by the Project</b>	<b>Yes</b>	<b>No</b>	
Environmental Assessment OP/BP 4.01	<b>X</b>		
Natural Habitats OP/BP 4.04	<b>X</b>		
Forests OP/BP 4.36		<b>X</b>	
Pest Management OP 4.09	<b>X</b>		
Physical Cultural Resources OP/BP 4.11	<b>X</b>		
Indigenous Peoples OP/BP 4.10		<b>X</b>	
Involuntary Resettlement OP/BP 4.12	<b>X</b>		
Safety of Dams OP/BP 4.37		<b>X</b>	
Projects on International Waterways OP/BP 7.50		<b>X</b>	
Projects in Disputed Areas OP/BP 7.60		<b>X</b>	
<b>Legal Covenants</b>			
<b>Name</b>	<b>Recurrent</b>	<b>Due Date</b>	<b>Frequency</b>
Recruitment of the Project Manager		May 1, 2017	

**Description of Covenant**

All three participating countries shall by no later than May 1, 2017, recruit and thereafter maintain at all times during the implementation of the project, a Project Manager, with the experience and qualifications and under terms of reference satisfactory to the World Bank. Section IA.3(b) of Schedule 2 to the respective Agreement.

Name	Recurrent	Due Date	Frequency
Country-level Project Steering Committees		May 1, 2017	

**Description of Covenant**

All three participating countries shall by no later than May 1, 2017, establish and thereafter maintain at all times during the implementation of the project, a Project Steering Committee with a composition, mandate, terms of reference, and resources satisfactory to the World Bank. Section IA.2(a) of Schedule 2 to the respective Agreement.

Name	Recurrent	Due Date	Frequency
Regional Steering Committee		90 days after the signing of the Loan or Credit Agreement	

**Description of Covenant**

All three participating countries shall by no later than 90 days after the signing of the legal agreements, jointly establish and thereafter maintain at all times during the implementation of the project, a Regional Steering Committee with a composition, mandate, and terms of reference satisfactory to the World Bank. Section IA.1 of Schedule 2 to the respective Agreement.

**Conditions**

Source Of Fund	Name	Type
	Execution of Financing/Loan Agreements	Effectiveness

**Description of Condition**

Financing/Loan Agreements between other two participating countries and the World Bank have been executed. Article 4.01 to the respective Agreement.

Source Of Fund	Name	Type
	Subsidiary Agreements	Disbursement

**Description of Condition**

Saint Vincent and the Grenadines and Grenada shall make part of the proceeds of the loan/financing in the amount of \$200,000 each available to Saint Lucia under respective subsidiary agreements.

Source Of Fund	Name	Type
	Ferry Services Fund Manual	Disbursement

**Description of Condition**

All three participating countries have jointly prepared and adopted the Ferry Services Fund Manual satisfactory to the Association.

Source Of Fund	Name	Type
	Façade Improvement Manual	Disbursement

### Description of Condition

Saint Lucia has prepared and adopted the Façade Improvement Manual satisfactory to the Association.

### Team Composition

#### Bank Staff

Name	Role	Title	Unit
Raha Shahidsaless	Team Leader (ADM Responsible)	Senior Private Sector Development Specialist	GTC04
Nikolai Soubbotin	Country Lawyer	Lead Counsel	LEGLE
Faly Diallo	Finance Officer	Finance Officer	WFALA
Prosper Nindorera	Procurement Specialist	Senior Procurement Specialist	LCSPT
Sonia Cristina Rodrigues Da Fonseca	Procurement Specialist	Senior Procurement Specialist	LCSPT
David I	Financial Management Specialist	Senior Financial Management Specialist	GGO22
Cristina Elizabeth Coirolo	Safeguards Specialist	Young Professional	GSU04
M. Yaa Pokua Afriyie Oppong	Safeguards Specialist	Senior Social Development Specialist	GSU04
Michael J. Darr	Safeguards Specialist	Safeguards Consultant	GEN04
Julie Barbet-Gros	Private Sector Development Analyst	Private Sector Development Analyst	GTC04
Milena Nikoleva	Tourism Specialist	Tourism Consultant	GTC04
Eneida Fernandes	Tourism Specialist	Senior Private Sector Development Specialist	GTC04
Enrique Fanta	Customs and Trade Specialist	Senior Trade Facilitation Specialist	GTC04
Alex Pio	Tourism Specialist	Tourism Consultant	GTC04
Jean-Charles Crochet	Transport Specialist	Transport Consultant	GTI04
Heinrich Bofinger	Transport Specialist	Transport Consultant	GTI04

Valerie-Joy Santos	Urban Specialist	Senior Urban Specialist	GSU10
Drilon Gashi	Urban Specialist	Urban Consultant	GSU10
Puja Guha	Economist	Consultant	
Vivian Ogbomienie Agbegha	M&E Specialist	M&E Consultant	GTC04
Vera Jiazhen Zhou	Gender Specialist	Consultant	GTC04
Alicia Stephens	Senior Private Sector Development Specialist	Business Environment Reform Specialist	GTC04
Zahra Oluyemisi Tahirah Alleyne	Private Sector Development Consultant	Operational Consultant	GTC04





## I. STRATEGIC CONTEXT

### A. Country Context

1. **The proposed Organisation of Eastern Caribbean States (OECS)<sup>1</sup> Regional Tourism Competitiveness Project will include Grenada, Saint Vincent and the Grenadines (SVG), and Saint Lucia.** In future, other OECS countries may be interested in participating in this project.
2. **The priority for OECS countries is to resume growth in a sustainable and inclusive manner.** The OECS economies have been trapped for years in low growth, high debt, and limited fiscal space. After the global financial crisis, economic growth in OECS countries contracted, leading to a cumulative drop of 6 percent in total output during 2009–2012. In the early 2000s, government efforts to offset exogenous shocks through increased public investment resulted in crowding out private investment. The growing fiscal imbalances associated with increased public investment were financed by commercial borrowing, resulting in a large debt burden. Now that the economies of the United States, Canada, and Europe (the main tourism markets for the OECS) have improved, and the OECS countries have started implementing reforms, there has been positive, albeit small, growth. In 2015, the annual gross domestic product (GDP) growth was 1.6 percent in Saint Lucia, 4.8 percent in Grenada, and 2.1 percent in Saint Vincent and the Grenadines (SVG).
3. **Official poverty rates in the OECS vary from 18 percent to 38 percent (using each participating country's national poverty line).** While poverty assessments are outdated, based on the limited data available, extreme poverty rates are generally low. The latest poverty assessments show that rates of moderate poverty are at 38 percent in Grenada, 29 percent in Saint Lucia, and 30 percent in SVG<sup>2</sup>.

### B. Sectorial and Institutional Context

4. **Given its role as a main driver of growth in the OECS, a competitive tourism sector could create employment opportunities and promote shared prosperity.** Tourism will continue to be the main pillar of economic growth for the OECS region, which has a comparative advantage in the industry and limited options for economic diversification. Tourism accounts for 61 percent, 50 percent, and 45 percent of export earnings in Saint Lucia, SVG, and Grenada, respectively, and 42 percent and 19 percent of total employment in Saint Lucia and both SVG and Grenada, respectively.<sup>3</sup> Nearly 75 percent of tourism employment is typically unskilled or semiskilled labor, and is highly inclusive of women and youth.<sup>4</sup>

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<sup>1</sup> The OECS is a ten-member grouping comprising the full Member States of Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia and St Vincent and the Grenadines, with the British Virgin Islands, Anguilla and Martinique as associate members of the OECS. The OECS was created in 1981, as an inter-governmental organisation dedicated to economic harmonisation and integration, protection of human and legal rights, and the encouragement of good governance between countries and dependencies in the Lesser Antilles in the Eastern Caribbean. It also performs the role of spreading responsibility and liability in the event of natural disaster, such as a hurricane.

<sup>2</sup> World Bank Group, FY15-19 OECS Regional Partnership Strategy (Report No. 85156), disclosed on April 4, 2016.

<sup>3</sup> World Travel and Tourism Council, 2014.

<sup>4</sup> Christie, Fernandes, Messerli, and Twining-Ward (2013).

5. **The OECS has a lower share of tourism arrivals and revenues than the rest of the Caribbean region.** While tourism is the lead economic sector in the OECS, the region accounts for less than 0.2 percent of world tourism arrivals. In 2014, tourism receipts in Grenada, SVG, and Saint Lucia were US\$128 million, US\$101 million, and US\$360 million, respectively, and their tourism arrivals were 134,000, 71,000, and 338,000. In the same year, the Dominican Republic received US\$5 billion in tourism receipts and 5 million tourism arrivals, and Barbados received US\$950 million in tourism receipts and 520,000 arrivals.

6. **Three factors have driven low tourism spending:** low tourism arrivals from within the OECS and the broader Caribbean region, low spending by the main tourism market segments (cruise ship passengers and all-inclusive tourists), and low numbers of high-spending international tourists (independent, adventure travelers<sup>5</sup>).

7. **The key determinants of these trends are**

- (a) Connectivity challenges to travel within the OECS and the broader Caribbean due to high cost and limited frequency and routing of airlines, unreliable regional OECS air transport services, and cumbersome alternative travel within the region by ferry and lack of streamlined visa and immigration processes for travel within the region;
- (b) Low-quality and non-diversified tourism product offerings affected by poor development and management of tourism assets, poor access to credit to develop new offerings or improve the quality of existing offerings, weak coordination and dialogue between local tourism service providers, and low tourism skills due to the disconnect between tourism training programs and the needs of the private sector; and
- (c) Weak tourism promotion due to weak market segmentation; lack of a regional market development approach; and competition among the countries over the same target markets as opposed to coordination to attract new inbound tourists to the region.

8. **The OECS region has three general opportunity areas to attract more tourism spending, which are the focus of this project.** They are: (a) improving intra-regional travel to enhance tourism within the OECS;<sup>6</sup> (b) increasing spending by tourists already attracted to the region (cruise ship and all-inclusive tourists) by improving the site infrastructure and diversity of activities; and (c) attracting more high-spending tourists (for example, independent, adventure travelers) through a regional approach to market development and promotion.

*Opportunity 1: Improving intra-regional travel to enhance tourism within the OECS<sup>7</sup>*

9. **The OECS receives few tourism arrivals from the Caribbean.** In 2013, OECS countries received about 273,900 intra-Caribbean tourists out of approximately 1.6 million arrivals to the Caribbean.<sup>8</sup>

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<sup>5</sup> For the explanation of adventure traveler, see paragraphs 14–16 of this document, and annex 6.

<sup>6</sup> Improvements in interconnectivity beyond the OECS to the broader Caribbean region would enhance tourism, but the focus of this project is on improving connectivity within the participating countries through a pilot ferry project.

<sup>7</sup> Intra-OECS travel is travel from an OECS country to another OECS country. Travelers include local OECS citizens, foreign residents of the region, and international tourists who would like to travel to multiple islands (island-hop).

<sup>8</sup> The entire Caribbean includes the OECS (Anguilla, Antigua and Barbuda, Dominica, Grenada, Montserrat, Saint Kitts and Nevis, Saint Lucia, and SVG), the Bahamas, Barbados, Belize, Bermuda, British Virgin Islands, Cancun,

10. **The challenges associated with travelling within the OECS and the broader Caribbean region partially help explain the low levels of tourism arrivals that the OECS receives from the Caribbean region.** For example, as it relates to travel within the OECS, consistent qualitative data suggest that while OECS residents want to travel to the other OECS islands for vacation, cultural events, shopping, and so on, significant costs associated with air travel within the region lead them to fly to other destinations outside the OECS.<sup>9</sup> The alternative mode of travel within the region by ferry is cumbersome, unreliable, or often unavailable.<sup>10</sup>

11. **A qualitative survey by the World Bank Group of travel agents within the OECS and tour operators outside the region<sup>11</sup> suggested that facilitating intra-OECS ferry travel could increase tourism.** For example, 81 percent of travel agents say that clients frequently enquire about traveling around the Eastern Caribbean by ferry. Nearly 77 percent of the respondents feel that a regional ferry service could increase intra-OECS tourism by over 10 percent. Similarly, about 90 percent of tour operators say that clients often enquire about multi-destination holidays to the Eastern Caribbean. Tour operators believe they could deliver a steady stream of bookings for a reliable, safe, and inexpensive Eastern Caribbean ferry service. About 40 percent believe they could produce between 20 and 50 additional bookings a month during the high season. Another 50 percent believe their bookings would increase by fewer than 20 a month. All respondents believe that a well-run ferry service could amplify the attractiveness of the Eastern Caribbean. Nearly 70 percent feel that a ferry service could boost the flow of international tourists to the Eastern Caribbean by over 5 percent.

*Opportunity 2: Increasing spending by international tourists already attracted to the region*

12. **Cruise-based travel dominates the OECS, with 2.5 million cruise visitors compared to 1 million stayover tourists in 2011.**<sup>12</sup> However, cruise tourists spend much less (roughly US\$50 per visitor) than stayover tourists (roughly US\$1,000 per visitor). In addition, cruise ship passengers spend much less in the OECS than in comparator countries.<sup>13</sup> For example, average expenditure per cruise ship passenger is at US\$27.10 in SVG, US\$40.8 in Grenada, and US\$35.23 in Saint Lucia.<sup>14</sup> In Aruba, this spending is at US\$95.40, in U.S. Virgin Islands at US\$146.70, and in Saint Maarten at US\$185.

13. **There is little for cruise ship passengers to spend money on, and the region has lacked the resources and capacity to strengthen, maintain, and manage the quality of tourism products that would attract more spending.** A survey of cruise ship passengers to the Caribbean,

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Cayman Islands, Cozumel, Cuba, the Dominican Republic, Guyana, Haiti, Jamaica, Suriname, Trinidad and Tobago, and Turks and Caicos Island.

<sup>9</sup> For cost comparisons, the challenges of travel within the OECS, and the demand for intra-OECS travel, see Barbet-Gros, Samuel, Shahidsaless, and Tran (2015).

<sup>10</sup> While travel within the broader Caribbean through air also contributes to the low intra-regional tourism to the OECS, issues related to travel by air are not addressed by this project because of the complications around this issue.

<sup>11</sup> Barbet-Gros, Samuel, Shahidsaless, and Tran (2015) sent survey questionnaires to 64 leading travel agencies in the Eastern Caribbean; non-delivery notifications reduced the sample to 53; 17 travel agencies responded, a 32 percent response rate. In addition, the researchers sent online questionnaires to 114 leading tour operators in the United Kingdom, Europe, and the United States; 20 tour operators responded, a response rate of 17.5 percent.

<sup>12</sup> Briceno-Gammendia, Bofinger, Millan-Placci, and Cubas (2014).

<sup>13</sup> Business Research and Economic Advisors (2012).

<sup>14</sup> Cruise Survey Report, Saint Lucia (2014).

published in 2012, highlighted the ‘overall shopping experience’ and the ‘variety of things to see and do’ as main areas for the region to improve.<sup>15</sup>

*Opportunity 3: Attracting a higher number of high-spending tourists through a regional approach*

14. **Due to low capacity to develop and implement policies to attract higher-spending tourists, the OECS countries have been unable to keep up with global tourism trends, and the region is missing opportunities.** Many of the OECS countries have focused on all-inclusive resorts, which have less impact on shared prosperity than independent, adventure tourism.<sup>16</sup> Of every US\$100 spent by an all-inclusive tourist, only US\$5 stays in a destination’s economy, whereas nearly 65.6 percent of the trip cost from an adventure package remains in the destination.<sup>17</sup> In addition, workers in all-inclusive hotels face less favorable conditions: short-term contracts with fewer benefits and less job security.<sup>18</sup>

15. **Adventure tourism is one the fastest growing tourism market segments. Adventure tourism is any ‘trip that includes at least two of the following three elements: physical activity, natural environment, and cultural immersion’.**<sup>19</sup> An adventure trip can be domestic or international, must include an overnight stay, and should not last more than a year. Annex 6 lists typical activities in an adventure itinerary. In 2010, the Adventure Travel Trade Association (ATTA) and George Washington University conducted a study that established that the global value of adventure tourism was US\$89 billion. A repeat of the study in 2013 revealed a 195 percent growth resulting in US\$263 billion in value.

16. **The OECS region has the assets to develop high-growth niche market segments to complement their existing product offering.** The OECS’s terrain, nature, history, culture, and heritage are ideal for developing many nature-based and cultural products and adventure activities that complement ‘sun, sea, and sand’. For example, strengthening and appropriately packaging, communicating, and promoting the region’s nature and eco-tourism products, and complementing that with cultural and heritage tourism product offerings could make the OECS an attractive destination for independent, adventure travelers.<sup>20</sup>

17. **For the OECS to attract high-spending independent, adventure travelers, a regional approach to market development and promotion is critical.** With increasing competition in the global tourism marketplace, many countries are choosing to strengthen their positions by collaborating with neighbors and creating regional destinations. Regionalization of tourism offerings and marketing comes with several benefits. First, joining assets and offering cross-country itineraries means presenting travelers with a richer portfolio of things to do. Second, through regional cooperation, countries join their efforts and resources, leading to larger-impact investments and greater marketing budgets. Annex 2 highlights examples of regional initiatives.

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<sup>15</sup> Business Research and Economic Advisors (2012). Saint Lucia was not part of this study. For a study specific to Saint Lucia, see Cruise Survey Report, Saint Lucia, 2014.

<sup>16</sup> Further information on independent, adventure travelers is available in annex 6.

<sup>17</sup> UNWTO (2014)

<sup>18</sup> The Impacts of All-inclusive Hotels on Working Conditions and Labor Rights in Barbados, Kenya and Tenerife, Tourism Concern Research Report, 2012.

<sup>19</sup> ATTA: <http://www.adventuretravel.biz/>

<sup>20</sup> World Bank, “Tourism in the OECS Economies, Adapting to Emerging Trends”, 2013.

18. **Although independent, adventure travelers can bring in more revenue, it is important not to alienate traditional markets.** Building new markets and attracting new segments can take time. It is critical to implement interventions that facilitate increased spending by existing markets while attracting new categories of higher-spending tourists.

### **Government Reform Program and World Bank Group Involvement**

19. **Complementing national visions for tourism,<sup>21</sup> the 2011 OECS Common Tourism Policy lays out a common tourism vision and envisages tourism as an industry that is viable, competitive, and resilient.** The policy identifies many areas requiring work to improve the region's tourism competitiveness, including redefining market niches and developing new products; increasing community participation and sectoral linkages; better training for the tourism workforce; enhancing regional coordination; strengthening regional marketing; addressing access and transportation issues; ensuring environmental and cultural sustainability; tackling crime that involves visitors; and strengthening data collection and research. Actions to address these issues are under implementation with various degrees of success.

20. **Existing World Bank Group financed programs have provided direct or indirect support to tourism in the OECS.** These include support for strengthening the product offering for adventure/nature-based tourism, strengthening Public-Private Dialogue (PPD) mechanisms, marketing intelligence data collection and analysis systems, and assessing the impact of different tourism models on gender and youth within the tourism sectors. Annex 2 provides a more detailed description of the World Bank Group's interventions.

### **C. Higher Level Objectives to which the Project Contributes**

21. **The project aligns with the World Bank Group's FY15–FY19 OECS Regional Partnership Strategy (Report no. 85156), discussed by the Executive Directors on November 13, 2014,** which aims at supporting the OECS in laying foundations for sustainable inclusive growth. The strategy is geared toward strengthening the competitiveness of the leading sectors of the economy, including tourism, and encourages initiatives that combine regional and country approaches. The proposed Project would support these goals by laying the foundations to improve the competitiveness of the tourism sector. Specifically, it would target Outcomes 1 and 2 (investment climate and increased tourism benefits with stronger linkages with agribusiness).

22. **The project also fosters the original goals of the Treaty of Basseterre of 1981, which created the OECS economic integration and cooperation.** It also supports the key milestones of the revised treaty (June 2010), establishing the OECS Economic Union, and the OECS Growth and Development Strategy. The Revised Treaty of Basseterre of 2010 led to the creation of a single financial and economic space within which goods, people, and capital move freely. Countries took a common approach to developing critical sectors such as tourism. In addition, the 2012 OECS Growth and Development Strategy emphasizes the role of tourism in strengthening private investment in the region. Finally, one important pillar of the new OECS regional vision, which the Director of the OECS Commission presented in 2014, is the facilitation of the movement of people.

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<sup>21</sup> The national visions include: Grenada's 'Pure Grenada, the Spice of the Caribbean' branding strategy that notably aims to establish Grenada as an authentic destination which values its heritage and lifestyle; Saint Lucia's high-end tourism and honeymoon destination branding strategy; and SVG's focus on sailing, diving, romance, and ecotourism.

23. **The project addresses the World Bank Group's twin goals of reducing poverty and increasing shared prosperity through the creation of economic opportunities.** An increase in tourism spending will lead to job creation in the medium and long run. The project design will include an impact evaluation to assess the effect of increased tourism spending on job creation, particularly for women and youth.

24. **There are opportunities in this project for generating climate change co-benefits.** From a climate-change mitigation perspective, development of a pilot regional ferry corridor, under Subcomponent 1.2, might have co-benefits if a reliable regional ferry system reduces air travel among the three participating countries (modal shift from air transport to water) thereby reducing greenhouse gas emissions at the regional level. This is in the amount of 4% of the total value of the loan (\$1,040,000). Should further benefits emerge during implementation, these would be reflected in the project implementation status reports.

## **II. PROJECT DEVELOPMENT OBJECTIVES**

### **A. PDO**

25. The project development objectives are to (i) facilitate the movement of tourists within the participating countries using ferries, (ii) improve selected tourism sites, and (iii) strengthen implementation capacity for regional tourism market development.

### **B. Project Beneficiaries**

26. **This project targets various communities and businesses in Grenada (around Fort George), Saint Lucia (in Castries), and SVG (in the Grenadines and around Fort Charlotte).** Micro, small, and medium enterprises and communities will benefit from increased tourism spending, better infrastructure, and an improved business environment. Because tourism employs predominantly disadvantaged groups, women and youth will benefit the most.

27. **Women-owned enterprises make up about 11.4 percent of the firms that would benefit from this project.** Most vendors in the market in Saint Lucia are women, and, on average, women are at least 50 percent of the restaurant owners and crafts and trinket sellers in the tourism sector in the three participating countries. Component 4 of the project includes a rigorous impact evaluation, which will further investigate gender dynamics in the tourism sector. As part of the first phase of this work, which involves collecting baseline data early in implementation, the impact evaluation exercise will identify project relevant gaps between males and females. The identification of these gaps would allow the project to identify specific actions and associated monitoring and evaluation indicators to reduce and track these gender gaps.

28. **Tourists will benefit from an enhanced visitor experience.** The tourism product offerings will be of higher quality. Destination sites will be beautified and better managed. There will be improved access to tourism sites through enhancement of travel by ferries.

29. **Government agencies will benefit from technical assistance (TA) and infrastructure financing.** These include the Ministries of Finance and Tourism and the Tourism Authority (Grenada); the Ministries of Planning and Tourism and the Tourist Board (Saint Lucia); and the Ministries of Economic Planning and Tourism and the Tourism Authority (SVG). Customs, immigration, and port authorities in all three participating countries will also benefit.

### C. PDO Level Results Indicators

30. **The achievement of the PDO will be measured using these indicators:** (a) increase in number of tourists who take the ferries to visit other participating countries; (b) increase in tourism spending at and around pilot sites; (c) regional tourism market development program implemented; and (d) increase in firms benefiting from private sector initiatives, percentage of which are women owned.

## III. PROJECT DESCRIPTION

### A. Project Components

31. The project objectives will be achieved through four components.

#### **Component 1: Facilitation of the Movement of People (US\$2,520,000)**

32. This component aims to strengthen regional integration and facilitate movement of people in the region through: (a) support for developing a single regional space for immigration and customs entry of international tourists; and (b) development of a pilot ferry system through TA, information technology (IT), and small infrastructure improvements.

##### ***Subcomponent 1.1 (country-specific and regional): Development of a single regional space for immigration and customs entry of international tourists (US\$1,260,000)***

33. At a country level, this subcomponent would provide (i) infrastructure investment (works) to turn domestic port terminals into international ones in Grenada (in Carriacou) and SVG (in mainland Saint Vincent and Union Island) and (ii) goods, scanners, and other IT needs for immigration and customs clearance for Saint Lucia and SVG for the terminals.

34. At a regional level, this subcomponent would provide (a) TA to support the country-level implementation of decisions made at a regional level for the facilitation of the movement of people and goods, including the implementation of any revisions to the existing regional immigration system for the creation of a single economic space, and any other policy/regulatory changes aimed at the facilitation of the movement of people and goods that would require country-level implementation and (b) IT support for implementing electronic customs declarations for ferries.

##### ***Subcomponent 1.2 (regional): Development of a pilot regional ferry corridor (US\$1,260,000)***

35. The purpose of this component is to establish pilot passenger ferry services between the three islands to allow for multi-island stayover tourism of international tourists and increase intra-regional tourism by the OECS residents. This component would provide gap financing for operating the ferries through a negative auction scheme;<sup>22</sup> IT support for software and hardware for a centralized ferry scheduling system; TA to review the legal, institutional, and operational framework related to water transport; and TA to support dialogue between governments and ferry operators.

#### **Component 2: Pilot Tourism Infrastructure Investments (US\$18,540,000)**

36. **The interventions in the selected pilot tourism sites are** (a) the rehabilitation of Fort George in Grenada, (b) reinforcement of marine-based tourism and rehabilitation of Fort Charlotte in SVG, and (c) enhancement and beautification of strategic sites and attractions, improved logistics, and development of a tour for Castries in Saint Lucia.

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<sup>22</sup> For a detailed explanation of how the scheme works, see annex 7.

(a) **First, this country-specific component would finance several TA interventions (studies and TA), including**

(i) **For all three participating countries:**

- Feasibility studies including technical, economic, social, and environmental assessments (EAs), financing and management method options—notably public-private partnerships (PPPs)—and guidelines for the use and management of the sites in all three participating countries, and continued PPD to secure buy-in for the developments.
- Marketing, business, and commercialization plans for each tourism site.

(ii) **Grenada:**

- Rehabilitation design plans for Fort George in Grenada (including a feasibility study for moving the police headquarters from the fort) Tourism development framework for the island of Carriacou.

(iii) **SVG:**

- Rehabilitation design plans for Fort Charlotte in SVG.
- A detailed inventory of anchorages in the country, including carrying capacity, zoning plans, upgrading needs assessments, and commercialization options; and a precursor study to set up the Maritime Training Institute and attain the Standards of Training, Certification, and Watchkeeping for Seafarers (STCW) certification.
- Precursor studies and road map to purchase a fire fighting simulator and equipment for the Maritime Training Institute to facilitate attaining STCW certification.

(iv) **Saint Lucia:**

- Studies to address traffic issues in Castries, including: a traffic management and circulation plan; a study of the organization of pedestrian and taxi movements near La Place Carenage; the design of key junctions to be improved; a study to identify and design improvements to sidewalks; a review of design options for improving pedestrian access to the William Peter Boulevard. The studies also include the preparation of a strategy to improve the experience of visitors walking through downtown Castries, including consistent and unified branding and signs.
- Preparation of a redevelopment framework plan for downtown Castries that will clarify a long-term vision regarding how downtown Castries will look and feel once redeveloped and will identify measures to implement the vision.

(b) **Second, this country-specific component would include the following works and TA:**

- (i) **Saint Lucia.** Enhancement and beautification of strategic attractions, improved logistics, and development of tours for downtown Castries. This involves



infrastructure and institutional support (TA) for improved urban mobility, including: works in reconstruction of the intersection of Jeremie Street and Compton Highway; works to support the organization of pedestrian and taxi movements near La Place Carenage; pedestrianization of the William Peter Boulevard; works for improvements to sidewalks; works and goods to support the replacement of traffic lights and improvements of junctions; and TA for institutional strengthening of the Ministry of Infrastructure (Department of Transport and Technical Services Department). It also includes urban and tourism development, including: works related to the upgrading of the market and surrounding areas; works for the improvement of the visitor experience walking through downtown Castries and the William Peter Boulevard area; façade improvement program and business support services; works related to upgrading of the botanical gardens; and strengthening the business environment.

- (ii) **Grenada.** Rehabilitation of Fort George<sup>23</sup> through support for infrastructure and works and TA to artisans on selection and display of their products.
- (iii) **SVG.** This would involve (a) improvement to the competitiveness of the marine-based tourism through upgrading anchorage infrastructure; investments include safety and security, waste collection and management, facilities, equipment, upgrades to walkways, and signage in pilot sites; (b) limited rehabilitation of Fort Charlotte through support for infrastructure investment and goods; and (c) TA to artisans on selection and display of products.

### **Component 3: Market Development and Promotion Capacity-Building (US\$2,790,000)**

37. This component aims to, (a) support the refinement and operationalization of tourism plans for each of the participating countries and (b) develop a regional market development effort to position the participating countries as one travel destination.

#### ***Subcomponent 3.1 (country specific): Support for Tourism Development (US\$1,200,000)***

38. This subcomponent would provide TA and goods to support preparing and refining sustainable tourism development plans and policies and their implementation, including

- (a) TA to build capacity to carry out market segmentation; prepare projections of financial and economic impact; and carry out environmental planning and management of the tourism sector; and
- (b) Goods and TA to strengthen website design, outreach, and social media presence of each participating country.

#### ***Subcomponent 3.2 (regional): Preparation and implementation of a regional tourism market development program (US\$1.59 million)***

39. This subcomponent would support the implementation of a regional tourism market development program, including

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<sup>23</sup> There are plans to move the police out of the fort before the rehabilitation work begins. A government policy to move the police headquarters has already been approved by the cabinet.

- (a) TA to identify markets, develop a common marketing strategy, including a common digital/social e-tourism communication strategy, negotiate with airlines from a new destination, receive training, and prepare promotional content;
- (b) Operating support for participation in four joint trade fairs as one destination; and
- (c) Goods and TA for an IT platform to drive the participating countries' joint marketing.

#### **Component 4: Project Implementation Support (US\$2,135,000)**

40. This country-specific component would support the overall project implementation, including:

- (a) Capacity building of the Project Coordination Units (PCUs) in Grenada and Saint Lucia, or the Public Sector Investment Program Management Unit (PSIPMU) within SVG (collectively, 'PCUs) and implementing agencies on project management, procurement, financial management (FM), safeguards, and monitoring and evaluation (M&E);
- (b) Consulting services for project audit in each participating country, if needed; and
- (c) TA support to the participating countries to carry out a robust impact evaluation, to measure the impact of the project on jobs in a gender disaggregated way.

### **B. Project Financing**

41. The total cost of the project is US\$26 million, financed by the World Bank Group through Investment Project Financing (IPF). Table 1 spells out the financing support.

**Table 1. Project Cost and Financing (US\$26 million)**

<b>Project Components</b>	<b>Saint Lucia</b>	<b>Grenada</b>	<b>Saint Vincent and the Grenadines</b>	<b>TOTAL</b>
<b>1. Facilitation of the Movement of People</b>	<b>\$720,000</b>	<b>\$770,000</b>	<b>\$1,030,000</b>	<b>\$2,520,000</b>
1.1 TA and goods to support the development of a single regional space for Immigration and Customs entry of international tourists ( <i>Country and Regional Levels</i> )	\$300,000	\$350,000	\$610,000	\$1,260,000
1.2 TA, goods, and small infrastructure investments for the development of a pilot regional ferry corridor ( <i>Country and Regional Levels</i> )	\$420,000	\$420,000	\$420,000	\$1,260,000
<b>2. Pilot Tourism Investments (Country Level)</b>	<b>\$12,300,000</b>	<b>\$3,750,000</b>	<b>\$2,490,000</b>	<b>\$18,540,000</b>
<b>3. Market Development and Promotion Capacity Building</b>	<b>\$930,000</b>	<b>\$930,000</b>	<b>\$930,000</b>	<b>\$2,790,000</b>
3.1 TA and equipment to support tourism development plans ( <i>Country Level</i> )	\$400,000	\$400,000	\$400,000	\$1,200,000
3.2 TA and equipment to support regional marketing programme ( <i>Regional Level</i> )	\$530,000	\$530,000	\$530,000	\$1,590,000
<b>4. Project Implementation Support (Country Level)</b>	<b>\$1,050,000</b>	<b>\$535,000</b>	<b>\$550,000</b>	<b>\$2,135,000</b>
Front end fee	-	\$ 15,000	-	\$15,000
<b>Total Cost</b>	<b>\$15 million (all IDA)</b>	<b>\$6 million (all IBRD)</b>	<b>\$5 million (all IDA)</b>	<b>\$26 million (\$20 million IDA+ 6 million IBRD)</b>

## IV. IMPLEMENTATION

### A. Institutional and Implementation Arrangements

42. **Nationally, the overall responsibility for management and coordination of the project will rest within the participating countries' existing PCUs in the Ministry of Finance and Energy of Grenada (MOF), the Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation of Saint Lucia (MOE), and the Ministry of Economic Planning, Sustainable Development Industry, Information, and Labour, Saint Vincent and the Grenadines (MOP).** Grenada, SVG, and Saint Lucia all have PCUs executing World Bank Group-financed operations that would be leveraged for the present project, with additional staffing provided to strengthen the PCUs' capacity (annex 3).

43. **For coordination, the minister (or the minister's designee) from the ministries hosting the PCUs in each participating country will convene and chair a high-level Project Steering Committee (PSC).** The PSC would include decision makers from line ministries, including Finance, Tourism, Public Works, and Immigration, and other public sector bodies as needed. The final decision on all aspects rests with the minister hosting the PCUs (or the minister's designee).

44. **To advance decision-making, monitoring, and supervision of the regional components, a regional Steering Committee would also be set up.** The regional Steering Committee would include the ministers (or the ministers' designees) from the ministries that host the PCUs, the Ministers of Tourism (or their designees), and the project managers responsible for implementing this project from the PCUs. The regional Steering Committee will meet not less than twice a year. The ministers from the ministries that host the PCUs (or their designees) will chair and host the regional Steering Committee on a rotational basis, in alphabetical order by participating country name. The OECS Commission will participate as an observer in these meetings.

### B. Results Monitoring and Evaluation

45. **The PCUs will oversee data collection and reporting on the M&E indicators.** They will prepare quarterly reports with results framework data discussed during World Bank Group implementation support missions, to assess progress and the need for any adjustments. The PSCs would ensure a regular demand for updates on project results and will guide the midterm review of project results. Each project manager hired by the PCUs would be responsible for data collection and reporting. Annex 1 details the Results Monitoring Framework.

### C. Sustainability

46. **A number of sustainability measures have been incorporated in the design of the Project.** For example, under Component 3, the project aims to build capacity within the participating countries to assess tourism market trends, make and implement policy decisions based upon them, and manage and maintain sites being rehabilitated. It is expected that the engagement of the private sector in the project would create a path to sustainability. This will be possible through, for example, the participation of the private ferry operators in Component 1; the engagement of the private sector in preparing promotional material for participation in tourism trade fairs in Component 3; consideration of PPPs for key infrastructures under Component 2; and new business opportunities created for local businesses under Components 1–3.

47. **The OECS participating countries have demonstrated solid commitment to and ownership of the project, and the private sector is aligned with the vision under the project.**

Local ownership is critical for ensuring sustainability of any project. The commitments of the governments of the participating countries is reflected in the national visions of each participating country for tourism, reflected in their tourism policies, strategies and plans, as well as the commitment that they have given through the OECS Regional Tourism Policy mentioned earlier to work together in advancing the competitiveness of the tourism sector.

## V. KEY RISKS

### A. Risk Ratings Summary Table

Risk Category	Rating
1. Political and Governance	Moderate
2. Macroeconomic	Substantial
3. Sector Strategies and Policies	Substantial
4. Technical Design	Substantial
5. Institutional Capacity for Implementation and Sustainability	Substantial
6. Fiduciary	Substantial
7. Environmental and Social	Moderate
8. Stakeholders	Moderate
9. Other (regional dimension)	Substantial
OVERALL	Substantial

### B. Overall Risk Rating Explanation

48. **The overall risk of the proposed Project is assessed as Substantial.** The Systematic Operations Risk-Rating Tool summarizes the risks. The substantial risks and mitigation measures are outlined below.

49. **Macroeconomic.** Macroeconomic risks include the risk of exogenous shocks (such as natural disasters); increasing public debt; and the risk that the financial sector and credit to the private sector may remain fragile. Despite those risks, the three participating countries are on the road to economic recovery, and the potential economic benefits of the operation and programs financed by the International Monetary Fund and the World Bank Group will balance those risks.

50. **Sector strategies and policies.** The lack of concrete policies and action plans for developing tourism is a substantial risk. Mitigation includes a TA component incorporated into the project to support the development of tourism policies and action plans, as needed.

51. **Institutional capacity for implementation and sustainability.** Due to the many stakeholders and partners involved in the operation, it would be important to ensure strong coordination and adequate capacity. Creating a small high-level PSC with each participating country under the MOE, MOF, or MOP leadership, with clear defined roles, would mitigate the risk. The PCU in each participating country also has experience in implementing regional, multi-stakeholder projects financed by the World Bank. In addition, there is a need to ensure buy-in from various stakeholders throughout the implementation phase, in particular for Components 1 and 2. The PPD envisioned in the design of these components aims to mitigate this risk.

52. **Technical design.** Given the multi-sectoral nature of the project, there is a substantial technical design risk. To mitigate this, strong analytical work has been prepared by top experts in each field to support the design of each component. This multi-sectoral World Bank Group team would continue to work in the implementation phase of the project to monitor progress and adopt mitigating measures. Finally, each implementing agency, responsible for a particular sector, will

be assigning a technical person who would be responsible for providing input to the TORs and quality of deliverables and works that will be prepared under the project.

53. **Fiduciary.** The procurement risk for all three participating countries is categorized as Substantial. The FM risk for SVG and Saint Lucia is Substantial, and for Grenada it is Moderate. The fiduciary World Bank Group team would continue to provide support to the PCUs during the implementation phase of the project to ensure compliance with World Bank Group policies and guidelines. Under Component 4, capacity building has been envisioned to strengthen the PCUs in carrying out their fiduciary obligations.

54. **Regional dimension.** TA for successful implementation of this operation requires close cooperation among the three governments and solid, transparent institutions to facilitate exchange of information. The OECS Commission has been consulted throughout project design and will continue to be consulted in implementation. This would allow the project to access the highest level of government, including the Prime Ministers through the Council of Economic Affairs and Ministers of Tourism through the Council of Tourism Ministers convened by the OECS Commission, when there are obstacles in implementation of the regional components. The Regional Steering Committee set up under the project will also be a mitigating measure that will help better coordination of regional issues.

## **VI. APPRAISAL SUMMARY**

### **A. Economic and Financial Analysis**

55. **An Economic and Financial Analysis (EFA) indicates that the development impact benefits of the project are expected to exceed project costs (annex 5).** The project's net present value (NPV) is estimated at US\$13.2 million at a 12 percent discount rate,<sup>24</sup> with a 26 percent economic rate of return (ERR). The data and the assumptions are based on regional studies and field research that estimate the impact of similar programs on tourist spending, small and medium enterprises' growth and productivity rates, and changes in wages.

56. **Public sector financing to achieve these benefits is justified, and the World Bank Group's involvement offers important value.** Project activities address several market failures and regulatory and operational constraints. First, improving the regulatory frameworks involves overcoming public sector and policy constraints. Second, the infrastructure activities proposed have public good elements, as they are part of the natural and cultural assets of each participating country that need to be preserved. Third, private capital for investment does not provide adequate financing for proof-of-concept investments with high levels of risk and uncertainty, such as the ferry pilot supported under this project. The World Bank Group offers significant value to these efforts through its financing, technical expertise, coordination support, and channeling of global knowledge.

### **B. Technical**

57. **The technical design of the project is supported by analytical work carried out by the World Bank Group and has also benefitted from other literature reviewed.** Four studies have been completed during project preparation: (a) a pre-feasibility assessment of the selected investments by each participating country, (b) a report on the applicability of a regional ferry to the tourism sector in the OECS, (c) a process mapping study for interisland travel, building from

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<sup>24</sup> The discount rate is based on the risk-adjusted opportunity cost of capital for World Bank financing in the OECS.

a pre-feasibility study for a regional ferry system in the region, and (d) a tourism market analysis study.

### **C. Financial Management**

58. **The FM of the project would be undertaken by the PCUs already established within the MOE, MOF, or the MOP.** The World Bank conducted an FM assessment of the proposed project in accordance with OP/BP 10.00 and the Financial Management Practice Manual (issued by the Financial Management Sector Board [FMSB] on March 1, 2010). In the FMSB's opinion, the implementing agency in Grenada has in place adequate financial management system (FMS) that can provide, with reasonable assurance, accurate and timely information on the status of the funds as required by the World Bank.

59. **Although the PCUs in Saint Lucia and SVG have FM arrangements in place, they need to overcome inadequacies in accounting controls and reporting.** The PCUs in SVG and Saint Lucia have agreed to implement the action plans mentioned in annex 3 to strengthen their FM capacity and the World Bank will continue to work with them on this. The FM risk for the PCUs in both SVG and Saint Lucia is rated Substantial.

### **D. Procurement**

60. **Procurement would be undertaken by the existing PCUs.** Procurement will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Good, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised in July 2014; 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers', dated January 2011 and revised in July 2014; 'Guidelines On Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006, and revised in January 2011; in addition to the provisions stipulated in the respective Loan and Financing Agreements. For each contract to be financed under the project, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the participating countries and the World Bank in the Procurement Plans. The Procurement Plans will be updated at least annually or biannually to reflect the actual project implementation needs and improvements in institutional capacity. An assessment of the agencies' capacity to implement procurement was carried out before appraisal and is included as annex 3.

### **E. Social (including Safeguards)**

61. **Social Safeguards risks are considered Moderate for this project.** Components 1 and 2 may lead to discrete land acquisition and, therefore, the World Bank's Policy on Involuntary Resettlement (OP 4.12) is triggered. Proposed works involve small-scale restoration efforts and upgrading of existing tourism sites rather than large-scale greenfield investments. Private land acquisition is unlikely in the case of rehabilitation efforts on existing footprints, but final designs are expected to be developed under technical and feasibility studies under the project. While a significant amount of pre-feasibility assessments has already been completed on each site, the nature and extent of impacts will only become apparent once the final designs have been developed and the associated social assessments have been conducted. In the absence of final designs, a preliminary screening of proposed works has been conducted to assess potential social risks and impacts. These potential social impacts include discrete land acquisition, resettlement, and

economic displacement. If these issues arise, they are likely to be temporary, and can be readily mitigated using standard measures.<sup>25</sup>

62. **In the absence of final designs, a single, regional Resettlement Policy Framework (RPF) was prepared for the project by the participating countries, and approved by the World Bank.** The RPF provides guidelines for developing social safeguards instruments to mitigate land acquisition that may arise from works undertaken during project implementation. The RPF defines the resettlement principles, organizational arrangements, and design criteria to be applied to Resettlement Action Plans with country-specific chapters. The RPF also provides a preliminary assessment of likely social risks and impact, in the absence of finalized designs. The draft RPF was disclosed to the public on the World Bank's - websites on May 12, 2016, and delivered to community groups, agencies, and ministries for comment in August 2016. No additional comments were received during the consultation period. The final version of the RPF was published on the Governments' websites on October 26, 2016 (Saint Lucia), October 31, 2016 (SVG), November 1, 2016 (Grenada), and on November 7, 2016 on the World Bank's website.

63. **Grenada, Saint Lucia, and SVG have social safeguards specialists.** Additional expertise from consultants may be required during implementation. The social specialists have attended safeguards training delivered by the World Bank and have experience in managing issues related to involuntary resettlement and preparing Resettlement Action Plans. Additional capacity building will be provided by the World Bank as needed during project implementation.

64. **A wide range of key stakeholders will continue to be involved throughout project implementation.** Once design plans are complete and the list of project-affected persons is known, the PCUs' social development specialists will engage in specific subproject community consultations and conduct census surveys with the affected individuals to determine the exact nature and extent of impacts and mitigation measures.

#### **F. Environment (including Safeguards)**

65. **The overall environmental risk for the project is Moderate.** Proposed activities under Component 1 and 2 will involve infrastructure investments to convert domestic port terminals into international ones and rehabilitate selected tourism sites. The project is rated Category B. The following safeguards policies were triggered: Environmental Assessment (OP/BP 4.01), Natural Habitats (OP/BP 4.04), Pest Management (OP/BP 4.09), Physical Cultural Resources (OP/BP 4.11), and Involuntary Resettlement (OP/BP 4.12). The Natural Habitats Policy (OP/BP 4.04) is triggered given that some of the proposed works will be carried out in ecologically sensitive areas or protected areas, such as, the Tobago Cays Marine Park (TCMP) in the Grenadines. Coastal works (jetties, terminals, and mooring plans) may also affect ecologically sensitive coastal zones and natural habitats. The Pest Management Policy (OP 4.09) is also triggered because small quantities of pesticides may be used to clean some of the historical facilities. Finally, the Physical Cultural Resources Policy (OP 4.11) has been triggered, given that the project aims to rehabilitate sites of historic importance.

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<sup>25</sup>Additional social issues that may become relevant include ensuring adequate access to bathroom facilities in the event that works block access to public bathroom facilities; ensuring adequate safety measures for pedestrian/automobile traffic management during any road works and/or sidewalk improvement; and ensuring accessibility for physically disabled individuals through the installation of ramps and other measures as necessary, at subproject sites undergoing infrastructure construction and upgrading.

66. **Building on the pre-feasibility studies completed to date for the works required, an Environmental and Social Management Framework (ESMF) has been prepared by the participating countries and approved by the World Bank.** This was disclosed both on the World Bank website and in-country simultaneously with the RPF, on dates mentioned above. Consultations with key stakeholders took place during project preparation, and was followed by targeted emailing and solicitation of public comments, as detailed in Annex 4 of the ESMF. No additional comments were received during the consultation phase.

67. **The ESMF provides a preliminary assessment of social and environmental risks, impacts, and mitigation measures.** Possible adverse impacts may result from the restoration and rehabilitation of historic forts, sites, and other areas of physical cultural significance. These may include dust, damage to historic structures, and occupational health and safety risks. Infrastructure works around jetties and docks may cause increases in turbidity during the construction period, solid waste management issues, and changes to waves or currents. Usually, any negative environmental impacts would be localized and preventable through responsive mitigation measures. The project will not finance any subprojects that degrade or convert critical habitats and will only support subprojects in non-critical habitats.

68. **The ESMF also includes the environmental and social screening procedures applicable to subprojects for potential impacts on natural habitats and physical and cultural resources.** Since there are roads and other works that may involve excavation, a ‘chance-find’ procedure has been included in the ESMF. Using small amounts of approved pesticides by registered licensed contractors may be permitted after screening and written authorization, but the project will exclude any activities that require any purchase or significant use of pesticides. Purchases and significant use of pesticides are ineligible under the project. During implementation, Environmental Management Plans (EMPs), and/or Environmental Impact Assessments (EIAs) and a physical cultural heritage resource management plan will be developed as necessary.

69. **Regarding the environmental capacity, the project implementation units within the MOE, MOF, and the MOP for the participating countries have already recruited social and environmental safeguard specialists,** who have attended World Bank training sessions.

#### **G. World Bank Grievance Redress**

70. Communities and individuals who believe that they are adversely affected by a World Bank (WB) supported project may submit complaints to existing project-level grievance redress mechanisms or the WB’s Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed in order to address project-related concerns. Project affected communities and individuals may submit their complaint to the WB’s independent Inspection Panel which determines whether harm occurred, or could occur, as a result of WB non-compliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the World Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the World Bank’s corporate Grievance Redress Service (GRS), please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the World Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).



## Annex 1: Results Framework and Monitoring

### Grenada, Saint Vincent and the Grenadines, and Saint Lucia

#### OECS Regional Tourism Competitiveness

#### Results Framework

Project Development Objectives									
PDO Statement									
The project development objectives are to (i) facilitate the movement of tourists within the participating countries using ferries; (ii) improve selected tourism sites; and (iii) strengthen implementation capacity for regional tourism market development.									
These results are at		Project Level							
Indicator Name	Core	Unit of Measure	Baseline	Target Values					
				YR1 FY18	YR2 FY19	YR3 FY20	YR4 FY21	YR5 FY22	End Target YR6 FY23
Number of tourists who take the ferries to visit participating countries		Number	0	0	0	5,000	5,408	6,327	8,005
Tourism spending at and around pilot sites		US\$; disaggregated by pilot site	5,419,610	5,419,610	4,335,688	2,709,805	5,760,618	6,048,649	6,351,081
Regional tourism market development program implemented		Binary; Yes or No	No	No	No	No	No	Yes	Yes

Firms benefitting from private sector initiatives (% of which women owned)	X	Number; disaggregated by country	0	0	0	2 (0%)	1,090 (11.4%)	1,090 (11.4%)	1,090 (11.4%)
<b>Component 1:</b>									
Number of ferry passenger terminals with immigration/customs facilities equipped for processing international tourists		Number; disaggregated by country	0	0	0	2	3	3	3
Centralized ferry system operational		Binary; Yes or No	No	No	No	Yes	Yes	Yes	Yes
Implemented reforms supporting private sector development		Number; Saint Lucia only	0	0	0	3	4	4	4
<b>Component 2:</b>									
Number of sites rehabilitated		Number; disaggregated by country	0	0	0	0	3	3	3
Number of pilot sites that have incorporated a beneficiary feedback system		Number	0	0	0	3	3	3	3
<b>Component 3:</b>									
Regional IT platform implemented		Binary; Yes or No	No	No	No	Yes	Yes	Yes	Yes
Number of country-specific tourism IT platforms upgraded or enhanced		Number	0	0	0	3	3	3	3

Number of international tourism trade fairs in which the clients participated as one region		Number	0	0	0	0	1	2	4
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Indicator Name	Definition
<i>Project Development Objective Indicators</i>	
Number of tourists who take the ferries to visit participating countries	Number of passengers riding the participating ferry lines that will travel between Grenada, SVG, and Saint Lucia.
Tourism spending at and around pilot sites	Amount of tourism spending generated within a defined vicinity close (usually walking distance) to the pilot site. The boundaries covered are included in the Operations Manuals of each participating country. Exit surveys of the tourists visiting the pilot sites and surrounding areas will be conducted. The national Tourism Authorities already collect this information at the national level in Grenada, Saint Lucia, and SVG. From the surveys, the average spending per tourist is calculated. The total spending will be determined by estimating the number of tourists who visit the site and the surrounding area and multiplying that number by the average spending per tourist. It is expected that spending at and around pilot sites will go down in the initial years, as the construction and rehabilitation work is happening. The spending is expected to increase once the construction works are finished.
Regional tourism market development program implemented	A checklist of milestones has been developed concerning the goals below: -Tourism plans refined and operationalized at the country level -Development and implementation of a regional market development program with the underlying goal of attracting new markets
Firms benefitting from private sector initiatives (% of which women owned)	Component 1, Facilitation of the movement of people, the direct beneficiaries are the owners of ferry companies operating in the OECS. Component 2, Country-specific pilot sites: owners of the firms operating in and around the pilot sites (Fort George and the Carenage, Fort Charlotte, and Castries) would benefit from the increased flow of tourists. In year 3, before the construction work at the pilot sites is completed, it is expected that two firms which would become involved in the implementation of the ferry pilot would benefit from the project's interventions. Thereafter, and once the construction on the pilot sites is completed, it is expected that more firms will benefit from the project's interventions.
<i>Intermediate Indicators</i>	
Number of ferry passenger terminals with immigration/customs facilities equipped for processing international tourists	This indicator measures the number of upgraded ferry passenger terminals. The baseline is zero, and that number is expected to increase to 4 (one each in Saint Lucia and Grenada, and two in SVG).
Centralized ferry system operational	This indicator tracks the completion and operation of a centralized ferry system.
Implemented reforms supporting private sector development	Number of reforms achieved because of support from the project. Reforms are legislative and/or administrative/institutional changes.
Number of sites rehabilitated	Number of sites whose rehabilitation or upgrading have been completed. Castries rehabilitation is treated as one site.
Number of pilot sites that have incorporated a beneficiary feedback system	This is a citizen engagement indicator. This indicator reflects the number of pilot sites with feedback systems. All sites must have feedback systems to ensure that social and environmental safeguards are maintained.
Regional IT platform implemented	The regional IT platform will be a product for regional tourism market development. Once the platform has been developed and is live and accessible to users, the indicator will be marked as 'Yes'.

Number of country-specific tourism IT platforms upgraded or enhanced	Once the platforms have been developed and are live and accessible to users, the indicator will be marked as ‘Yes’.
Number of international tourism trade fairs in which the clients participated as one region	This indicator captures the number of trade fairs in which the client countries participate as one region.

Indicator Name	Frequency and Reports	Data Source, Instruments, and Methodology	Responsibility for Data Collection
Number of tourists who take the ferries to visit participating countries	Data collected monthly; semiannual reports	Immigration and customs agencies, port authorities will collect the information separately and verify	PCUs M&E specialists
Tourism spending at and around pilot sites	Data collected monthly, quarterly, semiannually, and annually; semiannual reports	Tourism Authorities for Grenada and SVG will conduct periodic exit surveys of tourists at airports, cruise terminals, and ferry terminals to determine spending habits and visitor flows to the sites. A third-party service will perform data collection in Saint Lucia.	PCUs M&E specialists
Regional tourism market development program implemented	Data collected semiannually; semiannual reports	Tourism Authorities and Ministries of Tourism	PCUs M&E specialists
Firms benefitting from private sector initiatives (% of which women owned)	Data collected annually; annual reports	Ferry companies, pilot site firm owners, and members of the Regional Tourism Advisory Group	PCUs M&E specialists
<i>Component 1:</i>			
Number of ferry passenger terminals with immigration/customs facilities equipped for processing international tourists	Annual	Immigration and customs agencies	PCUs M&E specialists
Centralized ferry system operational	Annual	Immigration and customs agencies, port authorities	PCUs M&E specialists
Implemented reforms supporting private sector development	Annual	PCU; immigration and customs agencies, port authorities	PCUs M&E specialists
<i>Component 2:</i>			
Number of sites rehabilitated	Annual	PCU and Tourism Authorities	PCUs M&E specialists

Number of pilot sites that have incorporated a beneficiary feedback system	Annual	PCU There will be consultations at all the pilot sites with beneficiaries in the pilot site areas before project implementation and annual surveys and meetings each year of project implementation. At the end of implementation, a survey and final meeting will be held with beneficiaries at the pilot sites.	PCUs M&E specialists
<i>Component 3:</i>			
Regional IT platform implemented	Annual	IT platform manager(s)	PCUs M&E specialists
Number of country-specific tourism IT platforms upgraded or enhanced	Annual	PCU M&E specialists	PCUs M&E specialists
Number of international tourism trade fairs in which the clients participated as one region	Annual	Tourism Authorities	PCUs M&E specialists

## Annex 2: Detailed Project Description

### Grenada, Saint Vincent and the Grenadines, and Saint Lucia

#### OECS Regional Tourism Competitiveness

1. The project development objectives are to (i) facilitate the movement of tourists within the participating countries using ferries; (ii) improve selected tourism sites; and (iii) strengthen implementation capacity for regional tourism market development.
2. The tourism sector is the main pillar of economic growth for the OECS economies, which have clear comparative advantages and limited options for economic diversification. Yet, the OECS does not benefit from a high enough level of tourism and tourism spending.
3. To enhance the competitiveness of the tourism sector and attract more tourism spending, the project would focus on priority areas that are politically and financially feasible to achieve and that complement rather than substitute for tourism programs already under way from the World Bank Group, governments, the OECS Commission, and/or other donors. Some relevant areas are only partially covered or discarded because of one or a combination of these reasons: lower priority, difficult to achieve politically, too expensive given the financial constraints, or already in other donors' programs. Those areas include improving regional air travel competition, access to finance, and building skills in the tourism and associated sectors. Parallel World Bank Group-financed projects that will complement the operation. Table 2.1 lists World Bank Group financed operations that will complement the proposed Project and other activities from the OECS Secretariat and other donors.

**Table 2.1. Complementary World Bank Group Activities and Other Donors/OECS Secretariat Activities Supporting Tourism Competitiveness in the OECS**

Institution	Theme	Description of World Bank Group activities
World Bank Group	Agritourism Linkages PPD (P160653)	<b>The Agritourism Linkages Project</b> (World Bank-IFC, ASA) financed by the Competitive Industries and Innovation Program (CIIP) and external financed output from the Italian Government, intends to strengthen linkages between tourism and other priority sectors in the economy such as agribusiness and crafts. The rollout of this assistance has started and involves these steps: (a) identification of one to three clusters on which to focus the assistance, (b) development and implementation of a PPD model for the clusters, and (c) supporting the implementation of some measures identified in the PPD process and the later action plans. The expectation is that the lessons learned and the results from these pilot cluster exercises could then be adopted and replicated to apply to other clusters.
World Bank Group	Sector Specific Gender and Youth (P161768)	The potential <b>Gender Impact Project</b> financed by the Facility for Investment Advisory Services will aim to evaluate the impact of the non-all-inclusive versus all-inclusive tourism development models on youth and female employment within the tourism and agribusiness sectors in Grenada and Saint Lucia.

Institution	Theme	Description of World Bank Group activities
World Bank Group	Marketing Intelligence (P152117)	The <b>Tourism Data Market Intelligence Project</b> (World Bank, Grant) financed by the World Bank Group and executed by the OECS Commission, aims to build capacity for data collection and analysis to identify new market opportunities and consolidate existing markets.
World Bank Group	Regional Integration and Infrastructure (P150107)	The <b>Pre-feasibility Study for a Regional Ferry System in the OECS</b> (World Bank Group, ASA) under the CGF makes a point that a multi-destination regional strategy supported by a regional ferry system could contribute to tourism in the OECS. The report provides data on the movement of people in the region, draws lessons from international best practices, provides recommendations, and serves as a background for a feasibility assessment.
World Bank Group	Regional Integration and Infrastructure (IFC-601607-P100)	<b>Feasibility Study, for a Regional Ferry System in the OECS</b> (World Bank Group, ASA), building from the results of the pre-feasibility study conducted under the CGF, to explore possibilities for a private regional ferry service in the OECS with detailed technical and market analytics and financial flow simulations.
World Bank Group	Access to Finance (P157715)	The <b>OECS Small and Medium Enterprise Guarantee Facility</b> (World Bank Group, ASA, and lending) aims to unlock financing to small and medium enterprises in the OECS for upgrading quality standards and product diversification, channeling the existing liquidity of certain banks through reducing credit risk.
World Bank Group	Agriculture Competitiveness/Linkage with Tourism (P158958)	The <b>OECS Regional Agriculture Competitiveness Project</b> (World Bank Group, lending) aims to improve the sustained access to markets of small-scale farmers and fishermen, as well as their allied aggregators and agro-processors in Grenada and SVG.
World Bank Group	Marine Sustainability (P159653)	The <b>Caribbean Regional Oceanscape Project</b> (World Bank, lending) aims to support the development and implementation of integrated ocean governance policies to leverage public and private investment in the waters of the OECS member states and other participating Caribbean countries.
World Bank Group	PPD under the CGF (P161768)	The World Bank Group ASA aims to provide a platform for private sector and civil society to shape national reforms in three thematic areas—logistics and connectivity, investment climate, and skills and productivity—and to help track actions to spur sustainable growth and opportunities for all in the Caribbean.
Compete Caribbean	Cluster Building; Tourism Marketing	The <b>Grenada Hotel Cluster Economic Recovery</b> financed by the IDB, DFID and the Government of Canada, aims to support the hotel cluster in Grenada, by developing a national branding strategy and marketing tools.
Compete Caribbean	PPD	The <b>Strengthening PPD in Saint Lucia</b> Project financed by the IDB, DFID, and the Government of Canada, aims to assist the Government in creating the National Council for Productivity and Competitiveness.

Institution	Theme	Description of World Bank Group activities
OECS Commission	Tourism Skills and Education	The <b>OECS Network of Excellence in Tourism and Hospitality Training and Education activity</b> , funded by the EU under the 10th EDF program, aims to enable tourism and hospitality education institutions to collaborate with each other across a shared electronic platform and deliver training programs online. This activity is part of the implementation plan of the OECS Common Tourism Policy.
OECS Commission	Community-based Tourism	The <b>OECS Tourism Desk Community-based Tourism activity</b> , funded by the EU under the 10th EDF program, aims to develop and promote community-based tourism initiatives to attract niche markets. This activity is part of the implementation plan of the OECS Common Tourism Policy.
OECS Commission	Tourism Marketing	The <b>OECS Joint Tourism Promotion activity</b> , funded by the EU under the 10th EDF program, aims to support the regional joint promotion of tourism at trade shows.
OECS Commission	Regional Integration	The <b>OECS Harmonization of Tourism and Travel-related Policies activity</b> , funded by the EU under the 10th EDF program, aims to facilitate travel through the establishment of a single domestic space.

Note: EU = European Union; ASA = Advisory Services and Analytics; CGF = Caribbean Growth Forum; IFC = International Finance Corporation; IDB = Inter-American Development Bank

4. The proposed Project will focus on:

- (a) Facilitating the movement of tourists within the participating countries using ferries;
- (b) Offering a more diversified range of quality tourism products by supporting anchor investments in selected tourism products, to attract more spending from tourists visiting the participating countries; and
- (c) Developing capacity for tourism market development and promotion to attract a greater number of higher spending tourists.

5. The proposed Project is innovative because it encourages a regionally coordinated approach to tackle tourism constraints while respecting and promoting the national tourism vision and unique positioning of each island. This approach allows the participating countries to come together to tackle the challenges of tourism at a regional level. Moreover, it provides them with the space to invest in assets that will highlight the uniqueness of each island. The project would be a mechanism for dialogue because it would bring the participating countries together through their commitments in the Financing Agreements entered into with the World Bank Group.

## Lessons learned

6. Lessons learned from World Bank Group experience, analytical work, and international best practices have been incorporated into the project design. The main insights, success stories, and lessons learned that have informed the design of the project are described below for each component.



### *Component 1: Facilitation of the Movement of People*

7. International experience shows that a multi-island travel tourism strategy operated through a regional ferry system is feasible and viable, and pre-feasibility data shows there is demand for ferry transport in the OECS. Case study analyses of regional ferries operating in Greece, which shares common geographic factors with the OECS regarding the distance between the islands, and in the Balkans, which shares the ‘cross-border’ factor with the OECS region, yielded interesting insights compiled in a pre-feasibility study<sup>26</sup> on the potential impact of a regional ferry system on tourism in the OECS. The World Bank Group study shows that a viable regional ferry system, usually, requires subsidies, at least initially, and given the tight fiscal space of the participating countries, the project will initially focus on a pilot ferry corridor to achieve a demonstration effect in the region.

### *Component 2: Pilot Tourism Investments*

8. Developing an anchor tourism site facilitated by the public sector could spur investor confidence and growth for the entire destination. Indonesia, Tunisia, Mexico, and the Dominican Republic identified an ‘anchor development’ site and gave it an initial stimulus and support phase that, when successfully launched, created investor confidence and stimulated the growth of the entire destination.

9. PPPs could leverage modest public resources to improve services and achieve larger impact. Tourism is far more dependent on a range of infrastructure services than most economic activities. Leveraging private capital and expertise can be a bridge to not only infrastructure funding gaps but also managerial and governance deficits. In addition, the private sector can help maintain public assets.

10. International experience has shown that façade improvement programs, by providing financial incentives (that is, subsidies, to conserve and/or upgrade façades of privately owned buildings and particularly buildings of heritage value), can enhance the image and overall economic viability of neighborhood businesses and create a better shopping experience for customers. The World Bank has financed the conservation of façades of privately owned heritage buildings in downtowns in several projects, including in Morocco, Tunisia, Lebanon, and Ethiopia. International experience suggests that careful attention should be paid to the following considerations when designing a façade improvement program: (a) willingness of the recipient businesses to participate and under what conditions, (b) value of properties and associated tax rates in the geographical areas targeted, and (c) institutional capacity of the city, including financial and staff resources to enforce the program.

### *Component 3: Market Development and Promotion Capacity-Building*

11. The regionalization of tourism promotion and multi-country travel strategies could yield significant positive impact, with leading examples such as the Baltics, Scandinavian countries, Western Balkans, and Central European countries. In the Baltics, the three countries (Latvia, Lithuania, and Estonia) have been working together to implement numerous regional projects,

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<sup>26</sup> Barbet-Gros, Samuel, Shahidsaless, and Tran (2015)

such as biking and hiking paths, development of well-connected road and rail infrastructure, and development and promotion of regional Baltic itineraries.<sup>27</sup>

12. International experience suggests that the design and execution of tourism master plans often act as a catalyst of tourism growth. In Bali, the government was instrumental in developing the first tourism master plan that made Bali a top site for tourism. It notably called for extensive investment to restore the temples and ruins and to protect the fine arts and handicrafts. In Egypt, political support for developing a tourism master plan resolved many issues surrounding access to land and increased investment. In the Maldives, the government's use of master plans balanced growth and quality of investments, putting in place many regulations to ensure incremental growth and environmental management.

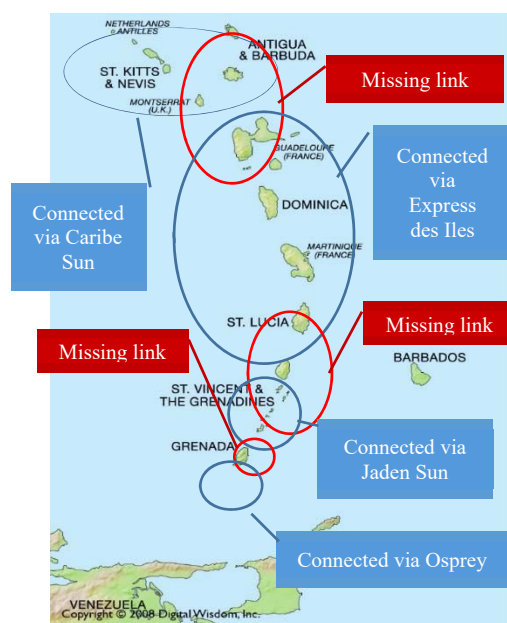
## Project Components

13. The project objectives will be achieved through four components.

### Component 1: Facilitation of the Movement of People (US\$2,520,000)

14. This component aims to strengthen regional integration and facilitate the movement of people in the region through: (a) support for developing a single regional space for immigration and customs entry of international tourists; and (b) development of a pilot regional ferry system corridor supported by logistics coordination, IT, and small infrastructure improvements.

Figure 2.1. Existing and Missing Ferry Connections in the OECS



**Subcomponent 1.1 (country-specific and regional): Development of a single regional space for immigration and customs entry of international tourists (US\$1,260,000)**

<sup>27</sup> <http://bikethebaltic.com/>, <http://www.baltictours.com/>, <http://www.balticcycle.eu/>

- (a) At a country-level (US\$570,000), this subcomponent will provide
- (i) **infrastructure investment (works) to turn domestic ferry terminals into international ones:**
    - Investment in the Harvey Vale Carriacou ferry terminal in Grenada
    - Investment in the Kingstown ferry terminal in SVG
    - Investment in the Union Island ferry terminal in SVG
    - **Studies needed.** Before the commencement of works, studies needed include technical design studies for turning domestic terminals into international ones.

The infrastructure works contemplated under this subcomponent include small refurbishing investments in the passenger ferry terminals and the addition of simple facilities, including small customs and immigration booth/building and security screening equipment and infrastructure in all participating countries. Because this is a pilot program, infrastructure investments are kept to a minimum. The ferry pier constructed with funding from the EU in Saint John's, in Antigua and Barbuda, is used as a model. The ferry pier provides international services to Montserrat and Saint Kitts. It is a simple pier with two small booths and some benches, with one booth providing ticket sales and the other booth providing immigration and customs for arrivals. The pier has a cover and is open on the sides and serves both domestic (to and from Barbuda) and international traffic.

- (ii) **Goods, including scanners and other IT needs for immigration and customs clearance for Saint Lucia and SVG.** This equipment will be essential to allow for the processing of international tourists. While Grenada already has this equipment, Saint Lucia and SVG will require additional equipment to be able to provide the service of processing international tourists.
- (b) At a regional level (US\$690,000) this sub component will provide:
- (i) **TA to support the country-level implementation of decisions made at a regional level for the facilitation of the movement of people and goods, including the implementation of any revisions to the existing regional immigration system, to the OECS Treaty or other treaties of the participating countries for the creation of a single economic space, and any other policy/regulatory changes aimed at the facilitation of the movement of people and goods that would require country-level implementation.** The OECS Commission leads the process of policy making at a regional level for the facilitation of movement of people and goods within the OECS. Currently, the region aims to move toward a single economic space, and policy decisions will be made that would require country-level implementation. The funds available under this subcomponent will allow participating countries to carry out the

needed assessments before these regional decisions can be implemented at a country level. In addition, the funds available will finance the process of review, simplification, and harmonization of policies, administrative procedures and regulations among the participating countries, to allow the implementation of SailClear for ferries and facilitate the movement of tourists within the region.

- (ii) **IT support to implement the SailClear system for ferries.** SailClear is an optional service for yacht owners and other pleasure craft operators who wish to submit their customs declarations in the form of electronic notifications, before arrival in countries where the system is available. Given the pilot nature of the regional ferry corridor, the implementation of SailClear for regional ferries is viewed as a cost-effective first step in testing the concept of facilitating the movement of people, before more ambitious plans, such as the OECS single domestic space or the CARICOM Advanced Passenger Information System can be implemented.

***Subcomponent 1.2 (regional): Development of a pilot regional ferry system corridor (US\$1,260,000)***

15. This component will provide

- (a) **Gap financing for operating the ferries using a negative auction scheme.** The purpose of this component is to establish pilot passenger ferry services between the three islands to allow for multi-island stayover tourism of international tourists and to increase intra-regional tourism by the OECS residents. These services are considered pilots because (i) no regularly scheduled services between the participating countries exist and the participating countries aim to gauge demand for interisland tourism in the region (ii) the new services will be established with existing ferry assets inside or outside of the region (that is, no investment by governments or the private sector in new vessels is assumed), and (iii) minimal infrastructure investment is needed. A negative auction is an auction where the aim is to find the lowest price, instead of the highest price as in a regular auction. In practicality, this will mean that a buyer of services will produce a set of standards and requirements to be met and then allow potential service providers to quote a price for which they will provide the service. The provider meeting all standards offering the lowest price will win.
- (b) The project is for a duration of six years, with the first two years being dedicated to developing the required infrastructure, leaving four years for routes to be served (for a more detailed explanation of this instrument, see annex 7).
- (c) **Support for IT software and hardware is required for a centralized ferry scheduling system.** As a first step, this will require, a small TA for the identification of the entity that could house the ferry scheduling system and the development of the specifications of the system before any IT infrastructure development (including purchase of hardware and purchase or development of new software) could take place. The objective of this system is for tourists to be able to see, online, the schedules of the ferry operations on specific routes and be able to purchase tickets online.

- (d) **TA to review the legal, institutional, and operational framework related to water transport, safety standards, and their implementation.** Given that the ferry vessels are expected to travel across country lines, harmonizing the framework related to water transport, technical standards, and their enforcement across the participating countries will be critical, to allow the ferries operate across state boundaries.
- (e) **TA to support dialogue between governments and ferry operators.** This level of dialogue is critical, to enable the private sector, as well as the Government, to identify and address all institutional, operational, and regulatory bottlenecks in maritime transport and logistics; to identify appropriate IT for the better functioning of the systems; and to enable more efficient movement of people and goods among the participating countries.

## **Component 2: Pilot Tourism Investments (US\$18,540,000)**

- (a) The planned investment in signature attractions for each in the project is an essential step in the strengthening of the competitiveness of tourism in the region. These signature sites will serve as anchor attractions that will have two main effects:
  - (i) Increase the attractiveness of participating countries among existing tourists (particularly cruise ship passengers and all-inclusive tourists) and generate increased spending by them.
  - (ii) Trigger the development of more local attractions (for example, restaurants offering local food and shops selling local products) by local tourism operators that build on or link to the anchor attraction that can ultimately attract new market segments (such as adventure tourists attracted to the authentic local experience)
- (b) The selected pilot investments for each participating country are: (i) the rehabilitation of Fort George in Grenada, (ii) reinforcement of marine-based tourism in SVG and rehabilitation of Fort Charlotte on the mainland; and (iii) enhancement and beautification of strategic sites and attractions and improved logistics and development of a tour for downtown Castries in Saint Lucia.<sup>28</sup>
- (c) This component will include the following works and TA:
  - (i) **Grenada (US\$3,750,000).** Rehabilitation of Fort George historic site
    - Infrastructure improvement investments and works
      - East Barracks building roof
      - Stone work and masonry of the ground floor
      - Internal timber frame of the first floor and
      - Windows, doors (wooden), and furnishings
      - Displays

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<sup>28</sup> Annex 10 describes the importance of these sites in more detail. The background papers prepared on this component, “Sites and Public Private Dialogue” (2015), provide further details.

- Railings
- Interpretation center and sound and light production
- Gift shop
- Coffee shop
- General cleanup, de-bushing, and repairs to ramparts
- Parking and arrival lay-by
- Signage and walkways around the entire fort
- Creative designer/curator to do the work
- TA to artisans in selection and display of products
- **Studies financed.** Under this, two studies will be financed. First, the pre-feasibility assessment carried out during the preparation phase, found that there was a need for a feasibility study for the fort before the commencement of works. This includes a technical assessment (which will contain rehabilitation design plans and curation), engineering, economic, social or environmental assessments, financing and management method options (notably PPP), guidelines for the use and management of the fort, marketing, business, commercialization, and management plans for the fort, as well as a feasibility study for moving the police headquarters from the fort. Second, the proposed project will finance a development framework for Carriacou's tourism.

(ii) **SVG (US\$2,490,000)**

- Investment and TA to develop Marine-Based Tourism. This includes:
  - **Upgrading anchorage site infrastructure.** Investments include safety and security, waste collection and management, facilities, equipment, boats, upgrades to walkways, and signage in at least one site on Saint Vincent and one in the Grenadines.
  - **Laying the foundation for improving** the quality of the products and services being offered through TA, including preparatory studies for the SVG Marine Training Institute and STCW training. The TA will be for developing an implementation action plan and identifying precursor studies to: (i) purchase a Fire Fighting Simulator; (ii) acquire equipment for the Marine Training Institute; and (iii) attain STCW Certification.
  - **Studies needed.** The pre-feasibility study carried out during the preparation phase found that, before the commencement of works, there is a need for one integrated planning-design-supervision consultancy that will, with participation of local communities: (i) identify and design the required anchorage site infrastructure upgrades, (ii) define a supervision model for their implementation, and (iii)

design and set up the operating model of the sites (through public, community, private, or PPP management models).

- Support the limited rehabilitation of Fort Charlotte (US\$1,910,000)
  - Support for infrastructure improvement investments and works
    - Interpretation center (lighting, sound effects)
    - Roof repair
    - Cafeteria (replica furniture)
    - Five vending cells/workshops
    - General cleanup/repairs to ramparts and outer walls (cistern cleaning and interpretation)
    - Car park
    - Access
    - Creative designer/curator to do the work
    - Bridge
    - Upgrade plumbing fixtures and connections in the bathroom
    - Professional fees for preservationist
    - Upgrade of electrical installation on the compound
    - Renovation of the old female prison building
    - Production of brochures in three languages (French, English, and Spanish)
  - TA to artisans in selection and display of products
  - **Studies needed.** The pre-feasibility study carried out during the preparation phase found that, before the commencement of works, a study, which includes technical (including rehabilitation design plans and curation), engineering, economic, social or environmental assessments, and financing and management method options (notably, possibility of PPP) and guidelines for the use and management of the fort and marketing, business, commercialization, and management plans for the fort will be needed.

(iii) **Saint Lucia (US\$12,300,000).** Enhancement and beautification of strategic sites and attractions, improved logistics, and development of a tour for downtown Castries, including:

- Infrastructure and institutional support for improved urban mobility in Castries (US\$5,130,000) through TA, civil works, and provision of goods, including
  - Works in reconstruction of the intersection of Jeremie Street and Compton Highway;
  - Works to support the organization of pedestrian and taxi movements near La Place Carenage;

- Works to support improvements of sidewalks;
  - Pedestrianization of the William Peter boulevard;
  - Works and goods to support replacement of traffic lights and improvements of junctions;
  - TA for institutional strengthening of the transport department of the Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation of Saint Lucia; and
  - **Studies needed.** The pre-feasibility carried out during the preparation phase found that there is a need for studies, before the commencement of works, including for the reconstruction of the intersection of Jeremie Street and Compton Highway, the organization of pedestrian and taxi movements near La Place Carenage, improvements of sidewalks in other key parts of town, design options for the pedestrianization of the William Peter Boulevard, and a circulation plan.
- Urban and tourism development, including of sites and attractions in Castries (US\$4,740,000), including:
    - Works related to the upgrading of the market and surrounding area;
    - TA for the vendors in the market (regarding how to showcase goods, alternative goods to consider, etc.);
    - Works for improving visitor experience walking through downtown Castries and boulevard area (including signage, circuits, interpretation, benches, rest areas, ensuring consistent design and unified branding, strategically located maps, visitor kiosks with information on events, historic relevance, tours, safety and security upgrades, including additional lighting, and cleanliness, including additional waste bins and recycling);
    - Façade improvement program and business support services for businesses in downtown Castries;<sup>29</sup>
    - Works related to the upgrading (landscaping, introducing a culinary theme, fence repair, lighting, benches, and trash cans) of the botanical gardens;
    - **Studies needed.** Before the commencement of works, there is a need for an additional study, which includes the preparation of a

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<sup>29</sup> Annex 10 provides more detailed information on this scheme.



redevelopment framework plan for downtown Castries that will clarify:

- Long-term shared vision for what downtown Castries will look/feel like once redeveloped;
- Themes (for example, promoting history and culture, improving flow/linkages through better transport and roadways);
- Conceptual land use plan for the area;
- Description of specific projects/redevelopment projects under each theme (for example, the botanical gardens, the upgrading of the market and the surrounding area);
- Feasibility studies, including technical, environmental, social, PPP assessment for the rehabilitation of the botanical gardens,<sup>30</sup> the improvement of the market and the surrounding area, and the design of the sustainable tourism strategy and approach for these sites;
- High-level financing strategy for each project, including identifying opportunities for private investment, and government funding needs.
- The process of preparing the redevelopment framework plan will take advantage of the existing PPD platforms, especially, the CGF and will be carried out in consultation with all stakeholders (stakeholder mapping provided in box 2.1) and will include the identification of champions. The plan would also identify, in more detail, private sector solutions and any other possible incentive programs that may be required for a successful redevelopment effort in downtown Castries.

**Box 2.1. Stakeholders Mapping for the Redevelopment of Castries**

Stakeholders to be consulted include

- Castries constituency council
- Mayor's office
- Ministry of agriculture, fisheries, physical planning, natural resources, and cooperatives - Department of physical planning
- Ministry of infrastructure, ports, energy, and labor - Department of infrastructure; Department of labor
- Ministry of Economic Development, Housing, Urban Renewal, Transport and Civil Aviation of Saint Lucia

<sup>30</sup> The Caribbean Development Bank may carry out a feasibility study for the rehabilitation of the Botanical Gardens. The study, once prepared, will be evaluated by the Government of Saint Lucia and the World Bank's technical team and if it is deemed that no additional feasibility studies are required for the Botanical Gardens under the project, this will be eliminated.

- Ministry of housing and urban renewal
- Ministry of Finance, economic growth, job creation - Department of commerce, tourism, external affairs; Department of finance
- Ministry of equity, social justice, gender - Department of social transformation
- Office of the PM (Cabinet Secretary) - Department of public sector modernization
- Council of Permanent Secretaries
- Saint Lucia Tourism Board
- Saint Lucia Hotel and Tourism Association
- Market Vendors Association
- Manufacturers' association
- Chamber of commerce
- Bankers' Association
- Transport Association
- Taxi Association
- Consumers Association
- Coalition of service industries
- Association of Civil Engineers
- Architects Association

- Improving the business environment (US\$2,430,000), including the items in table 2.2.<sup>31</sup> Improving the business environment is a critical component of the rehabilitation effort in downtown Castries, because it can lay the foundation for attracting private investment into the redevelopment efforts of the Government and helps support the small and medium-sized businesses which will be the beneficiaries of the redevelopment. It also serves as long-term government actions that will allow businesses to thrive long after the pilot sites infrastructure is in place.

**Table 2.2. Budget for Improving the Business Environment in Saint Lucia (US\$)**

	<b>Infrastructure and Services</b>	<b>Goods</b>	<b>TA (Consulting)</b>
Starting a business	342,000	16,900	160,000
Registering a property	456,700	22,200	110,000
Dealing with construction permits	612,700	31,500	80,000
Transportation registry	92,000	18,000	80,000
Shipping registry	92,000	14,000	80,000
Protecting investors	—	—	20,000
Maintenance	150,000	—	—
Population of the new registries	52,000	—	—
<b>Total</b>	<b>1,595,400</b>	<b>102,600</b>	<b>510,000</b>

### **Component 3: Market Development and Promotion Capacity-Building (US\$2,790,000).**

<sup>31</sup> Annex 9 contains further information on the design of this component.

16. This component aims to: (a) support the refinement and operationalization of tourism strategies for each participating country and (b) develop a regional market development program, as follows:

***Subcomponent 3.1 (country specific): Support for Tourism Development (US\$1,200,000)***

17. This country-specific subcomponent will provide TA and goods to support preparing, refining, and deepening sustainable tourism development plans and policies, and their implementation within the Ministries of Tourism and Tourism Authorities in each participating country.

- (a) TA to build capacity within the Tourism Authorities/Boards and Ministries of Tourism in each participating country to:
  - (i) Prepare and implement tourism development plans;
  - (ii) Identify global trends and how they apply to each participating country's tourism sector;
  - (iii) Carry out market segmentation;
  - (iv) Prepare action plans on how to position each participating country and how to attract new tourism markets;
  - (v) Prepare projections of economic and financial impact of different tourism policies;
  - (vi) Better define the role of the private and public sectors in developing the tourism sector;
  - (vii) Develop investment attraction approaches aligned with the participating countries' broader vision of tourism development;
  - (viii) Carry out environmental planning and management associated with the tourism development strategies and approaches for each participating country;
  - (ix) Improve support for community-based tourism; and
  - (x) Prepare an M&E framework that will enable each participating country to monitor progress.
- (b) Goods and TA, including purchase or development of 'consumer centric' technologies and IT solutions that will enable the Tourism Authorities/Boards to better reach targeted tourism markets, obtain market information, allow tourists to order services, and build awareness and promotion through pop-ups and search engine optimization strategies; and TA to improve website design, outreach, and strengthen the social media presence of each participating country.

***Subcomponent 3.2 (regional): Development and implementation of a regional market development program (US\$1,590,000)***

18. This regional subcomponent will provide TA and goods to develop and implement a regional market development program with the underlying goal of attracting new tourism markets and consolidating existing ones. Tasks include:

- (a) TA capacity-building support to the tourism working group (that will convene under the umbrella of the OECS Commission and comprises country-level representatives from the three participating countries). A consultant will work with this working group to build their capacity and walk them through the process to:
  - (i) Identify the new market;
  - (ii) Develop a common approach to attract new market segments, such as independent, adventure travelers;
  - (iii) Develop a marketing strategy and prepare promotional material (through collaboration with the private sector);
  - (iv) Develop and implement a regional digital/social e-tourism communication strategy;
  - (v) Negotiate with the airlines from that market; and
  - (vi) Train to prepare for the trade fair.
- (b) Tourism promotion through participation in four joint trade fairs as one destination. This will finance all the costs associated in participation in such fairs, including participation fee, space rental fee, labor costs to erect the booth, decorations, freight costs for transferring goods to the site, signage and displays, furniture and equipment rental fees, travel costs associated with the participation of the representatives in the fair, printing of promotional material, and promotional activities during the fairs, such as cocktails; and
- (c) Development of an IT platform that will drive the region's travel marketing. This involves the purchase or development of customized IT solutions for digital marketing, search engine marketing, mobile and location-based marketing, development and implementation of customer relationship tools (that is, 'smart' tools that can store and monitor information to meet the individual customer needs based on their online behavior and searches), and implementation of IT solutions that will enable the region to connect with intelligent platforms that monitor, measure, analyze, and model the flows of visitors to provide objective, empirical, real-time, geo-referenced data allowing the Tourism Authorities and Board to understand the consumption patterns of destination visitors based on variables such as sociodemographic profiles, weather, etc..

**Component 4: Project Implementation Support (US\$2,135,000)**

19. This component aims to support the overall implementation of the project. While all PCUs have experience implementing World Bank-financed operations, implementation support may be needed to strengthen the PCUs and ensure that the project is well implemented. This country-specific component will provide TA, training, and logistical support (as the case may be, office equipment or software) to support:

- (a) Staffing and capacity building of the existing PCUs on project management, procurement, FM, safeguards, M&E, and technical expertise in each participating country as needed, during the execution of the project;
- (b) Consulting services for project audit in each participating country, if needed. In each participating country, the office of the director of audit will be responsible for audit, but should the agency not have the time or capacity to conduct this project audit, then a private sector audit firm will be hired;
- (c) TA to implement a robust impact evaluation that measures the job creation impact of the project, especially on women; a detailed description of the methodology is included in annex 8; and
- (d) Other operating costs of the PCUs as determined by the detailed breakdown of the operational costs for the PCUs, as attached to the Procurement Plans of each participating country.

20. **SVG, Saint Lucia, and Grenada have requested to use retroactive financing for certain activities mentioned above.** Grenada will use retroactive financing up to US\$100,000 for hiring the project manager, for the setting up and initial meetings of the PSC, for initiating the technical design study for Harvey Vale, and paying for participation in the regional meetings associated with project preparation. Saint Lucia would like to use retroactive financing up to US\$250,000 for hiring the project manager, for the technical studies, and for any expenses associated with participation in meetings before the effectiveness of the project. The studies to be financed under retroactive financing for Saint Lucia include traffic plans, the design options study for the pedestrianization of the William Peter Boulevard, the façade improvement program manual, and the technical studies for rehabilitating the botanical gardens and the market as part of the Castries Development Framework Plan. SVG will use retroactive financing of up to US\$50,000 for hiring the project manager, for initiating the technical design study for Fort Charlotte, and any expenses associated with participation in meetings before the effectiveness of the project.

## **Annex 3: Implementation Arrangements**

### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia**

#### **OECS Regional Tourism Competitiveness**

##### **Project Institutional and Implementation Arrangements**

###### ***Project Administration Mechanisms***

###### ***National Level Implementation***

1. At a national level, the overall responsibility for management and coordination of the project will rest within the participating countries' existing PCUs in the MOE (for Saint Lucia), MOF (for Grenada), and MOP (for SVG). Grenada, SVG, and Saint Lucia all have PCUs that have been executing World Bank-financed operations for several years. Project coordinators will coordinate project activities on behalf of the government. The PCUs will oversee the day-to-day management of the project technical and logistical aspects, including the work program and coordinating with the ministries and departments, procurement, FM, and M&E.

2. The PCUs will oversee procurement associated with one or more regional activities as identified in the project operations manuals of each participating country; the regional activities are mainly related to tourism market development and the facilitation of the movement of people.<sup>32</sup>

3. FM and procurement activities will be managed through the national PCUs. All contracting activities including bidding, contractor selection, and execution supervision will be managed through the PCUs with the TA of the participating line ministries. As needed, line ministries will provide technical support, particularly regarding works. Line ministries will also provide technical documentation to support procurement activities, and, as needed, the PCUs will engage the services of qualified specialists and engineers to assist with procurement and supervision. Participating ministries will provide technical staff to assist in contract supervision; however, the responsibility for the management of change orders and contract modifications will rest solely with the PCUs.

4. A high-level PSC led by the MOE (in Saint Lucia), MOF (in Grenada), or MOP (in SVG) or their designees will be set up for coordination in each participating country. The PSC will include decision makers from the line ministries, including Finance, Tourism, Public Works, and Immigration and other public sector bodies as needed. The PSCs will support the removing of inter-agency bottlenecks and steer project implementation to its developmental objective, including through review of semiannual reports of Results Framework data prepared by the PCUs, discussed with World Bank Group implementation support missions, to assess progress against objectives and the need for any adjustments. The PSCs will ensure a regular demand for updates on project results and will guide the midterm review of project results. The PSCs in each participating country will be set up and chaired by the minister (or their designee) from the ministries hosting the PCUs in each participating country. The final decision on all aspects rests

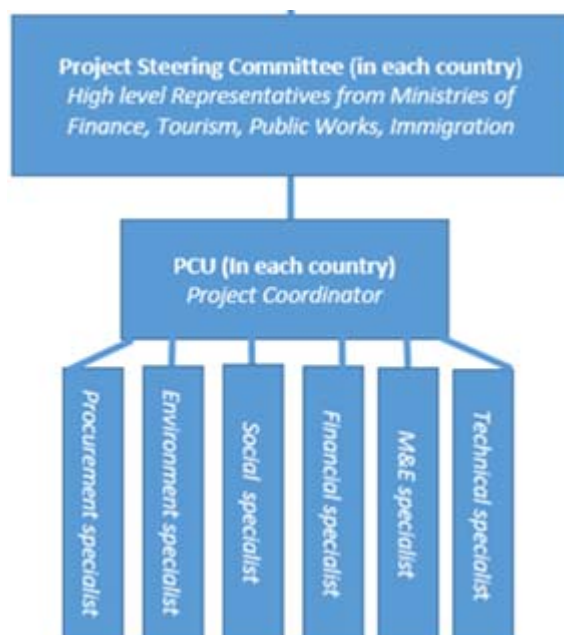
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<sup>32</sup> The allocation of such regional activities is to be determined, depending on the comparative advantage and strength of each participating country's PCU before effectiveness.

with the minister from the ministry that houses the PCUs (or their designee). The PSC in Grenada has already been set up and approved by the cabinet. Saint Lucia and SVG will set up their PSCs by no later than May 1, 2017.

5. The proposed institutional arrangements to be achieved under the overall project are given in figure 3.1.

**Figure 3.1. Overall Institutional Arrangements – Country-level PSCs**



6. Under proposed institutional arrangements, the PCU will be reinforced with staffing and capacity building, as needed.

- (a) In Grenada, the PCU in the MOF is staffed with a project coordinator and procurement, safeguards, and FM specialists. The PCU has also been exposed to regional procurement by having implemented two World Bank regional projects. For implementation of this project, the PCU will be strengthened with a project manager, with technical expertise in tourism development, who will also be responsible for M&E, communications, and reporting to the World Bank and the PSC.
- (b) In Saint Lucia, the PCU in the MOE is also staffed with procurement, FM, and environment safeguards specialists and has also been exposed to regional procurement. The PCU recently hired a social safeguards specialist. During implementation, the PCU must be strengthened with a project manager, with expertise in tourism development, who will also be responsible for M&E and reporting to the World Bank and the PSC.
- (c) In SVG, the existing PCU (PSIPMU) within the MOP is staffed with procurement, FM, and environmental and social safeguards specialists. During implementation, the PCU must be strengthened with a project manager, with expertise in tourism

development, who will also be responsible for M&E and reporting to the World Bank and the PSCs.

- (d) In all three participating countries, the project managers will be hired by no later than May 1, 2017.

### *Regional Level Implementation*

7. To advance decision making, monitoring, and supervision of the regional components, a regional Steering Committee will also be set up. The regional Steering Committee will comprise the ministers (or their designees) from the ministries that host each PCU, the Ministers of Tourism (or their designees), and the project managers responsible for implementing this project from the PCUs. The regional Steering Committee will meet not less than twice a year and will be chaired and hosted by the minister from the ministries that host the PCUs (or their designee) on a rotational basis by each participating country in alphabetical order. The OECS Commission will participate as an observer in these meetings. All participating countries will identify the members of the regional committee by no later than 90 days after the signing of the legal agreements.

8. In addition, the project managers from the PCUs, who will be hired under the project and will be responsible for implementing this project, will meet no less than once a month virtually (through WebEx, videoconference, or telephone conference) to discuss and coordinate the implementation of the regional components. As needed, the mentioned representatives will also invite technical representatives from other line ministries to participate in these working group meetings. These meetings will be chaired on a rotational basis by one of the project managers.

9. The country-level PCUs will be responsible for fiduciary aspects, including the FM and procurement issues related to the implementation of the regional components. Each participating country will take the lead on the procurement of a number of regional activities. These have been clarified in the Operations Manuals, as well as in the procurement plans of each participating country.

10. The procurement process led by one participating country on behalf of all three would include activities relating to issuance of the request for expressions of interest, request for information, issuance of bidding documents/request for proposal and evaluation of proposals/bids.

11. In this process, the procurement rules still apply with the following additional steps:

- (a) All participating countries must have input into the preparation of terms of references for consultant services and sign off on the same before expressions of interest are solicited;
- (b) All participating countries must provide input into the preparation of specifications for goods and sign off on bidding documents before issuance of invitation to quote;
- (c) Requests for bids and invitation to quote will be issued in each participating country;



- (d) The participating country taking the lead in the particular procurement activity will be responsible for receiving bid submissions, quotations in the case of goods, or expression of interest in the case of consultant;
- (e) Each participating country will take part in the evaluation process with the appropriate representative(s) who must also sign the evaluation reports;
- (f) Each participating country must take part in contract negotiations;
- (g) Separate contract must be done for the portion of the contract that is the obligation of each participating country. This may be based on specific deliverables or quantities in the overall bid or proposal;
- (h) Each participating country is expected to maintain records of the documents that emanate from the process.

12. While solicitation documents are based on a single document, there will be three separate contracts for the purposes of contracting. The client/purchaser is deemed as one entity representing the Governments of Grenada, Saint Lucia, and SVG. Participating countries will be responsible for making payments consistent with respective contract for the participating country. Implementation execution will be done as a single activity under three separate contracts for the purposes of accepting deliverables from suppliers/vendors/consultants. Depending on the participating country, either the Project Coordinator (Saint Lucia) or the Procurement Officer (SVG and Grenada), will serve as focal points and will be responsible for communicating the specifics related to regional contracts to the Project Coordinator/Procurement Officer from the PCUs of the other participating countries.

13. Prior to initiation of any activity the lead participating country will organize a meeting to develop the risk management matrix. As contracts are awarded, the lead participating country will prepare a schedule detailing deliverables/key milestones, related payments, and participating countries responsible for the payment. All documents/reports approved and accepted will be shared through Dropbox and will be maintained by a person responsible for the communication on a site accessible by all concerned parties.

## **Financial Management, Disbursements, and Procurement**

### ***Disbursements: Grenada***

14. **Disbursement method.** Disbursements will be report-based, where an advance equivalent to a six-month forecast will be provided to the Designated Account and later quarterly interim financial reports (IFRs) will be the basis for documentation of the expenditures. Later the IFRs will also provide forecasts for the following six months, based on which the funds to be disbursed will be determined. Further details regarding disbursements are provided in the Disbursement Letter.

15. If ineligible expenditures are found to have been made from the Designated Account and/or the project account, the participating country will be obligated to refund them. If the Designated

Account remains inactive over six months, the World Bank may reduce the amount advanced. The World Bank will have the right, as reflected in the Financing Agreement, to suspend disbursement of the funds if significant conditions, including reporting requirements, are not complied with. Additional details regarding disbursements will be provided in the Disbursement Letter.

16. Table 3.1 specifies the categories of eligible expenditures that may be financed out of the proceeds of the loan ('Category'), the allocation of the amounts of the loan to each category, and the percentage of expenditures to be financed for eligible expenditures in each category.

**Table 3.1. Categories of Eligible Expenditures**

<b>Category</b>	<b>Amount of the Loan Allocated (US\$)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, training, and incremental operating costs for the project	5,785,000	100%
(2) Ferry services incentives under Part A. 2 (a) of the project	200,000	100%
(3) Front-end fee	15,000	Amount payable pursuant to Section 2.03 of the Agreement in accordance with Section 2.07 (b) of the General Conditions
(4) Interest rate cap or interest rate collar premium	0	Amount due pursuant to Section 2.08(c) of the Agreement
<b>Total Amount</b>	<b>6,000,000</b>	

### ***Disbursements: SVG***

17. **Disbursement method.** Disbursements will be report-based where an advance equivalent to a six-month forecast will be provided to the Designated Account and later quarterly IFRs will be the basis of documentation of the expenditures. Later IFRs will also provide a forecast for the following six months, based on which the funds to be disbursed will be determined. Further details regarding disbursements are provided in the Disbursement Letter.

18. If ineligible expenditures are found to have been made from the Designated Account and/or the project account, the participating country will be obligated to refund the same. If the Designated Account remains inactive over six months, the World Bank may reduce the amount advanced. The World Bank will have the right, as reflected in the Financing Agreement, to suspend disbursement of the funds if significant conditions, including reporting requirements, are not complied with. Additional details regarding disbursement will be provided in the Disbursement Letter.

19. Table 3.2 specifies the categories of eligible expenditures that may be financed out of the proceeds of the credit ('Category'), the allocation of the amounts of the credit to each category, and the percentage of expenditures to be financed for eligible expenditures in each category.

**Table 3.2. Categories of Eligible Expenditures**

<b>Category</b>	<b>Amount of the Credit (expressed in US\$)</b>	<b>Percentage of Expenditures to be Financed (inclusive Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, training, and incremental operating costs for the project	4,800,000	100%
(2) Ferry services incentives under Part A. 2 (a) of the project	200,000	100%
<b>Total Amount</b>	<b>5,000,000</b>	

***Disbursements: Saint Lucia***

20. **Disbursement method.** Disbursements will be report-based where an advance equivalent to a six-month forecast will be provided to the Designated Account and later quarterly IFRs will be the basis of documentation of the expenditures. Later IFRs will also provide a forecast for the following six months, based on which the funds to be disbursed will be determined. Further details regarding disbursements are provided in the Disbursement Letter.

21. If ineligible expenditures are found to have been made from the Designated Account and/or the project account, the participating country will be obligated to refund the same. If the Designated Account remains inactive over six months, the World Bank may reduce the amount advanced. The World Bank will have the right, as reflected in the Financing Agreement, to suspend disbursement of the funds if significant conditions, including reporting requirements, are not complied with. Additional details regarding disbursements will be provided in the Disbursement Letter.

22. Table 3.3 specifies the categories of eligible expenditures that may be financed out of the proceeds of the credit ('Category'), the allocation of the amounts of the credit to each category, and the percentage of expenditures to be financed for eligible expenditures in each category.

**Table 3.3. Categories of Eligible Expenditures**

<b>Category</b>	<b>Amount of the Credit (expressed in US\$)</b>	<b>Percentage of Expenditures to be Financed (inclusive Taxes)</b>
(1) (a) Goods, works, non-consulting services, and consultants' services, Training and Incremental Operating Costs for the Project (except works and non-consulting services for Part B (d) of the Project)	14,300,000	100
(b) Works and non-consulting services for Part B (d) of the Project	500,000	100
(2) Ferry Services Incentives under Part A. 2 (a) of the Project	200,000	100
<b>Total Amount</b>	15,000,000	

### ***Financial Management***

23. The FM of the project will be undertaken by the PCUs already established within the MOE, the MOF, or the MOP. The PCUs, established at the respective participating country's MOE, MOF, or MOP, have experience with and are responsible for the FM aspects of several World Bank financed projects. The FM assessment for the PCUs is explained in the following paragraphs.

#### ***FM Assessment: Grenada***

24. **Risk assessment.** The overall FM risk rating assigned to this project is Moderate. The monitoring of the gap financing for operations of ferries must be closely monitored. However, the PCU's FMS is good and should be able to handle this operation effectively with guidance from the World Bank. The FMS will monitor the project's FM risk during project implementation.

25. **Staffing.** A Finance Officer from the finance unit in the PCU will be dedicated to the project. The FM staff of the PCU possess good technical knowledge and have years of experience working on World Bank-financed projects. The World Bank Group's FM team will continue to provide training in World Bank's policies and guidelines to the FM staff.

26. **Accounting.** The accounting of the project will be done by the finance unit of the PCU in the MOF and will be covered by the same accounting procedures and processes as for all other World Bank financed projects implemented by the PCU. The accounting records for the project will be maintained in the accounting system, Quick Books v2012, until all issues have been resolved with the Government of Grenada's Integrated Financial Management Information System (IFMIS) SmartStream. At that time, the project will be transferred and accounted for in SmartStream. The operations manual is very comprehensive and the processes and procedures once applied consistently are adequate to ensure that the financial information is accurate and that funds are only utilized for the project. The operations manual should be updated during implementation, subject to Bank approval, to reflect the specific context of this project especially as it relates to the procedures covering the gap financing for ferry operators.

27. **Budgeting.** A budget for all the activities of the project for the entire implementation period will be prepared at the beginning of the project by the PCU in the MOF. The budget will be revised each fiscal year and on need basis based on implementation progress. The annual work

plan will be derived from this master budget. The project's annual approved budget should be included in the Government of Grenada's annual estimates under the line ministry, the MOF.

28. **Reporting.** The Borrower shall prepare and furnish to the Bank not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank. The Borrower shall have its Financial Statements audited in accordance with the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower. The audited Financial Statements for each such period shall be furnished to the Bank not later than six (6) months after the end of such period.

#### Funds Flow

29. **All transactions except gap financing for ferry operators.** A U.S. dollar Designated Account and a local currency (Eastern Caribbean Dollar) bank account will be opened upon effectiveness of the project at the Grenada Cooperative Bank. Both accounts will be segregated accounts. The U.S. dollar bank account will receive funds from the World Bank and make U.S. dollar payments throughout implementation. Funds will be transferred from the U.S. dollar Designated Account to the local currency (Eastern Caribbean Dollar) bank account to facilitate local currency payments. Both bank accounts should only facilitate payments for eligible activities that relate to the project.

30. **Gap financing for ferry operators.** Ferry operators' invoices for the Grenada leg trips will be paid by the PCU in the MOF in Saint Lucia once these have been vetted and verified as eligible by the PCU in the MOF in Grenada. Advances from Grenada to the Saint Lucia PCU will be made quarterly to a segregated Designated Account opened at Bank of Saint Lucia and managed by Saint Lucia PCU in accordance with the Subsidiary Agreement for the Ferry Service Incentives to be signed by the participating countries. Advances will be made based on forecast of expenditures provided in the IFRs and cannot exceed USD 200,000. The PCU is responsible for recording the expenses in relation to the gap financing paid in its accounting system and reporting on this expense in accordance with the procedures established in the Disbursement Letter and in the Ferry Service Fund Manual.

31. **Supervision strategy.** The supervision strategy for this project is based on its FM risk rating, which will be evaluated regularly by the FMS in line with the FMSB's FM Manual and in consultation with the task team leader (TTL).

#### *FM Assessment: SVG*

32. **Risk assessment.** The overall FM risk rating assigned to this project is Substantial based on the FM issues mentioned above and the additional monitoring required for the gap financing for ferry operators' expenditure. The PSIPMU is an existing implementing agency and has in place a functioning FMS that has improved over the past year. The FMS will monitor the project FM risk during project implementation.

33. **Staffing.** The PSIPMU will dedicate to the project an FM Officer from its accounting unit. The World Bank Group's will provide hands-on training in the World Bank's policies and guidelines for the newly selected FM staff.

34. **Accounting.** The accounting of the project will be done by the finance unit of the MOP and will be covered by the same accounting procedures and processes as for all other World Bank financed projects implemented by the PSIPMU. The accounting records for the project will be maintained in the accounting system, Peachtree v2012, and the Government's IFMIS will be updated monthly with the project's transactions for the month through a journal entry. The finance procedures manual is very comprehensive and the processes and procedures once applied consistently are adequate to ensure that the financial information is accurate and that funds are only utilized for the project. The finance procedure manual should be updated to reflect the specific context of this project, especially as it relates to the procedures covering the gap financing for ferry operators.

35. **Budgeting.** A budget for all the activities of the project for the entire implementation period will be prepared at the beginning of the project by the PSIPMU in the MOE. The budget will be revised quarterly and on an ad hoc basis based on implementation progress. The annual work plan will be derived from this master budget. The project's annual approved budget should be included in the Government of SVG's annual estimates under the line ministry, the Ministry of Tourism.

36. **Reporting.** The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

#### Funds Flow

37. **All transactions except gap financing for ferry operators.** A U.S. dollar Designated Account and a local currency (Eastern Caribbean Dollar) bank accounts will be opened upon effectiveness of the project at the Bank of Saint Vincent and the Grenadines. Both accounts will be segregated accounts. The U.S. dollar bank account will receive funds from the World Bank and make U.S. dollar payments throughout implementation. Funds will be transferred from the U. S. dollar Designated Account to the local currency (Eastern Caribbean Dollar) bank account to facilitate local currency payments. Both bank accounts should only facilitate payments for eligible activities that relate to the project.

38. **Gap financing for ferry operators.** Ferry operators' invoices for the SVG trips will be paid by the PCU in the MOE in Saint Lucia once these have been vetted and verified as eligible by the PSIPMU. Advances from SVG to the Saint Lucia PCU will be made quarterly to a segregated Designated Account opened at Bank of Saint Lucia and managed by Saint Lucia PCU in accordance with the Subsidiary Agreement for the Ferry Service Incentives to be signed by the participating countries. Advances will be based on forecast of expenditures provided in the IFRs

and cannot exceed USD 200,000. The PCU is responsible for recording the expenses in relation to the gap financing paid in its accounting system and reporting on this expense in accordance with the procedures established in the Disbursement Letter and in the Ferry Service Fund Manual.

39. **Supervision strategy.** The supervision strategy for this project is based on its FM risk rating, which will be evaluated regularly by the FMS in line with the FMSB's FM Manual and in consultation with the TTL.

40. The key action items are:

- (a) Prepare and review monthly bank reconciliations on time
- (b) Record transactions once they occur in the accounting system and on time
- (c) Implement monthly closing procedures to ensure the accuracy of the general ledger and reconcile with Client Connection
- (d) Implement thorough review process for required World Bank reports to minimize the submission of reports with inaccuracies and/or errors

#### *FM Assessment: Saint Lucia*

41. **Risk assessment.** The overall FM risk rating assigned to this project is Substantial based on the FM issues mentioned above and the additional funds administration and monitoring required for the gap financing for the ferry operators' expenditure. The PCU is an existing implementing agency and has in place a functioning FMS that has improved over the past year. The FMS will monitor the project FM risk during project implementation.

42. **Staffing.** The PCU will dedicate to the project an FM Officer from its accounting unit. The World Bank Group's will provide hands-on training on the World Bank's policies and guidelines to the newly selected FM staff.

43. **Accounting.** The accounting of the project will be done by the finance unit of the PCU in the MOE in Saint Lucia and will be covered by the same accounting procedures and processes as for all other World Bank financed projects implemented by the PCU. The accounting records for the project will be maintained in the accounting system, QuickBooks v2011, and the Government's IFMIS will be updated monthly with the project's transactions for the month through a journal entry. The finance procedures manual has clear processes and procedures that once applied consistently are adequate to ensure that the financial information is accurate and that funds are only utilized for the project. The finance procedure manual should be updated to reflect the specific context of this project especially as it relates to the procedures covering the gap financing for ferry operators.

44. **Budgeting.** A budget for all the activities of the project for the entire implementation period will be prepared at the beginning of the project by the technical team at the Department of Planning and National Development (DPND), the PCU in the MOE. The budget will be revised quarterly and on need basis based on implementation progress. The annual work plan will be

derived from this master budget. The project's annual approved budget should be included in the Government of Saint Lucia's annual estimates under the line ministry, DPND.

45. **Reporting.** The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

#### Funds Flow

46. **All transactions except gap financing for ferry operators.** A U.S. dollar Designated Account and a local currency (Eastern Caribbean Dollar) bank account will be opened upon effectiveness of the project at the Bank of Saint Lucia. Both accounts will be segregated accounts. The U.S. dollar Bank account will receive funds from the World Bank and make U.S. dollar payments throughout implementation. Funds will be transferred from the U.S. dollar Designated Account to the local currency (Eastern Caribbean Dollar) bank account to facilitate local currency payments. Both bank accounts should only facilitate payments for eligible activities that relate to the project.

47. **Gap financing for ferry operators.** An additional Designated Account will be opened at the Bank of Saint Lucia by the PCU-MOE in Saint Lucia to facilitate the payments to all ferry operators on behalf of the participating countries (Saint Lucia, Grenada, and SVG) involved in this project. Each participating country should prepare a six-month forecast of stipends to ferry operators based on expected trips and make funds available to the Designated Account for the implementation of Ferry Service Incentives in accordance with the Subsidiary Agreement for the Ferry Service Fund to be signed by the participating countries. The total forecast amount will be the basis for Saint Vincent and Grenadines and Grenada requesting an advance to the Designated Account mentioned above. Once the PCUs in all participating countries have vetted and verified the eligible invoices submitted by the ferry operators, the PCU in Saint Lucia will make payments to the operators. Advances from Grenada and SVG to the Saint Lucia PCU will be made quarterly. Each PCU is responsible for recording the expenses in relation to the gap financing paid in their accounting system and reporting on this expense.

48. **Supervision strategy.** The supervision strategy for this project is based on its FM risk rating, which the FMS will evaluate regularly in line with the FMSB's FM Manual and in consultation with the TTL.

49. Key action items

- (a) Prepare and review monthly bank reconciliations on time
- (b) Record transactions once they occur in the accounting system and on time
- (c) Prepare comprehensive finance unit procedures that will clearly identify the acceptable process for each function and area of the finance unit



- (d) Implement monthly closing procedures to ensure the accuracy of the general ledger and reconcile with Client Connection;
- (e) Implement a thorough review process for required World Bank reports to minimize the submission of reports with inaccuracies and/or errors

### ***Disbursements***

50. Disbursement of Project funds will be processed in accordance with Bank procedures, and as stipulated in the legal agreements and the Disbursement Letters. The following disbursement methods may be used to withdraw funds from the credit: (a) Reimbursement, (b) Advance, (c) Special commitment and (d) Direct Payment, being the advances the primary method of disbursement. Disbursements for Project eligible expenditures via the US Dollar denominated DA under the Project and reimbursements would be reported on the basis of Interim Financial Reports (IFRs) and eventual direct payments will be documented by copy of the invoices. The minimum application size for Direct Payments and Reimbursements is US\$100,000 equivalent and expenditures paid out of the DA should be reported quarterly.

### ***Procurement***

51. **Procurement will be undertaken by the PCUs in the MOE, MOF, or MOP, and the project will follow the World Bank's standard Procurement Guidelines.** Procurement will be carried out in accordance with the World Bank's 'Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated January 2011 and revised in July 2014, 'Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers' dated January 2011 and revised in July 2014, and 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants' dated October 15, 2006, in addition to the provisions stipulated in the Financing Agreement. For each contract to be financed under the project, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements, and time frame are agreed between the participating country and the World Bank in the Procurement Plans. The Procurement Plans will be updated at least annually or biannually as required to reflect the actual project implementation needs and improvements in institutional capacity.

52. **Assessment of the PCUs' capacity to implement procurement.** Procurement activities for the project will be executed by the PCUs handling procurement of World Bank-financed projects in each participating country. While the size of the PCUs varies in participating countries, all the PCUs are headed by seasoned professionals and comprise teams of procurement specialists with experience in World Bank guidelines and conducting procurement of World Bank Group-financed projects. Although the PCUs can now smoothly manage the additional work the project will bring, the situation must be monitored because of the expected increase in workload the PCUs will undertake with the start of new projects. The size and organization of the affected PCU must be reviewed and adapted to reflect the change. The overall procurement risk in all participating countries is assessed as Substantial. More detailed assessment of the procurement capacity is provided below.

53. **Procurement Plan, thresholds for procurement methods, and World Bank review.** The summary Procurement Plan for implementation of the proposed project was agreed between the participating countries and the World Bank Group in November 2016, and the plans will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. Table 3.5 provides the recommended thresholds for the procurement methods specified in the Financing Agreement. Supervision of procurement will be carried out primarily through prior review supplemented by supervision missions at least twice a year.

#### **A. General**

54. The various procurement actions under different expenditure categories are described in general below. For each contract to be financed under the Financing Agreement, the various procurement or consultant selection methods, the estimated costs, prior/post review requirements, and time frame have been agreed between the participating countries and the World Bank in the Procurement Plan. The Procurement Plan will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity.

#### *Procurement Arrangements: Saint Lucia*

55. **Procurement of goods and non-consulting services.** Procurement of goods and services other than consulting services will include scanners and other IT equipment for immigration and customs clearance, goods to support replacement of all other traffic lights, and improvements of junctions, IT support, and so on. The procurement will be carried out using the World Bank's Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods' thresholds and prior review thresholds for works are indicated in table 3.5. Domestic preferences in accordance with clause 2.55 and appendix 2 of the Procurement Guidelines will not apply.

56. **Procurement of works.** Procurement of works will include small infrastructure investments (operation of the ferries), works to support infrastructure and institutional support for improved urban mobility in Castries and works to support urban and tourism development, including sites and attractions in Castries. The procurement will be carried out using the World Bank's Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods, thresholds, and prior review thresholds for works are indicated in table 3.5.

57. **Selection of consultants.** Consultants' services contracts will include several contracts of TA. The following selection methods will be used: QCBS, LCS, Selection Based on Consultants' Qualifications (CQS), Individual Consultants, and other selection methods indicated in the Financing Agreement. The selections will be done using the World Bank's standard Request for Proposal and other sample documents and templates, all agreed upon with the World Bank. Short lists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

58. **Training costs.** The project will finance training (workshops and so on), as needed. The training will be carried out according to training plans, which the PCU will revise semiannually and as needed and submit to the World Bank for ‘no objection’ before implementation. The expenses will be covered under the training category and disbursed based on the statements of expenditures.

59. **Operating costs.** ‘Operating Costs’ means incremental operating costs incurred by the PCUs on account of project implementation, management, and monitoring, including dissemination of project-related information and publications, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle insurance, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the project. All operating costs are based on periodic budgets and procured using the implementing agencies’ administrative procedures acceptable to the World Bank. Operating costs do not include salaries of government officials and civil servants.

#### *Procurement Arrangements: Grenada*

60. **Procurement of goods and non-consulting services.** Procurement of goods and services other than consulting services will include hardware and software for ferry scheduling, computer equipment for the PCU, and so on. The procurement will be carried out using the World Bank’s Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods, thresholds, and prior review thresholds for works are indicated in table 3.5. Domestic preferences in accordance with clause 2.55 and appendix 2 of the Procurement Guidelines will not apply.

61. **Procurement of works.** Procurement of works will include rehabilitation of the terminal in Harvey Vale Carriacou and infrastructural development of Fort George. The procurement will be carried out using the World Bank’s Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods, thresholds, and prior review thresholds for works are indicated in table 3.5.

62. **Selection of consultants.** Consultants’ services contracts will include several contracts of TA, design reviews, feasibility studies, and so on. The following selection methods will be used QCBS, LCS, CQS, Individual Consultants, and other selection methods indicated in the Financing Agreement. The selections will be done using the World Bank’s standard Request for Proposal and other sample documents and templates, all agreed upon with the World Bank. Short lists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

63. **Operating costs.** ‘Operating Costs’ means incremental operating costs incurred by the PCUs on account of project implementation, management, and monitoring, including dissemination of project-related information and publications, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle insurance, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the project. All operating costs are based on periodic budgets and procured using the implementing

agencies' administrative procedures acceptable to the World Bank. Operating costs do not include salaries of government officials and civil servants.

*Procurement Arrangements: SVG*

64. **Procurement of goods and non-consulting services.** Procurement of goods and services other than consulting services will include scanners and other IT needs for immigration and customs clearance, IT software and hardware, and other diverse goods to support the sustainable tourism development plans and the PCU, non-consulting services to support the trade fair and marine tourism festival, and so on. The procurement will be carried out using the World Bank's Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods, thresholds, and prior review thresholds for works are indicated in table 3.5. Domestic preferences in accordance with clause 2.55 and appendix 2 of the Procurement Guidelines will not apply.

65. **Procurement of works.** Procurement of works will include construction/renovations to the cruise ship terminal, upgrade of the Union Island pier, upgrade of anchorage site infrastructure and rehabilitation works on the bridge and Fort Charlotte. The procurement will be carried out using the World Bank's Standard Bidding Documents and other sample documents and templates, all agreed upon with the World Bank. The procurement methods, thresholds, and prior review thresholds for works are indicated in table 3.5.

66. **Selection of consultants.** Consultants' services contracts will include several contracts of TA, design and supervision consultancy contracts, technical design studies, and so on. The following selection methods will be used QCBS, LCS, CQS, Individual Consultants, and other selection methods indicated in the Financing Agreement. The selections will be done using the World Bank's standard Request for Proposal and other sample documents and templates, all agreed upon with the World Bank. Short lists of consultants for services estimated to cost less than US\$300,000 equivalent per contract may be composed entirely of national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

67. **Operating costs.** 'Operating Costs' means incremental operating costs incurred by the PCUs on account of project implementation, management and monitoring, including dissemination of project-related information and publications, office rent and utilities, office and equipment insurance, maintenance and repair, vehicle insurance, local travel, communication, translation and interpretation, bank charges, and other miscellaneous costs directly associated with the project. All operating costs are based on periodic budgets and procured using the implementing agencies' administrative procedures acceptable to the World Bank. Operating costs do not include salaries of government officials and civil servants.

68. **Procurement methods, thresholds, and prior review thresholds.** The procurement methods, thresholds, and prior review thresholds that will be used are listed in table 3.5.

**Table 3.5. Thresholds for Procurement Methods and Prior Review**

<b>Expenditure Category</b>	<b>Contract Value (Threshold) (US\$, thousands)</b>	<b>Procurement Method</b>	<b>Contracts Subject to Prior Review (US\$, thousands)</b>
<b>1. Works</b>	> 3,000	ICB	All
	$\geq 200 \leq 3,000$	NCB	None
	$\leq 200$	Shopping	None
	Regardless of value	Direct Contracting	As indicated in the Procurement Plan
	Regardless of value	United Nations agencies	As indicated in the Procurement Plan
<b>2. Goods</b>	>500	ICB	All
	$\geq 100 - \leq 500$	NCB	None
	$\leq 100$	Shopping	None
	n.a.	Direct Contracting	As indicated in the Procurement Plan
	Regardless of value	United Nations agencies	As indicated in the Procurement Plan
<b>3. Consulting Services</b>	> 300	QCBS, QBS, FBS, LCS,	All
3.A Firms	< 300	QCBS, QBS, FBS, LCS, CQS	None
	Regardless of value	United Nations agencies	As indicated in the Procurement Plan
	n.a.	Single-Source Selection	As indicated in the Procurement Plan
3.B Individuals	n.a.	In accordance with Chapter V of Consultant Guidelines	All terms of references and contracts > 300

*Note:* \*Short-list may comprise only national consultants.

ICB = International Competitive Bidding; QCBS = Quality- and Cost-Based Selection; NCB = National Competitive Bidding; QBS = Quality-Based Selection; DC = Direct Contracting; FBS = Fixed Budget Selection; LCS = Least-Cost Selection; CQS = Selection Based on Consultants' Qualifications; n.a. = Not applicable

## **B. Procurement Plans**

69. The participating countries have developed the Procurement Plan for project implementation which provides the basis for the procurement methods. The plans were agreed upon between the PCUs and the World Bank Group. The Procurement Plans will be available at the respective PCU offices in Saint Lucia, SVG, and Grenada. It will also be available in the project's database and in the World Bank's external website. The Procurement Plan will be updated in agreement with the World Bank Group annually or sooner, as required, to reflect the actual project implementation needs and improvements in institutional capacity.

70. **Frequency of procurement supervision.** Supervision of procurement will be carried out primarily through prior review supplemented by supervision missions at least twice a year.

## **C. Procurement Capacity Assessment**

*Saint Lucia: Assessment of the Agency's Capacity to Implement Procurement*

71. An assessment of the capacity of the implementing agency to implement procurement actions for the project was carried out in February 2016 for the PCU that is part of the MOE and is based on the continuous experience of the World Bank working with the PCU on daily operations.

72. Procurement activities for the project will be executed by the PCU that is handling the procurement of World Bank-financed projects in the participating country. The PCU is headed by a seasoned professional and comprises a diverse team of procurement specialists with experience with World Bank guidelines and conducting procurement under World Bank Group-funded projects.

73. This project will require special attention to the coordination between technical authority/staff and fiduciary staff and the coordination need for regional operation. This may affect timelines for procurement activities.

74. The key issues/risks concerning procurement for implementation of the project have been identified during the assessment, as follows:

- (a) Although, at the moment, the PCU is able to smoothly manage the additional work the project will bring, the situation may change as the PCU is expected to handle new projects currently in the pipeline. This situation needs to be monitored and assessed and if necessary will need to be reviewed and adapted to reflect the change.
- (b) The above point (a) will be assessed and reviewed during implementation supervisions.
- (c) The overall procurement risk in the country is assessed as Substantial.

*SVG: Assessment of the Agency's Capacity to Implement Procurement*

75. An assessment of the capacity of the implementing agency to implement procurement actions for the project was carried out in February 2016 for the PSIPMU that is part of the MOP and is based on the continuous experience of the World Bank working with the PSIPMU on daily operations.

76. Procurement activities for the project will be executed by the PSIPMU that is handling the procurement of World Bank-financed projects in the country. The PSIPMU is headed by a seasoned professional with experience in World Bank Group-financed projects. At the moment, there are two senior procurement specialists and two procurement assistants.

77. This project will require special attention to the coordination between technical authority/staff and fiduciary staff and the coordination need for regional operation. This may affect timelines for procurement activities.

78. The key issues/risks concerning procurement for implementation of the project have been identified during the assessment, as follows:

- (a) Although the PSIPMU is able to smoothly manage the additional work the project will bring, the situation may change as the PSIPMU is expected to handle new projects in the pipeline. The situation needs to be monitored and assessed and if necessary will need to be reviewed and adapted to reflect the change.
- (b) The above point (a) will be assessed and reviewed during implementation supervisions.
- (c) The overall procurement risk in the country is assessed as being Substantial.

*Grenada: Assessment of the Agency's Capacity to Implement Procurement*

79. An assessment of the capacity of the implementing agency to implement procurement actions for the project was carried out in February 2016 for the PCU that is part of the MOF and is based on the continuous experience of the World Bank working with the PCU on daily operations.

80. Procurement activities for the project will be executed by the PCU that is handling the procurement of World Bank-financed projects in the country. The PCU team includes a seasoned procurement officer with extensive experience in World Bank Group-financed projects and with experience in the World Bank's procedures, Standard Bidding Documents, and guidelines.

81. This project will require special attention to the coordination between technical authority/staff and fiduciary staff and the coordination need for regional operation. This may affect timelines for procurement activities.

82. The key issues/risks concerning procurement for implementation of the project have been identified during the assessment, as follows:

- (a) The procurement function at the PCU is handled solely by one procurement officer, with large experience in World Bank Group-funded projects. Due to the expected increase of workload to be handled by the PCU, the procurement capacity situation will be monitored carefully to adapt to the new workload, if necessary, and increase the capacity of the PCU, if necessary.
- (b) The above point will be assessed and reviewed during implementation supervisions.
- (c) The overall procurement risk in the country is assessed as Substantial.

**Environmental and Social (including Safeguards)**

83. The project is rated Category B, and the following Operational Policies and World Bank Procedures have been triggered: Environmental Assessment Policy (OP/BP 4.01), the Natural Habitats Policy (OP/BP 4.04) Pest Management (OP/BP 4.09) Involuntary Resettlement (OP/BP 4.12), and the Physical Cultural Resources Policy (OP/BP 4.11).

84. Through Components 1 and 2, the project will finance a myriad of activities including the improvement of historic sites in Fort George (Grenada) and Fort Charlotte (SVG) and the

rehabilitation of streets, docks, walkways, jetties, and so on. Some works will be in or near the water, implicating the marine ecosystem. Although the footprint of the project will be highly localized and impacts well contained, the ESMF outlines that specific negative impacts could cause some damage to the marine environment and therefore mitigation, particularly in this more sensitive environment, will be important. The ESMF outlines potential negative impacts from the project activities and likely mitigation measures and contains a screening tool to further assess the subprojects financed by the project. The screening tool will determine whether further plans are needed, (for example EMPs/EIAs) and/or Resettlement Action Plans). Most subprojects requiring construction will require an EMP. The PCU's environmental and social specialist will be tasked with preparing these plans. Terms of references should specify coordination with the cultural ministries and with regional and local expert advice and assistance to develop the EMPs and renovation plans for key projects. The PCU will also be responsible for ensuring there is adequate consultation with project-affected people and affected institutions in developing these environmental and social plans. The documents will be submitted to the World Bank for a 'no objection' before the commencement of any works.

85. The project will renovate historic and cultural buildings likely to require physical cultural heritage resource management plans. These will be done as part of the EIAs/EMPs for the building. The plans will be reviewed and approved by the World Bank before the start of works on any historic buildings. In addition, the ESMF includes content on chance-finds because there will be excavation works.

86. The purchase of pesticides is not permitted under the project. However, OP/BP 4.09 has been triggered as a precaution to allow pesticides to be used in minor quantities. This refers to small amounts of World Health Organization-approved pesticides to be applied as stain removers, as termite treatment, or as fumigation to remove bats/bees and so on. The pesticides can only be used by licensed contractors. However, to enable the use of these pesticides, the PCU will put together a request to the TTL listing the pesticide, the amount, the application, and so on and submit it to the World Bank for review and approval.

87. Grenada, Saint Lucia, and SVG have social and environmental safeguards specialists who attended World Bank training, including on the scope and application of OP 4.12 and other safeguard policies triggered. The World Bank Group team worked directly with the PCUs to develop the RPF and Environmental and Social Management Framework, assess the sites, and provide on-the-job training for ongoing capacity building. Additional expertise from consultants may be required during project implementation in the PCUs. The social specialists in Grenada, Saint Lucia, and SVG have attended safeguards trainings by the World Bank and have experience in managing issues related to involuntary resettlement. Additional capacity building will be provided by the World Bank to safeguards specialists in all participating countries during project implementation.

88. A wide range of key stakeholders have been involved in project preparation and will continue to be involved throughout implementation. Consultations on project design were held with stakeholders throughout the public and private sectors. Once design plans are complete and the list of project-affected persons is known, the respective PCUs' social development specialists will engage in community consultation processes and conduct census surveys with the affected individuals to determine the nature and extent of impacts and appropriate mitigation measures.



89. A single RPF has been developed and disclosed. In the absence of final designs and a full understanding of the potential land acquisition impacts, the RPF will have a preliminary assessment of impacts and mitigation measures (notably through EMPs), and will include triggers for more detailed EAs and others if/as needed. Key individuals and agencies were consulted during preparation of the draft RPF and ESMF. The drafts were disclosed to the public on the Government's website and delivered to community groups, agencies, and ministries for comment. The final drafts of the RPF and ESMF were revised and include a record of these consultations (published on the World Bank's website on November 7, 2016).

## **M&E Framework**

90. M&E outcomes and results during implementation will follow standard World Bank practice. Each participating country's PCU will oversee data collection on project activities and reporting on PDO-level and intermediate results indicators. The PCU will liaise with stakeholders, including pilot site managers and ferry operators, to gather indicator data regularly. The PCU will prepare quarterly reports with Results Framework data that will be reviewed by the PSC and discussed with World Bank Group implementation support missions, to assess progress against objectives and the need for any adjustments. The PSC will ensure a regular demand for updates on project results and will guide the midterm review of project results. Discussions during supervision missions related to institutional capacity building, financial viability, technical reviews, and site visits will also provide effective means of monitoring progress.

91. Most PCUs have experience conducting M&E for projects, but additional technical expertise and capacity building will be provided as needed to support implementation. The proposed indicators are straightforward and relatively easy to quantify. It is expected that the project managers hired under the project in each participating country will be accountable for the compilation of the M&E framework and reporting to the PSCs.

## Annex 4: Implementation Support Plan

### Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness

#### Strategy and Approach for Implementation Support

1. The Implementation Support Plan puts more attention on the actions required to facilitate better risk management, better results, and increased institutional development, while ensuring compliance with the project's Legal Agreements to meet the World Bank's fiduciary obligations.
2. The TTL and specialists responsible for each component will be based at World Bank Group headquarters. Initially (at least until the midterm review), they will undertake supervision missions two or three times a year. The frequency of missions thereafter will be determined considering the development of the project.
3. Overall project oversight will be ensured by frequent supervision and coordination with the PCUs. After the midterm review and assuming the project activities are well on track, supervision will likely decrease to semiannual missions. However, technical missions by specialists may be carried out more frequently throughout the project. The supervision of the project's FM arrangements and procurement arrangements will be conducted semiannually and in response to client need. In addition, there will be regular interactions with the World Bank Group project team. Regular supervision by the TTL and World Bank Group specialists will focus on these areas:
  - (a) **Technical.** The implementation support team for the project will comprise World Bank Group specialists and consultants who will (i) review and supervise the execution of the project components, (ii) ensure the activities are in line with the PDO, (iii) adjust the design and Procurement Plan when necessary, and (iv) review the updated Results Framework submitted quarterly by the PCUs during supervision mission or as desk review and discuss progress and deviations with the PSCs.
  - (b) **Procurement.** Implementation support will include (i) using the existing PCUs in the MOE, MOF, or MOP for procurement, (ii) improving PCUs' proficiency and efficiency in contract management in line with World Bank Procurement Guidelines by providing hands-on coaching as needed to the PCUs through periodic supervision missions, (iii) reviewing procurement documents and providing timely feedback to the PCUs, (iv) providing detailed guidance on the World Bank's Procurement Guidelines to the PCUs, and (v) monitoring procurement progress against the detailed Procurement Plan.
  - (c) **FM.** Implementation support will include (i) using the existing PCUs in the MOE, MOF, or MOP for FM support; (ii) ensuring PCUs capacity to manage flow of funds and accounting procedures in line with World Bank Financial Management Guidelines by providing hands-on coaching as needed to the PCUs through periodic supervision missions; (iii) reviewing the FMS of the chosen implementing agencies, including but not limited to, accounting, reporting, and internal controls; and (iv) reviewing submitted reports and providing timely feedback to the PCUs.

- (d) **Environmental and social safeguards.** The World Bank Group team will supervise the implementation of the agreed Environmental and Social Management Frameworks and Plans and guide PCUs and governments on their implementations.
- (e) **Client relations.** The TTL will (i) coordinate World Bank supervision to ensure consistent project implementation, as specified in the legal documents (that is, Financing Agreement, Project Operational Manual) and (ii) meet regularly with the client, to gauge project progress in achieving the PDO and address implementation roadblocks as they may arise.

4. Notwithstanding the multipronged nature of the project and resultant complex institutional structure, implementation support needs will work within the supervision budget norms for World Bank lending operations; the TTL will be responsible for managing this budget.

## Implementation Support Plan

**Table 4.1. Focus of Implementation Support**

Time	Focus	Skills Needed
First twelve months	Focus will be on implementing the feasibility studies required before any infrastructure and investment works can start and initiating the components that do not require studies.	TTL, procurement specialist, FM specialist, safeguards specialist
12–24 months	Once the detailed designs for the infrastructure work have been identified in the first 12 months, the focus of the second year will be the completion of social and environmental assessments and stakeholder consultations and engagements and the continued implementation of TA components.	TTL, procurement specialist, FM specialist, safeguards specialist
Final four years	In the remaining years, focus will particularly be on implementing the infrastructure components and supporting the continued implementation of the other components.	TTL, procurement specialist, FM specialist, safeguards specialist

**Table 4.2. Skills Mix Required**

Skills Needed	Number of Staff Weeks per Year	Number of Trips per Year
TTL	12	2 (Headquarters based)
Tourism specialist	4	2
Urban specialist	3	2
Transport specialist	3	2
Customs specialist	1	1
Procurement specialist	5	2 (Headquarters based)
FM specialist – DC	2	1(Headquarters based)
Safeguards specialists	6 (3 social and 3 environmental)	2 (1 social and 1 environmental) (Headquarters based)
Field staff support	12	8 (based in Trinidad and Tobago)

## **Annex 5: Economic Analysis**

### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness**

1. As part of preparing this project, an EFA has been conducted across the project components to determine the value of the anticipated benefits relative to the costs associated with this project. The project NPV and the ERR are estimated at US\$13.2 million at a 12 percent discount rate,<sup>33</sup> with a 26 percent ERR. Details on these calculations are provided in the ‘Detailed Economic Analysis’ section.

#### **Rationale for Public Intervention**

2. Private capital for investment in OECS does not provide adequate financing for development of the local tourism sector, particularly for proof-of-concept high-risk investments (for example, the ferry pilot), even if they have potential for high economic, financial, and social returns. In addition, financing the rehabilitation of historic tourism sites and preserving the value of cultural assets is, generally, the responsibility of the Government. Governments in the participating countries face financing constraints that limit their ability to fulfill these obligations.

#### **World Bank’s Value Added**

3. The World Bank offers significant value to the proposed project activities through provision of financing, TA, and convening services. The World Bank has significant experience in developing and supporting the implementation of multi-country or regional programs. The OECS economies need greater regional integration, a single visa space for free movement of people, and to address critical constraints and marketing with a single voice; they are willing to do so but lack a more structured mechanism and institutional framework. The project will be an excellent mechanism for dialogue and a catalyst of reforms because it will bring Grenada, Saint Lucia, and SVG together through their commitments in the Financing Agreements with the World Bank.

4. The World Bank has also succeeded in acting as a catalyst in the dialogue at a regional level among customs and immigration agencies toward simplification and harmonization of procedures and a service-oriented behavior aimed at facilitating the free movement of people and goods.<sup>34</sup>

5. The World Bank also has experience in providing lending, TA, and convening services in tourism development and promotion (in existing and pipeline projects, such as Haiti, Tunisia, Georgia, Cote-d’Ivoire, Madagascar, India, and Indonesia). Lessons learned from these experiences will be incorporated into the design of this program. The World Bank can assist with the regional integration and visa facilitation goals by bringing models from other parts of the world,

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<sup>33</sup> Discount rate is based on the risk-adjusted opportunity cost of capital for World Bank financing in OECS.

<sup>34</sup> For example, trade and transport facilitation is Southeast Europe in Europe and Central Asia region; Abidjan-Lagos Trade and Transport Facilitation Program in West Africa.

for example, the Schengen European Union; East Africa Visa (Kenya, Rwanda, and Uganda); and KAZAUnivisa program (Zambia, Zimbabwe, Botswana, Namibia, and Angola).

### **Contribution of the EFA to the Project Design**

6. Information provided from the EFA has been used to refine details of the project design such as M&E targets and their associated timing, along with break-even assumptions on the ferry pilot.

### **Actions during Implementation to Revisit the EFA at Midterm**

7. At midterm, the World Bank Group project team will use M&E data to evaluate the impact of the project. These actuals will be used to calculate an updated interim rate of return and NPV. Given that much of the impact associated with the project will be visible in the years after closing, the interim ERR and NPV will most likely be negative; however, these values can be used to evaluate the quality of the original predictions during project design.

8. Additionally, the EFA will be updated to reflect the realities of the project at midterm. This includes updating the expected ERR and NPV going forward, based on the actual data available, and using this information to qualify and assess potential changes to the project budget allocations and design.

### **Impact of the Project on the Participating Countries' Financial Situation**

9. One of OECS's key fiscal challenges is limited resources available for domestic investment. The tourism industry suffers from this trend—despite a clear recognition by governments that there is a need to invest in tourism sites, development of a regional ferry, and regional marketing, limited capital is available to bring these needs to bear. This project will deploy much-needed capital into the tourism sector, which will allow for direct impacts at major tourism sites in Grenada, Saint Lucia and SVG. Additional benefits will accrue through positive spillover effects to indirect beneficiaries.

10. To further support this analysis, a financial analysis on anticipated cost recovery for the different participating countries has been included as part of this EFA. This financial analysis is based on expected additional tax revenues spurred from the growth of local businesses that will benefit from the tourism investments supported under this project.

### **Financial Analysis on Anticipated Cost Recovery and Sustainability**

11. A financial analysis on the ability to recover the cost associated with this project has been developed as part of this economic analysis for each of the three participating countries: Grenada, Saint Lucia, and SVG. Based on this analysis, the 35-year government ERR ranges from 10 percent to 600 percent depending upon the exact loan terms. This broad range occurs for all projects because the loan terms can vary massively. For example, the grace period for a loan can range from 1 to 5 years, maturity can range from 20 to 35 years, and the interest rate can range from 1 percent to 5 percent. These terms are determined during negotiations procedures with the Government and represent a wide range of potential terms for each participating country. The

financial analysis conducted here will inform the loan terms for the government of OECS, and this analysis will be updated at project midterm with the economic analysis.

### **Detailed Economic Analysis**

12. This economic analysis accounts for the benefits to Grenada, Saint Lucia, and SVG resulting from increased tourism spending for both stayover and cruise ship passengers and an increase in stayover tourist arrivals.

13. This analysis focuses only on the direct impact of the OECS Regional Tourism Competitiveness Project. Several other projects in the participating countries will support linkages to other sectors and address other constraints faced by businesses in Grenada, Saint Lucia, and SVG. For example, skills development for micro, small, and medium enterprises is being supported by other World Bank and donor-supported programs in Grenada, Saint Lucia, and SVG. These investments will support stronger businesses in and outside the tourism sector, which will amplify the impact of this project. This amplified impact will essentially create a multiplier effect related to the investments under this project. However, this multiplier effect has not been included in the project design for several reasons: (a) conservatism, (b) difficulties in attribution and measurement associated with using a sweeping multiplier, and (c) difficulties in determining the correct size and timing of the multiplier effect. Given this exclusion, the impacts from this project will likely be further reaching than what is described in the analysis here.

14. Due to the mutually reinforcing nature of the components supported under this project, a combined analysis of the three components for the EFA has been built. A component-by-component based analysis has also been considered; however, this would have ignored how the investments in the project mutually support and interact with each other and address different constraints to the local tourism markets. For example, both marketing and site rehabilitation investments will help increase overall tourism spending in Grenada, Saint Lucia, and SVG.

### **Assumptions and Inputs to the Analysis, with Relevant Sources**

15. The key assumptions are

- (a) **Increases in spending and arrivals from tourists within the OECS region.** Spending by local OECS tourists has not been included in the model because of difficulty in obtaining reliable data on arrivals and spending specific to local tourists.
- (b) **Increased tourism spending by cruise and stayover tourists who will visit the participating countries irrespective of the project.** As part of the combined analysis, most of the estimated impact comes from an increase in spending by stayover and cruise tourists who will visit the participating countries regardless of the investments under the project, rather than an increase in arrivals. This is because the cruise and stayover tourists who come to the region already visit the sites that the project will be rehabilitating. However, given the condition of these sites and the lack of opportunity to spend money at and around them, the participating countries do not gain significant economic benefits from these sites. The expectation is that with the rehabilitation investments, cruise and stayover tourists who will visit the region

regardless of the interventions under the project will now have more opportunities to spend money.

- (c) The central assumption of this overall economic analysis is that the investments result in a growth rate additionality of 1.5 percent to spending (non-accommodation spending) by stayover and cruise tourists who would have visited the participating countries irrespective of this intervention, for three years during the investment period of the project. This means that tourism spending for both stayover (non-accommodation spending) and cruise ship passengers in the participating countries under this project is estimated to grow at an additional 1.5 percent on top of the projected steady-state growth rates for three years due to the impact of the project.<sup>35</sup> After three years, the growth rate will return to the steady-state growth rates mentioned in the table 5.1 (that is, without the 1.5 percent additionality).
- (d) This increase in spending ranges from an additional spend of US\$4 to US\$5 in non-accommodation spending per tourist per year. For cruise ship passengers, additional spending of US\$0.50 to US\$1 per tourist per year based on this 1.5 percent additionality is assumed. The base case estimate of 1.5 percent additionality to the growth rate in tourism spending is conservative given comparator cases of tourism spending growth following concentrated efforts to promote the industry, discussed below.<sup>36</sup>
- Costa Rica: 14-year annualized tourism spending growth rates of 20.8 percent
  - Dominican Republic: 11-year annualized tourism spending growth rates of 19.5 percent
  - Dubai: 17-year annualized hotel room occupancy growth rates of 12 percent
  - Maldives: Annualized tourism spending growth rates of 10 percent since 1972

16. The daily spending of stayover tourists in the region is US\$1,000 to US\$1,300.<sup>37</sup> This has been used as the baseline for the analysis to which the growth rates are applied. This has been reduced by 60 percent to remove accommodation-related expenditure. The primary impact on tourism spending will be on non-accommodation expenses. This is because, as mentioned, the assumption is that the stayover tourists will be visiting the participating countries regardless of the project, so the project will not increase accommodation spending for these categories of tourists.

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<sup>35</sup> The projected growth rates are the average of historical growth rates over 15 years.

<sup>36</sup> Figures noted here are sourced from World Bank reports: Barbet-Gros Julie, Brian Samuel, Rachel Shahidsaless, and Trang Thu Tran. 2015. *Driving Tourism in the Eastern Caribbean: The Case for a Regional Ferry*, World Bank, Washington, DC; and Lain Christie, Eneida Fernandes, Hannah Messerli, and Louise Twining-Ward. 2013. *Tourism in Africa: Harnessing Tourism for Growth and Improved Livelihoods*, World Bank, Washington, DC.

<sup>37</sup> Total stayover tourism spending is assumed to be US\$1028, US\$1287, and US\$1111, in Grenada, Saint Lucia, and SVG, respectively. This estimate is an average of data from the Caribbean Tourism Organization (2014), the OECS Commission (2012), and government data from the Ministries of Tourism and Tourism Authorities (2014).

**Table 5.1. Baseline and Steady State Assumptions for Stayover and Cruise Tourist Spending**

<b>Baseline Assumptions</b>	<b>Grenada</b>	<b>SVG</b>	<b>Saint Lucia</b>
Baseline average non-accommodation spending per stayover tourist (US\$)	411	515	444
Baseline average cruise tourist spending (US\$)	46.55	27.10	78.44
Steady-state growth rate in tourist spending per year, both cruise and stayover (without project) - both accommodation and non-accommodation spending (%)	2.0	2.0	2.0
Additionality to growth rate in tourist spending per year, both cruise and stayover (with project) - both accommodation and non-accommodation spending (%)	1.0	1.0	1.0

17. With these very conservative assumptions, by 2030, the non-accommodation increased tourism spending by stayover tourists and cruise ship passengers who would have visited the participating countries irrespective of the project, will amount to US\$284 million across the participating countries.

18. **Increased tourism arrivals and the later increase in tourism spending by these new tourists.** The project is expected to support the participating countries in attracting new tourists (that is, independent, adventure travelers). However, because the capacity of businesses in the tourism industry (for example, hotels, cruise ship ports, and restaurants) is limited and can only accommodate a small increase in tourist arrivals in the short term, the analysis estimates only a small increase in arrivals.

19. In the base case scenario, the analysis assumes an additionality of 0.35 percent to the growth rate in arrivals for stayover tourist arrivals. Because the growth rate in tourist arrivals ranges from 2 percent to 5 percent for the three participating countries, this additionality of 0.35 percent for three years, as the impact of the project, is a conservative estimate. After the three years of this additionality, the growth rate in stayover arrivals is estimated to return to the steady-state growth rate, which is assumed to be 2 percent.

20. The assumption is that the estimated non-accommodation spending by these newly attracted tourists will be the same as those in the previous section (that is, stayover tourists who would have visited the region irrespective of the project). This is a very conservative assumption, because the stayover tourists who generally visit the region are all-inclusive tourists, whereas the new visitors that the project aims to attract are independent, adventure travelers. The latter category of tourists spends considerably more during their stay and leaves more money behind in the local economies compared to the former (approximately 65 percent left behind for adventure travelers versus 5 percent for all-inclusive tourists). The spending by these newly attracted tourists will also include accommodation spending, as these tourists are being attracted to the participating countries because of the project and so would not have gone to these participating countries without the project. Therefore, their accommodation spending would not have happened but for the project.

21. This increase in spending ranges from an additional spend of US\$7 to US\$10 in non-accommodation spending, and US\$9 to US\$15 in accommodation spending for the newly attracted stayover tourists.



**Table 5.2. Baseline and Steady State Arrivals Assumptions**

<b>Baseline Assumptions</b>	<b>Grenada</b>	<b>SVG</b>	<b>Saint Lucia</b>
Baseline stayover tourist arrivals	134,863	204,934	344,311
Baseline average non-accommodation spending per stayover tourist (US\$)	411	515	444
Baseline average accommodation spending per stayover tourist (US\$)	617	772	666
Stayover tourism arrivals growth rate without project (%)	2	2	2
Stayover tourism growth rate (arrivals) additionality with project (%)	0.20	0.20	0.20

22. With these conservative assumptions, by 2030, the increased tourism spending by newly attracted stayover tourists will amount to US\$600,000 across the participating countries.

### **Total Project Impact on Tourism Spending and Income for Businesses**

23. Total tourism spending under these assumptions is US\$284 million. The description of the formulas and how this was measured is in a later section of this annex.

24. While tourism spending is important and demonstrates increased revenue, what is more critical is the increase income for local businesses because of the project. To account for the portion of tourism spending driven into the costs of operation and maintenance of local businesses and sites, tourism revenue has been adjusted downward by 70 percent. This means for example, that a business receiving US\$10 in additional revenue from tourists will use US\$5 to finance the costs associated with this additional revenue (for example, cost of ingredients and kitchen/wait staff at a restaurant). Based on Enterprise Survey data from several countries, the portion of revenues spent on the cost of goods sold ranges from 50 percent to 90 percent for service businesses; 70 percent has been used in the analysis.

25. Based on these assumptions, the estimated total increase in income because of the project for businesses by year 2030 is US\$85 million.

26. Table 5.3 includes the NPV and ERR estimates for each of the participating countries under this project. The NPV and ERR figures noted in the text of this annex are aggregated for the three participating countries while Table 5.3 provides country-level disaggregation.

**Table 5.3. Country-level Disaggregation**

<b>NPV (12% Discount rate)</b>	<b>US\$13,160,567</b>
<b>NPV (15% Discount rate)</b>	<b>US\$8,118,690</b>
<b>ERR</b>	<b>26.2%</b>

#### **Grenada Investments**

<b>NPV (12% Discount rate)</b>	<b>US\$1,149,286</b>
<b>ERR</b>	<b>18.3%</b>

#### **SVG Investments**

<b>NPV (12% Discount rate)</b>	<b>US\$7,129,984</b>
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<b>ERR</b>	<b>45.1%</b>
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#### Saint Lucia Investments

<b>NPV (12% Discount rate)</b>	<b>US\$8,197,956</b>
<b>ERR</b>	<b>27.7%</b>

### Data Sources

27. The technical data on stayover tourist arrivals, spending, and associated growth rates, along with estimates of both revenues and break-even data associated with the ferry pilot, are taken from OECS regional and country specific data, and the national Tourism Authority's statistical databases, supplemented by data gathered during the identification and pre-appraisal missions and comparator country estimates. In many cases, these numbers were adjusted to arrive at more conservative estimates. The baseline inputs are shown in table 5.4.

28. The technical data on cruise ship passenger arrivals are gathered from Business Research and Economic Advisors reports on cruise tourism in the Caribbean.

29. These inputs and assumptions have been tested according to the sensitivity analysis that follows.

### Ferry Component Analysis

30. The impact of the ferry component is estimated as a portion of the passengers riding the ferry supported under Component 1. The analysis estimates this impact as US\$382,000 with an ERR of 22 percent.

**Table 5.4. Ferry Investments**

NPV (12% Discount rate)	US\$382,462
ERR	21.9%

31. **Assumptions.** To estimate the impact of this component, the analysis has assumed a baseline number of passengers (50 passengers) and runs (voyages) (50) per year with an annual growth rate of 5 percent in number of runs and 10 percent in passengers. The maximum runs per year are estimated at 150 and the maximum number of passengers on the ferry is estimated at 150. The ferries are assumed to start running in 2020.

32. The costs associated with each ferry voyage are based on studies of the ferry corridor conducted by the World Bank, which have been adjusted slightly to account for the impact of greenhouse gas emissions. The cost of these greenhouse gas emissions has been estimated based on studies from U.S. environmental authorities. These assumptions are shown in tables 5.5 and 5.6.

**Table 5.5. Ferry Assumptions**

Number of runs annually (Year 1)	50
Annual increase	4%
Max runs per year	150
Annual increase in passengers	4%
Max capacity of ferry	150

Island Pair	KM	Time @ 20 knots	Fare US\$	Cost to Run (w/ GHG emissions)	Est # of annual runs (initial)	# of people per run	Max # people per run
St. Lucia – St. Vincent	113.0	2h 22m	73.2	\$7,018	50	50	150
St. Vincent – Grenada	20.4	30m	13.2	\$1,265	50	50	150

*Note:* Source of the baseline data for ferries is based on data obtained during the pre-appraisal mission from local experts including transport specialists and port authorities.

**Table 5.6. GHG Assumptions**

GHG assumptions	
Cost (\$/ton of CO2 emission)	\$ 37
Fuel range (km / L of fuel)	3.53
Gasoline emissions (Lbs of CO2 per gallon of gasoline)	19.64
Cost per km of ferry voyage (US\$ / km)	0.03

*Sources:*

Cost: U.S. Environmental Protection Agency estimates for the cost per ton of carbon dioxide emissions  
 Fuel range: Average of range 1.11–5.95 km/L of fuel for ferries, based on California Department of Civil Engineering study of ferries  
 Gasoline emissions: U.S. Energy Information Association estimates

## Sensitivity Analysis

33. A sensitivity analysis for the project is given in box 5.1.

**Box 5.1. Sensitivity Analysis with Different Scenarios**

1. Reduction in additional stayover and cruise tourist spending from the assumed 1.5 percent to 1.0 percent
  - Reduces ERR to 20 percent
2. Increase in additional stayover and cruise tourist spending from the assumed 1.5 percent to 2.0 percent
  - Increases ERR to 32 percent
3. Reduction in the number of years that additionality to the growth rate of stayover and cruise tourist spending assumed by this analysis from the assumed three years to two years
  - Reduces ERR to 19 percent
4. Increase in the number of years that additionality to the growth rate of stayover and cruise tourist spending assumed by this analysis from the assumed three years to four years
  - Increases ERR to 31 percent
5. Increase in take-up of the number of people on the ferries from an annual increase of 4 percent assumed in the base case scenario to 10 percent
  - ERR increases by 0.5 percent to 26.7 percent
6. Increase in the maximum number of ferry runs per year from 150 to 200 and the maximum capacity of each ferry run from 150 to 200 people
  - ERR increases by 0.5% to 26.7%

**Further Description of the Economic Analysis, including Formulas**

34. The ERR and NPV figures have been calculated using scenario-based analysis. Essentially, historical growth rates have been used to estimate the future total tourism spending (arrivals multiplied by spending) in Grenada, Saint Lucia, and SVG in the scenario without the project, compared to the increase in total tourism spending (including estimated increases in stayover arrivals, and both cruise and stayover tourist spending, along with profits from investments in the ferry system). This analysis allows the estimation of the difference in this aggregate spending as cash flows to value the impact of the project using discounted cash flow analysis.

35. The estimates of costs and benefits expected to accrue from the project investments have been used to calculate the NPV and ERR, as discussed in this annex. These valuations are constructed through scenario-based analyses with sensitivity testing that evaluates the robustness of the project investments, analysis, and assumptions.

36. The costs associated with the discounted cash flow analysis are the annual disbursements of the project. The benefits associated with this analysis for the marketing and site rehabilitation components are calculated by estimating additional spending for different types of tourists and additional arrivals. The formulas below provide further detail. It is anticipated that the impact of the project will be through increases in stayover arrivals and spending and cruise tourism spending, along with profits of the ferry component.

37. The estimated NPV and ERR reflect the value for money of the investments under the three components of the Tourism Project. These investments are expected to generate increases in income for beneficiaries that exceed the NPV of the project investment. The opportunity cost of World Bank funds is estimated at 10 percent to 12 percent, but the risk-adjusted opportunity cost

of investments in OECS is estimated at 12 percent. Because the ERR of 26 percent exceeds this, the value of the project activities outweighs the opportunity cost of using these funds for other investments in this or a similar country.

The formula that is the basis of this analysis is that the net benefit of the project for a given year is calculated as follows:

- Project revenue is additional tourism profits with the project plus ferry revenues. Calculation of ferry revenues is discussed subsequently.
- Project costs are disbursements of the World Bank financed project.
- Net cash flow of the project is project revenue minus project costs.

### ***Part 1: Basic formula***

38. Discounted cash flow analysis is typically used to value companies in the private sector based on the value of all future cash flows of the company. These cash flows are adjusted for the time value of money and the risk associated with the company through the discount rate. When applied to World Bank financed projects, we assume that changes in income for the project beneficiaries are revenue to the project, as if the project was a company. In this case, the net cash flow for the project in each year is additional tourism profits estimated to result from the profit, minus the project's disbursement. Aggregating these yearly cash flows and applying the discount rate allows for calculation of the NPV and ERR.

### ***Non-ferry components***

#### When the project will have an impact

39. It is estimated that the investments under the project will have a long-term impact on both tourist arrivals and spending as outlined below. Because of the time required to construct the site rehabilitation investments and for the marketing initiatives to have an impact, the analysis estimates that the project will impact both arrivals and spending starting in Year 4. Because all growth rates tend to return to steady state, it is also estimated that the additional impact of the project will stop in three years, that is, Year 7.

#### Revenue formula

Project revenue in a given year = Total tourism revenue in that year  $\times$  (1 – Portion of tourism revenue devoted to tourism costs)

- Details on calculation of total tourism revenue in a given year are discussed below.
- Portion of tourism revenue that is devoted to tourism costs is estimated at 70% (for example, for every US\$100 in revenue for a restaurant, they spend US\$70 on staff, food preparation, and so on). This assumption is based on comparator and informal survey estimates where the percentage of business revenue devoted to costs ranges from 50% to 90%

Total tourism revenue = Total stayover tourism spending + Total Cruise ship passenger spending

Total stayover tourism spending = (Average accommodation stayover spending + Average non-accommodation stayover spending)  $\times$  Estimated number of stayover tourist arrivals

#### Number of additional stayover tourists with project

40. Historical data on the number of stayover tourists in the participating countries have been prepared using data from the Caribbean Tourism Organization, the OECS Commission, and government data from the Ministries of Tourism and Tourism Authorities. The baseline calculations are provided in table 5.2. Using this data, historic growth rates in the number of stayover tourists have been estimated. Based on this estimate, it is assumed that growth rates in the number of stayover tourists will be 2 percent per year without the investments of the project. Because of the impact of the project, an additional impact of 0.35 percent to the growth in stayover tourist arrivals is estimated.

41. As such in Year 4 (2020), when this additionality will apply, it is estimated that the number of estimated stayover tourists will be as follows:

Estimated stayover tourist arrivals in 2020 = Estimated stayover tourist arrivals in 2019 × (Steady-state growth rate + Project additionality)

- Estimated stayover tourist arrivals in 2019 is projected from the baseline at 2% per year.
- Steady state growth rate is 2%.
- Project additionality is 0.35%, but only applies in Years 4–7.

#### Additional stayover tourist spending

42. Baseline figures for average spending per stayover tourist for each participating country have been estimated using data from the Caribbean Tourism Organization, the OECS Commission and government data from the Ministries of Tourism and Tourism Authorities. Using historical data, a steady-state growth rate of average stayover tourist spending of 2.0 percent is estimated.

43. To have an accurate picture of how stayover tourist spending will be affected by this project, accommodation and non-accommodation spending have been separated. This is because the investments under the project will have a separate impact on these types of spending. To illustrate this, a particular tourist visiting Grenada may spend more money at Fort George because of the site rehabilitation investments under the project; however, for that tourist, that increased spending will not affect the costs of their hotel or other form of lodging during that stay. Accommodation spending per tourist will only be affected by the increased arrivals discussed above.

44. **Accommodation spending per stayover tourist** Based on a survey of visitor spending in Saint Lucia, 60 percent of average stayover tourist spending goes to hotels or other accommodations. Given this, it is calculated that accommodation spending per stayover tourist is 60 percent of the baseline in a particular year. This average spending per stayover tourist is projected forward from the 2014 data available, using the estimated steady-state growth rate of 2.0 percent.

45. **Total accommodation spending across stayover tourists** is calculated by multiplying the projected arrivals for a given year (with and without the impact of the project) by this projection for accommodation spending per stayover tourist

Estimated total accommodation spending in 2020 = Projected average stayover tourist accommodation spending in 2020 × Estimated stayover tourist arrivals in 2020

- Calculation for projected average stayover tourist accommodation spending in 2020 is shown below.
- Estimated stayover tourist arrivals in 2020 is estimated using the formula shown above.

Projected average stayover tourist accommodation spending in 2020 = Estimated average stayover tourist accommodation spending in 2019 × (Steady-state growth rate)

- Estimated average stayover tourist accommodation spending in 2019 is projected from the baseline at 2% steady-state growth rate per year
- Steady-state growth rate is 2%.

46. **Non-accommodation spending per stayover tourist** The survey of visitor spending in Saint Lucia estimates 40 percent of per stayover tourist expenses to be non-accommodation spending. This includes money spent at sites, cafes, restaurants, and so on. Because of the limited capacity in the near term for the participating countries to vastly increase the number of tourist arrivals (hotels, restaurants, and so on), most of the project's impact is estimated to be through increases in non-accommodation spending.

47. For stayover tourists, this means that the estimated additional increase in the growth rate of spending would be 1.5 percent on top of the steady state growth rate of 2.0 percent for Years 4–6 when it is anticipated that the impact of the project will come to bear. This means that in Year 3, the estimated average non-accommodation spending per stayover tourist is a simple projection of the baseline by 2.0 percent per year. However, in Year 4, the estimated average non-accommodation spending is the figure from Year 3 increased by 3 percent.

48. **Total non-accommodation spending across stayover tourists** is calculated as the estimated average non-accommodation spending per tourist multiplied by the estimated stayover tourist arrivals for that year.

Estimated total non-accommodation spending in 2020 = Projected average stayover tourist non-accommodation spending in 2020 × Estimated stayover tourist arrivals in 2020

- Calculation for projected average stayover tourist non-accommodation spending in 2020 shown below.
- Estimated stayover tourist arrivals in 2020 is estimated using the formula shown above.

Projected average stayover tourist non-accommodation spending in 2020 = Estimated average stayover tourist non-accommodation spending in 2019 × (Steady-state growth rate + Project additionality)

- Estimated average stayover tourist non-accommodation spending in 2019 is projected from the baseline at 2% steady-state growth rate per year.
- Steady-state growth rate is 2%.
- Project additionality is 1.5%, but only applies in Years 4–7

### Cruise ship passenger arrivals

49. Baselines for cruise ship passenger arrivals and spending have been estimated based on Business Research and Economic Advisors reports. Projected cruise ship passenger arrivals for

2016 onward are estimated using this baseline with a steady-state growth rate that matches that of steady-state arrivals, that is, 2.0 percent. Because of the limited capacity of the cruise ports and to remain conservative in the impact estimates, any increase in cruise ship passenger arrivals because of the project's investments has not been estimated.

#### Average cruise ship passenger spending

50. The baseline estimates for average cruise ship passenger spending are from Business Research and Economic Advisors reports. Projected cruise ship passenger spending for 2016 onward is estimated using this baseline and a steady-state growth rate of 2.0 percent. In Years 4–7, an additional impact of the project of 1.5 percent is estimated. As such in 2020, the estimated cruise ship passenger spending is the value from the year before plus an additional 3.5 percent.

Projected average cruise ship passenger spending in 2020 = Estimated average cruise ship passenger spending in 2019  $\times$  (Steady-state growth rate + Project additionality)

- Estimated average stayover tourist non-accommodation spending in 2019 is projected from the baseline at 2% steady-state growth rate per year.
- Steady-state growth rate is 2%.
- Project additionality is 1.5%, but only applies in Years 4–7

#### *Ferry component*

51. The NPV and ERR of the ferry component are based on surveys conducted during project preparation of the different ferry operators, transport specialists, and the port authorities. Essentially, the analysis estimates the cost to run a one-way trip between each island pair destination and the fare in U. S. dollars based on a breakeven of 100 passengers per run. The ferry



profit is calculated as follows. This revenue is aggregated with the tourism revenue described above to comprise the revenue of the project for the discounted cash flow analysis.

Total ferry profits = Ferry profits per run  $\times$  Number of runs

Ferry profits per run = (Ferry fare  $\times$  Number of passengers) – Cost of the ferry for each run

- Ferry fare is calculated based on transport specialist input using breakeven per ferry run data.
- **Number of runs.** Based on discussions with local ferry operators it is estimated that to start out with there will be one run per week on each route, up to a maximum of 150 per year (3 per week).  
It is expected that it will take four years for the ferries to be operational given the number of regulatory investments that are required. As such, starting in 2020 it is estimated the initial number of runs will be 50 per year increasing by 4% each year until the maximum of 150 per year is reached.
- **Number of passengers.** It is estimated that the initial number of passengers per run is 50 people for both the Saint Lucia to Saint Vincent route and the Saint Vincent to Grenada route. This is based on the overall capacity of the ferry and informal discussions during project preparation on the level of interest in these ferry routes. The maximum capacity of each ferry is estimated at 150 based on discussions with the ferry operators.  
Starting in 2020, it is estimated that the initial number of people per run will be 50, with a maximum ferry capacity of 150. In this analysis, it is estimated that the number of passengers per run will increase by 4% per year up to the maximum of 150.
- Cost of the ferry for each run is based on the distance between the two ports and the expected fuel costs. These cost estimates include the expected cost of greenhouse gas emissions. Greenhouse gas emissions are calculated based on the fuel usage given the length of the routes, and as such, the amount of carbon dioxide released by one run of the ferry.

## Annex 6: High-Growth Tourism Segments Globally

### Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness

1. With a focus on resort/all-inclusive and cruise-based tourism, the OECS has been missing the opportunity to attract more tourists who will spend more in the islands. The global trends seem to suggest a move toward:

- (a) **Developing local and authentic.** There is a trend toward increased desirability and demand for goods of local provenance. For example, based on a 2015 survey, only 54 percent of U.S. international travelers shop at luxury brand stores while on vacation versus 86 percent who want to shop at stores featuring locally made goods.<sup>38</sup>
- (b) **Attracting millennials.** Of 7 billion people worldwide, 1.8 billion belong to the millennial generation (ages between 18 and 34). ‘Experiencing everyday life in another country’ and ‘increasing their knowledge’ are top travel motivations for millennial travelers (World Youth Student and Educational Travel Confederation Millennial Traveller Report). For example, 53 percent of U.S. millennial travelers regularly or occasionally participate in athletic competitions on vacation (and 20 percent more would like to try).<sup>39</sup>
- (c) **Mixing leisure and business.** Nearly 94 percent of younger travelers are ‘more than’ or ‘equally’ likely to take a business-leisure trip in the next five years.<sup>40</sup>
- (d) **Catering to senior travelers.** The world population of people above 65 years of age will rise from 600 million in 2015 to over a billion by 2030.<sup>41</sup> In the U.S. 66 percent of senior travelers define retirement as a “time to travel and explore new places.”<sup>42</sup> While they are a good market to tap into, especially during off-season, these travelers travel closer to home and access for them is critical.
- (e) **Attracting adventure travelers.** Adventure travel is defined as any tourist activity that includes two of the following three components: a physical activity, a cultural exchange, or interaction and engagement with nature.<sup>43</sup> Since 2009, adventure travel has grown at a 65 percent yearly rate. In 2012, the value of the global outbound adventure travel sector was more than US\$345 billion. Nearly 71 percent of U.S. millennials want “to participate in adventure activities that take me out of my comfort zone when on vacation.”<sup>44</sup> Engaging with nature is one of the most popular vacation activities for U.S. senior citizens (73 percent). Table 6.1 highlights activities that could

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<sup>38</sup> Resonance (2015a)

<sup>39</sup> Resonance (2015b)

<sup>40</sup> BridgeStreet Global Hospitality (2014)

<sup>41</sup> United Nations Department of Economic and Social Affairs, World Population Prospects: 2012 Revision, June 2013.

<sup>42</sup> Resonance (2015c)

<sup>43</sup> Adventure Travel Trade Association.

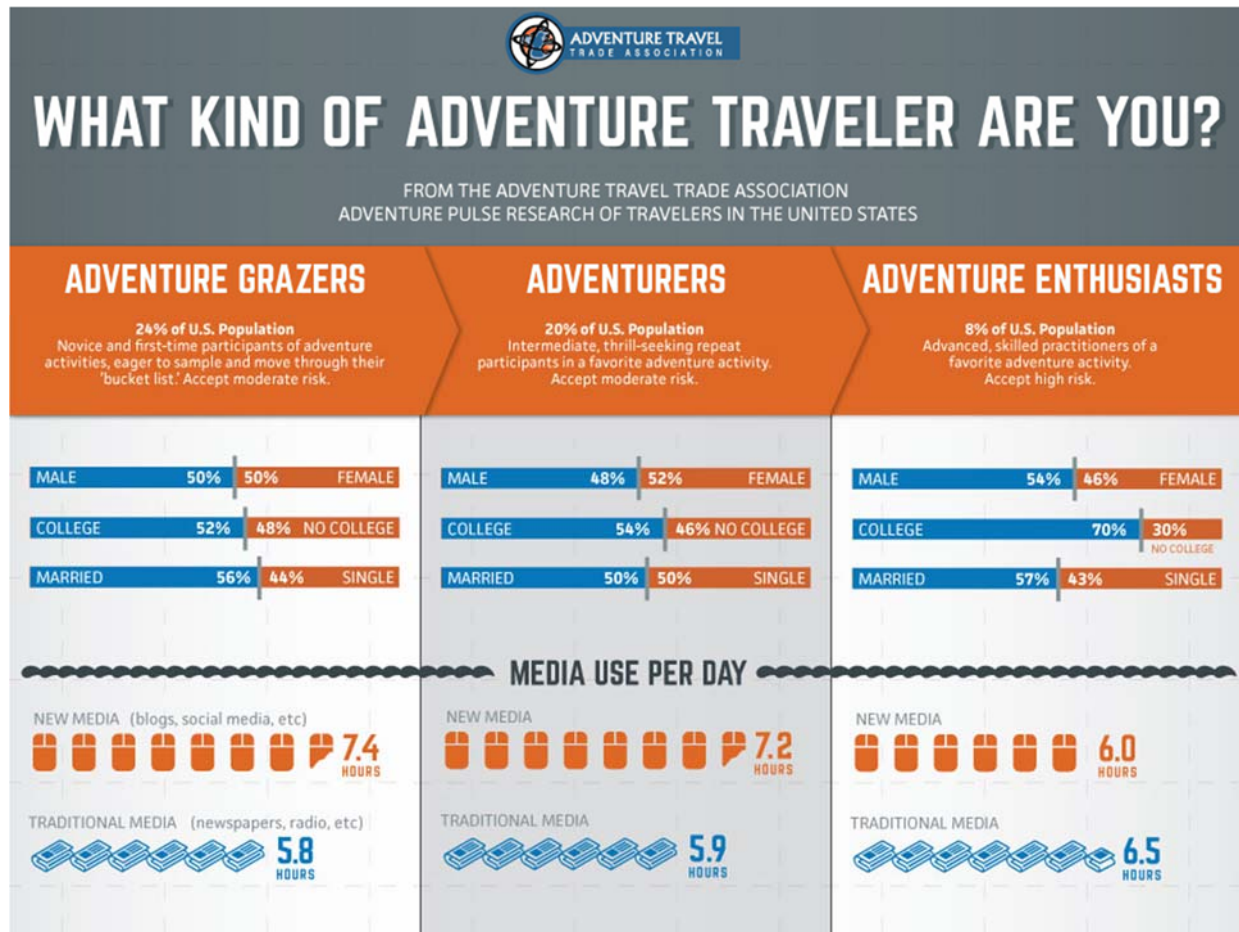
<sup>44</sup> Resonance (2015a)

be categorized as adventure tourism, and figure 6.1 provides a snapshot of the profile of adventure travelers.

**Table 6.1. Classification of Adventure Activities by ATTA/United Nations World Tourism Organization**

<b>Activity</b>	
Archeological expedition	Hunting
Backpacking	Kayaking (sea/whitewater)
Birdwatching	Orienteering
Camping	Rafting
Canoeing	Research expeditions
Caving	Safaris
Climbing (mountain/rock/ice)	Sailing
Eco-tourism	Scuba diving
Educational programs	Snorkeling
Environmentally sustainable activities	Skiing/snowboarding
Fishing/Fly-fishing	Surfing
Hiking	Trekking
Horseback riding	Volunteer tourism

Figure 6.1. Profile of Adventure Travelers<sup>45</sup>



<sup>45</sup> ATTA Adventure Traveler Consumer Pulse, Adventure Pulse Research of Travelers in the United States, ATTA 2014.

## **Annex 7: Gap Financing for the Ferries**

### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness**

#### **Establishment of a PPP for Ferry Services - Negative Auction Scheme for the Ferry Gap Financing (Component 1.2)**

##### **Objective**

1. The assumption, based on input from ferry operators in the OECS, is that it takes approximately two years for a new ferry route to penetrate a market and become sustainable. This means that ferry owners must take risks and assume the initial losses of serving a new route, which keeps many potential market entrants at bay.
2. In addition, to become a reliable service that visitors can depend on, ferry operators must service a route that may be sustainable eventually even on days where load factors may not justify a trip.
3. To limit the risks for a potential ferry entrant, the project has set aside US\$600,000 for a subsidization scheme that in effect acts as a PPP between ferry operators and the governments of the participating countries. In designing the scheme, there are several criteria and objectives to be met:
  - The scheme must be transparent to the public
  - The subsidy must have a finite life—it is geared toward supporting operators as they establish sustainability, not as a substitute for sustainability
  - The amount disbursed must have a maximum cap
  - The operator must assume some of risk for success
4. The project is six years in length, with the first two years being dedicated to developing required infrastructure, leaving four years for routes to be served.
5. Among other schemes proposed, the negative auction approach for establishing the PPP has gained the most traction among the participating countries in the project and can be constructed to meet the abovementioned objectives.
6. As it relates to disbursements, the Saint Lucia PCU has agreed to be the implementing agency for this component. The World Bank will keep the monies for this component on behalf of the participating countries and then, based on a six-month disbursement plan prepared and submitted to the World Bank by Saint Lucia, the World Bank will disburse to the Designated Account set up for this component in Saint Lucia. This arrangement will be included with provisions in the Legal Agreement and through subsidiary agreements between Saint Lucia and the other two participating countries.

7. The monies for this subcomponent will be held in a separate Designated Account by Saint Lucia, with each of the three participating countries contributing an equal amount of US\$200,000 toward the scheme. Payments out of the fund can be made directly to the ferry operator by the Saint Lucia PCU in local currency in predetermined intervals after the completion of a number of predetermined ferry runs. The ferry operator is responsible for ticket sales and gets to retain ticket revenues. At the end of each interval, a claim of completion of a ferry run can be made by the operator to the PCU in the arriving participating country. The PCU in the arriving participating country will verify each run and the passenger count with both immigration and customs records and provides clearance to the Saint Lucia PCU for payment to be made to the ferry operator. One performance indicator shall be the number of local (intra-OECS) and international tourists, which will be reported by both the operator and verified with immigration authorities.

### **What are the Advantages of Negative Auctions Subsidy Schemes?**

8. There are several clear advantages to negative auctions over standard subsidies:
- (a) Negative auctions are market driven and allow the government providing the subsidy to determine a market rate for the subsidy. This makes the subsidy more defensible against critics of government spending. The government can ensure that the public has gotten the ‘best deal’ given the circumstances and requirements.
  - (b) The response by bidders to the negative auction process provides the government with important data on the perception and willingness of the private sector to provide the services desired.
  - (c) Negative auctions also pass the risk of properly estimating the costs and potential revenues of service provision away from the government and to the private sector bidders.
  - (d) A transparent and competitive process sends a confidence signal and shows the government’s commitment to develop this service.

### **What are the Risks of Negative Auction Subsidy Schemes?**

9. A negative auction with properly designed service provision standards and contract enforcement clauses faces only one essential risk. Until bids have been received, there is no knowledge of the final cost of the subsidy. There are two specific problem scenarios: either no bids appear (no interest by the private sector) or bids received are much higher in cost than anticipated and budgeted for.

### **Implementing a Negative Auction Scheme for Ferry Services in the OECS States of Saint Lucia, SVG, and Grenada**

10. The negative auction subsidization scheme will have four distinct phases: (a) preparation, (b) negotiation and auction, (c) performance monitoring and compensation, and (d) re-auction. Two routes will be auctioned: Between SVG (Union Island) and Grenada (Carriacou) and between

SVG (Kingstown) and Saint Lucia (Castries). The overall contract length will be 24 months, and bidding will occur twice during the life of the project.

11. The planned concession amount, US\$600,000 for four years, will remain as the maximum allowed for the overall program.

#### *Preparation (8 Months)*

12. The preparation phase will take up eight months of the first year and will use a specialized consultant. A manual for implementing this component will be prepared during this phase, which will address key questions, including requirements for safety and standards, capacity and speed, clarification of the services operators must provide dockside and on the ferry, tariffs, frequency of reimbursement of the ferry operators for their services, identification of any possible upfront payment to the winning operator as an incentive, frequency of runs on each route, and so on. The work, together with the process of drafting the contract to be bid on will be concluded after four months. Once full agreement on the standards and proposed initial contract has been achieved, the process continues with issuing an expression of interest to the public, followed by an assessment of the qualifications of the responding bidders.

#### *Negotiation and Auction (2 Months)*

13. After the set of qualified bidders has been determined, a request for proposal with the proposed service contract is distributed among the qualified bidders, who will then be allowed to submit written comments. A new version of the contract will be drafted reflecting the comments as may be appropriate, and once agreement is reached on the final version of the contract, bids are opened. Review of bids should be a quick process not lasting more than two weeks, followed by the award of the contract.

#### *Review and Re-auction (Commences 18 Months into the Existing Contract, with 4-month Duration)*

14. The review period, 18 months into the execution of the service contract, will be the basis of deciding if the program is a success and if another set of negative auction subsidies are warranted or needed. There are at least three possible scenarios:

- (a) The ferry services cannot be sustainable, and there is no demand. This scenario will entail the cancellation of the entire program.
- (b) The ferry services are showing promise, but are not yet sustainable. In this case, the reverse auction process will be rekindled.
- (c) Demand has been underestimated, and the ferry services are to operate being sustainable on their own. Two policy responses are possible:
  - (i) Open the market completely without intervention, with perhaps some regulation as to the quality of service.

- (ii) In an extreme case, re-auction the routes with the ferry operator bidding for rights to operate the routes, recapturing the original subsidy.



## **Annex 8: Impact Evaluation**

### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness**

#### **Measuring Job Creation Impact of the OECS Regional Tourism Competitiveness Project in a Gender Disaggregated Manner**

1. The OECS Regional Tourism Competitiveness Project is broadly designed around three interventions dealing with capacity building for tourism promotion, site-specific infrastructure upgrades, and connectivity logistics enhancements. The Project Appraisal Document identifies beneficiaries that include food service providers, accommodation providers, tour operators, and transportation providers such as taxis, and ferry service providers. Two broad approaches can measure aggregate job creation impacts in this context. The first involves micro firm-level estimation of the causal impact of the intervention and the second involves analysis of aggregate regional employment statistics and input-output industry linkages. Both approaches have advantages and limitations.

#### **Firm-level Analysis of Causal Impact**

2. The first approach involves micro firm-level analysis of the causal impact of ‘Pilot Tourism Investments’ on revenue and employment outcome variables. Of the three tourism components, Component 2 involving site-specific tourism investments (Carenage and Fort George in Grenada, Fort Charlotte in Grenadines, and Castries City in Saint Lucia) is the only intervention for which a quasi-experimental estimation of impact is feasible. Unlike a true experiment, where random assignment affords the researcher a treatment and a comparison group, observational studies do not maintain a randomly assigned control group. In observational studies, where some subjects receive a treatment and others do not, selection bias is induced by non-random treatment influenced by inherent characteristics that led to treatment. Hence, in observational studies, with a clear treatment, the main difficulty is in establishing a counterfactual (that is, what would have happened to the treatment group absent the treatment). In this context, the counterfactual is what would have been the growth in revenues and employment in tourism-related firms if there were no policy interventions. To establish a counterfactual adequately, the researcher must establish a comparison group comprising firms in areas not plausibly affected by the interventions of Component 2. Difference-in-Difference (DD) and Propensity Score Matching (PSM) are two viable quasi-experimental estimation frameworks in this context.

3. A DD estimation approach can be deployed with a treatment and comparison group across two periods. The two periods represent the time before and after the policy intervention. In the first period, both groups experience similar change in the outcome variable. In the second period, after the policy intervention, the change in the treatment group differs from that in the comparison group, which is attributable to the treatment. Identification of intervention effects comes from the variation in the outcome variable across time, by subtracting average differences in the comparison group from average differences in the treatment group. Among other vulnerabilities, two major empirical challenges are associated with DD estimation. First, when the impact of intervention requires a longer period to effect change, data collection must be delayed to capture desired policy impacts. Second, DD estimation attributes any change in the outcome variable to the treatment

(policy intervention), which presents risks because other concomitant channels may also affect outcome variables aside from the treatment itself (for example, increase in tourism in intervention areas due to unexpected historical finds). Implementing a DD approach requires data collection from firms that benefited from the intervention and those that did not. Data must be collected in two rounds, first before the intervention and at an appropriate time after the intervention has plausibly had its impact on performance of beneficiaries. A firm-level survey instrument with items on characteristics and business performance (revenue flows, employment generation) can be fielded using a probability-based sample ensuring adequate sample size for statistically valid estimates. The survey can feature additional items to delineate the impact of other factors that may also have affected business performance.

4. PSM is another quasi-experimental technique that can be deployed in this context and involves setting up treatment and comparison groups. PSM attempts to address the problem of a missing counterfactual by creating two groups, the first comprising entities who received treatment and a second sample with entities who did not receive treatment but are similar to the first sample on all characteristics/covariates. All background covariates about selection into treatment are converted into a single scalar or propensity score, reducing the multidimensionality of covariates. Multidimensionality of covariates implies that when two or more units are matched on different types of covariates, it is difficult to ascertain which two units are closer together because units might be closer or farther depending on comparison based on certain covariates. In this context, the propensity score will be the firm's probability of receiving treatment conditional on all possible observed covariates. PSM implementation has four agreed upon steps. The first step is to estimate the propensity score, usually done using a probit or logit model and interactions or higher order terms can be included if data allows. The second is to choose an appropriate matching method to match estimated propensity scores of treated household units to untreated household units (methods can be nearest neighbor, radius, stratification, kernel, caliper, and others). The third step is to assess the quality of matching by checking for common support and balance, and the fourth is to estimate impact of treatment and standard errors on the matched sample. Implementing a PSM approach requires one round of data collection from firms that benefited from the intervention and those that did not, after the intervention has plausibly had its impact. A firm-level survey instrument with items on characteristics and business performance (revenue flows, employment generation) can be fielded using a probability-based sample ensuring adequate sample size for statistically valid estimates.

5. To support estimation using the DD and PSM methods outlined above, baseline, midline, endline, and post-implementation firm-level surveys are planned. In the four intervention areas across three OECS economies, a consistent survey instrument will be administered to beneficiary firms, changing only as necessary between administration rounds. The survey (appendix A) includes question items related to business characteristics, ownership structure, workforce and employment conditions, and basic business performance. Question items are gender sensitive and differentiate between male and female employees throughout the data collection process. The advantage of this gendered lens is to allow for analytical conclusions about gendered outcomes regarding job creation and work conditions. Another important design feature of the evaluation plan is that data collection will involve three categories of firms: tourism sector (accommodation, restaurants, food services, and so on), tourism-related (tour operators, travel agencies, some retail traders, taxi services, some transportation, and so on), and tourism non-related (all those sectors and subsectors not part of the tourism or tourism-related categories).

6. This approach is limited to estimating the impact of Component 2, which allows for difference in treatment (intervention) across firms. The approach outlined above, does not assess job creation impacts of Components 1 and 3. Another limitation comes from the fact that any derived estimates will only apply to the direct job creation effect of this intervention, rather than those incurred through supplier linkages (indirect jobs) and those added through income effect of new jobs (induced effects). It presents a partial assessment of the project on tourism in selected regions of the OECS.

### **Aggregate Analysis of Employment Growth in Tourism and Linked Sectors**

7. The aggregate approach to estimating employment generation and quality of new jobs involves a combination of firm-level data collection (limited to direct beneficiaries in target regions) and leveraging established administrative data sources, such as industry input-output matrices and labor market statistics published by state statistical offices. Complimentary approaches outlined below can be leveraged to estimation job creation effects of tourism-related interventions.

#### *Industry Input-Output Linkages*

8. Estimating economy-wide estimates of job creation can be decomposed into three categories—direct, indirect, and induced effects.

- (a) **Direct effect.** The intervention will target firms directly serving and related to the tourism sector in the OECS and if successful will lead to direct employment generation. New jobs created in related industry sectors to satisfy labor needs of enhanced economic activity and expanding operations will constitute the direct job creation effect of the intervention. A firm-level survey instrument with items on characteristics and business performance (revenue flows, employment generation) can be fielded using a probability-based sample ensuring adequate sample size for statistically valid estimates. Survey items will include questions around contractual versus permanent tenure and part-time versus full-time nature of jobs. In addition to enumeration, this data collection exercise will collect information on the occupational makeup of new jobs (production versus nonproduction, skilled versus unskilled, and so on), educational and training background of employees, demographic characteristics, and aggregate wage measures.<sup>46</sup> Additional dimensions of workforce information will allow for better unpacking of the nature of jobs being created and profile of employees hired to satisfy new demand.
- (b) **Indirect effect.** In addition to jobs created in tourism-related firms, jobs are also created at supplier firms that expand operations or increase productivity, using additional labor units. These jobs created due to supply-side effects are termed as indirect job creation and vary depending on the extent and nature (upstream or downstream) of inter-industry linkages. There are two approaches to estimating indirect job creation effects that vary in resource intensity and information requirements. The first approach relies on industry input-output matrices of the target

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<sup>46</sup>Sample questionnaire in appendix A.

economy, subject to availability of tables describing inter-industry relations regarding use of products of other industries in the production process. Inter-industry relationships show the value of products being used in the production process in response to increased demand in an industry. These values can be translated into employment equivalents/effects using total employment data across all industries (U.K. Statistics Authority, 2015). An employment multiplier once derived can be applied to the direct job creation effect to estimate the number of indirect jobs attributable to the foreign direct investment (FDI) program.

If input-output tables are not available or the shortcomings of using static inter-industry relationships outweigh job creation insights, a survey-based approach can be used. The added benefit of using surveys to capture job creation effects in supplier firms is that they allow for additional insights regarding quality and inclusiveness of indirect job creation. This approach involves two stages: a first involving identification of firms that provide inputs and services to FDI firms and a second involving determining suppliers' business reliance on FDI firms (Domański and Gwosdz 2010). A representative sample of supplier firms based on industry and firm characteristics can be used to manage the scale and resource intensity of data collection.

- (c) **Induced effect.** In addition to direct jobs in the tourism sector and indirect jobs created in the supplier network, additional jobs are created due to increased incomes and expenditures in the region because of direct and indirect effects. Expanding businesses increase wage outlays and additional individuals benefit from gainful employment leading to additional household expenditures. Expanding economic activities together lead to increased consumption of goods and services, termed as induced effects or income-type effects. Measurement of induced effects is information intensive and requires data on employee incomes, household savings and expenditures, and geographical consumption patterns (Domański and Gwosdz 2010). These data must be synthesized to compute increased revenues for businesses, which in turn need to be translated into number of equivalent jobs because of increased business revenues. These data are administrative and can be obtained through the state statistical offices and the state company registry. Aside from net employment growth in the OECS, several other transformations in the labor market may occur during project intervention, especially when comparing tourism industry sectors with an aggregate for all industries. Labor force data on gender, age, business ownership, occupational clustering, and wages can help distinguish between trends in affected sectors and the aggregate for all industry sectors.

### *Multipliers of Economic Activity*

9. Absent input-output relationships of industry sectors in the OECS economies and the inability to deploy a survey-based approach to reveal industry sector linkages, existing literature on economic multipliers can be leveraged to estimate the plausible employment impact of the tourism interventions in the OECS. This will at a minimum require firm-level data collection to estimate direct job creation in beneficiary groups (restaurants, food service operators, tour operators, transportation providers, accommodation providers, and so on) using a short survey

instrument with question items on firm characteristics, employment generation, and quality of jobs. Based on a review of empirical literature that provides employment multipliers estimates for tourism-related interventions, estimates can be generated for the likely impact of the interventions in the OECS. The evidence base will be varied in geographical scope varying from the country-level up to national-level estimates and diverse in industrial representation. To use a wide range of multipliers to apply to the context, empirical studies can be categorized based on relevance of economic similarities, sectoral similarities, and geographic proximity, among other applicable factors. Relevance ratings should also account for differences in economic organization in supplier linkages driving indirect effects and expenditure/consumption behavior that drives induced effects. Depending on relevance, studies can be proportionally weighted to generate aggregate indirect and induced multipliers.

### *Shift-share Analysis*

10. Used commonly as an analytical framework in regional science, shift-share analysis decomposes economic changes into three broad categories of national growth, industry growth, and regional factors. This approach offers valuable insights in relation to economic growth as attributable to national growth trends versus industrial growth versus regional factors. Composed of these two parts, total employment change in applicable sectors can be defined as the sum of employment change due to national share /national growth effect, employment changes due to proportional shift/industrial mix effect, and employment changes due to regional competitiveness/regional shift.

- (a) National share/national growth effect represents the share of jobs created in the region due to national growth trends, if regional and national economies are similar. It is part of change attributed to the growth of the national economy. It is computed as:

$$\text{Employment in region in industry in initial year} \times \frac{(\text{Total national employment in all industries in final year} - \text{Total national employment in all industries in initial year})}{\text{Total national employment in all industries in initial year}}$$

- (b) Proportional shift/industrial mix effect represents the share of jobs created in the region due to growth in industry nationally, after accounting for the national growth effect. It is part of change attributed to industrial mix of the region and how they are affected by national industry trends. It is computed as:

$$\text{Employment in region in industry in initial year} \times \left( \frac{(\text{Total national employment in industry in final year} - \text{Total national employment in industry in initial year})}{\text{Total national employment in industry in initial year}} - \frac{(\text{Total national employment in all industries in final year} - \text{Total national employment in all industries in initial year})}{\text{Total national employment in all industries in initial year}} \right)$$

- (c) Represents the share of industry jobs created in the region due to local factors, after accounting for the national growth effect and industrial mix effect. It is part of the change attributed to region's competitive advantage as it pertains to the specific industry. It is computed as:

$$\text{Employment in region in industry in initial year} \times \left( \frac{(\text{Total regional employment in industry in final year} - \text{Total regional employment in industry in initial year}) / \text{Total regional employment in industry in initial year} - ((\text{Total national employment in industry in final year} - \text{Total national employment in industry in initial year}) / \text{Total national employment in industry in initial year})}{1} \right)$$

11. Shift-share analysis can be conducted using publicly available industry and employment statistics from state statistical offices in the OECS. After harmonizing industrial classification across the OECS participating countries, relevant sectors and subsectors will be identified that are likely to be affected by project interventions because of supplier linkages. For the period coinciding with the duration of project implementation, this analysis can present a macro assessment of the employment changes because of national, industrial, and regional factors. The industrial mix effect is of primary concern in assessing the impact of tourism interventions because it reveals the share of jobs created that can be attributed to growth of tourism-related subsectors nationally. This approach is also instrumental in discerning impacts of national economic growth that may have led to creation of new jobs regionally. An initial assessment of data sources in the OECS intervention states indicates that the pieces to conduct a shift-share analysis already exist in the statistical compendiums produced by state statistical agencies such as the ‘Annual Statistical Digest’ in Saint Lucia and ‘Digest of Statistics’ in SVG. There also exist periodically conducted labor force surveys for intervention states that reveal occupational distribution, industry affiliations, and workforce characteristics. Extant data sources are summarized in appendix B (Available Data Sources).

12. Using a combination of data collected through administering a firm-level questionnaire to beneficiary firms, use of latest input-output linkage tables, and statistical information related to income, expenditures, and savings, the total job creation effect of the tourism interventions in the OECS can be assessed. However, this approach does not account for general equilibrium changes in the concerned economies that may have arisen because of changes in productivity of labor, costs of goods, and changes in wages, among other economic and demographic changes. To account for such changes, CGE models may be deployed. However, despite being resource intensive in developing and implementing a Computable General Equilibrium modeling approach, this may not offer insights very different from the steps outlined above using input-output relationships and statistical administrative data sources. This is primarily because of the limited scope and relatively modest size of planned tourism interventions to have large general equilibrium effects.

## Appendix A: Questionnaire for Tourism-related Firms and Non-related Firms

### Baseline Survey - Tourism-Related and Non-Related Firms

#### Grenada, Saint Lucia, Saint Vincent and the Grenadines

**Objective.** This survey is part of an impact evaluation of World Bank's project in the OECS, titled OECS Regional Tourism Competitiveness (P152117). Through this survey, the aim is to collect baseline information on the characteristics of your firm and business operations. We appreciate your time and responses!

**Confidentiality.** The data collected through this questionnaire will be used in an aggregated form and the information provided will be kept anonymous and strictly confidential.

#### A. General Information

1. **Name of your establishment:** \_\_\_\_\_
2. **Does this establishment have a government registration number?**  
☐ Yes, please specify \_\_\_\_\_  
☐ No  
☐ Don't Know
3. **Is this establishment part of a larger firm?**  
☐ Yes, number of business entity/ establishments that form the firm  
\_\_\_\_\_  
☐ No, a firm on its own
4. **What percentage of this firm is owned by each of the following?**

Response Options	Percent	Don't Know
Private domestic individuals, companies or organizations		
Private foreign individuals, companies or organizations		
Government or State		
Other, please specify: _____		
<b>Total</b>	<b>100%</b>	

5. **What is your role at the establishment?**  
☐ Owner – Share of ownership (%): \_\_\_\_\_  
☐ Manager  
☐ Other (Please specify) \_\_\_\_\_
6. **Your gender:** ☐ Male ☐ Female

7. **How would you characterize the nature of your business? (Select only one answer.)**

- ☐ Accommodation services
- ☐ Food and Beverage
- ☐ Tour operator/ travel agency
- ☐ Retail trade
- ☐ Transport
- ☐ Other tourist services and products. Please specify:

\_\_\_\_\_

8. **Are there any women amongst the owners of this establishment?** ☐ Yes ☐ No

8a. **What percentage of this establishment is owned by women?**

Percentage of women ownership \_\_\_\_\_

9. **In which year did this establishment begin its current operations in the country?**  
**Year** \_\_\_\_\_

10. **In which year was this establishment formally registered?** \_\_\_\_\_

11. **Is your establishment open year-around or do you close it for some days or months?**

- ☐ Open year round
- ☐ Closed for \_\_\_\_\_ days

12. **Please identify the reasons why you close the establishment for some days or months?**

- ☐ Due to the regular maintenance of the accommodation facilities
- ☐ There is no demand for our tourist services at that time
- ☐ Adverse weather conditions
- ☐ No airplane flights to the country
- ☐ Other, please specify \_\_\_\_\_
- ☐ None of the above

13. **For FY2015, please indicate the following information:**

	XCD
1. How much would it cost to buy all the equipment, vehicles, and devices this establishment owns or leases now, in the condition they are in, if you had to buy them today?	
2. How much would it cost to buy buildings this establishment owns or leases now, if you had to buy them today?	



3. How much would it cost to buy the certificate to lease the land, if you had to buy it today?	
4. In 2015, what were this establishment's production and operating costs?	
5. In 2015, what were this establishment's total annual sales for ALL services and products?	

## B. About Your Employees

14. How many employees did this establishment employ at these points in time? (Please include all employees and managers.)

Type of Employee	At Time Establishment Started Operations	Three Years Ago	Current Operations
1. Permanent			
2. Temporary			
Total number			

15. What is the average length of employment of all permanent employees?

\_\_\_ Years

16. What is the average length of employment of all temporary employees?

☐ \_\_\_\_\_ months

☐ Less than one month

☐ Don't Know

17. Number of employees from OECS countries: \_\_\_\_\_

Number of employees from other countries: \_\_\_\_\_

18. Highest level of educational attainment of employees by gender:

Highest Educational Level	Number of Male Employees	Number of Female Employees
1. University degree		
2. Vocational school		
3. High school graduates		
4. Less than a high school diploma		
Total number		

19. Number of employees per occupational category and average monthly wages (gross):

Occupational Categories	Number of Male Employees	Average Monthly Salaries	Number of Female Employees	Average Monthly Salaries
1. Manager				

2. Department head/supervisor/operations executives				
3. Skilled services persons (chefs, and so on)				
4. Occupation workers (sales and marketing persons, accountants, human resource clerks, electricians, masons, repair technicians, and so on)				
5. Front-line operational staff (housekeeping, cleaners, drivers, food servers, dishwashers, baggage porters, and so on)				
6. Others (please specify)				
Total number		-----		-----

20. **How many years of experience working in this sector does the top manager have?**

☐ Manager's experience in sector \_\_\_\_\_

☐ Less than a year

☐ Don't Know

21. **Is the top manager female?**

☐ Yes

☐ No

☐ Don't Know

22. **Are the following benefits offered to permanent and temporary workers (check those that apply)?**

Benefits	Permanent Employees	Temporary Workers
1. Free or subsidized housing?	<input type="checkbox"/>	<input type="checkbox"/>
2. Free or subsidized meals?	<input type="checkbox"/>	<input type="checkbox"/>
3. Free or subsidized transport?	<input type="checkbox"/>	<input type="checkbox"/>
4. Free or subsidized child care?	<input type="checkbox"/>	<input type="checkbox"/>
5. Options for flexible working conditions and/or locations	<input type="checkbox"/>	<input type="checkbox"/>
6. Support programs and facilities to help reconcile work and family life	<input type="checkbox"/>	<input type="checkbox"/>
7. Other, please specify	<input type="checkbox"/>	<input type="checkbox"/>
8. Other, please specify	<input type="checkbox"/>	<input type="checkbox"/>

## Appendix B: Available Sources of Data

Data Elements	Saint Lucia	SVG	Grenada
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Statistical instruments available	<ul style="list-style-type: none"> <li>• Annual Statistical Digest</li> <li>• GDP Statistical Report (2005-2012)</li> </ul>	<ul style="list-style-type: none"> <li>• Digest of Statistics (Annual)</li> <li>• Housing and Population Census 2012</li> <li>• Gross Value Added by Economic Activity (2010–2014)</li> </ul>	<ul style="list-style-type: none"> <li>• Harmonized Labor Force Survey</li> <li>• Annual Statistical Publication</li> </ul>
Employment by sector	Yes	Yes	Yes
Employment by sector by region/district	Yes	Yes	Yes
Employment by sector by occupations	Yes	Yes	Yes
GDP by sector	Yes	Yes	Yes
Average net wage by sector	Yes	Yes	Yes
<b>Comment</b>	Will need this for 2016 through year +1 after project end year.	Need access to data collected through ‘Annual Survey of Economic Activity’. This is annual according to the statistical office and has information on employment, sales, expenditures, and income from tourism.	

## **Annex 9: Selected Pilot Sites (Component 2)**

### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness**

#### **The Selection Criteria for the Sites Identified for Rehabilitation**

1. In selecting the sites for investment, these criteria were used:
  - (a) Investments that will increase the attractiveness of participating countries among existing tourists (cruise ship passengers and all-inclusive tourists) and generate increased spending by them
  - (b) Investments that will trigger the development of more local attractions (for example, restaurants offering local food and shops selling local products) by local tourism operators that build on or link to the anchor attraction that can ultimately attract new market segments (such as adventure tourists attracted to the local and authentic experience).
2. **Tourists visiting the participating countries already use all the areas selected for investment.** However, given the lack of spending opportunities, local economies earn little from their visits to these sites.

#### **Grenada: Fort George**

3. As part of its “Pure Grenada, the Spice of the Caribbean” branding strategy, with its focus on sustainable tourism, Grenada aims to establish itself as an authentic destination, which values its heritage and lifestyle. As part of this approach, developing the Carenage area as a model heritage tourism site has been identified as a priority.
4. Due to its location, Fort George is an integral part of heritage tourism in Carenage and the government has identified it as a priority because it will serve as the anchor investment for all future development. The fort needs rehabilitation. However, the fort rehabilitation on its own will not transform the area and enhance the tourism offer. Thus, before any works start, it is important to develop an appropriate development and commercialization plan for heritage tourism in Carenage, including the fort as an anchor attraction. As part of that overall plan, it is important to have a clear strategy regarding the move of the police headquarters (that is currently housed within the fort) and how the police could potentially cohabit within the fort.
5. Fort George dominates the city of Saint George’s, capital of the three-island nation state of Grenada, Carriacou, and Petite Martinique. It is located on a promontory overlooking the Carenage and the town of Saint George’s. It is the islands’ most important historic edifice. Most of the buildings are used as the headquarters of the Royal Grenada Police Force.

### Box 9.1. Fort George

**With a diverse and colorful history centered upon one place, Fort George provides material for a fascinating interpretation center and stimulates visitor interest**

Although the French built Grenada's Fort George commencing in 1705, it is its more recent history that tells the most compelling story. It was at Fort George, at the time renamed Fort Rupert in honor of the then prime minister's father, the late Rupert Bishop, that on October 19, 1983, Grenada's four-year old People's Revolutionary Government (PRG) came to a dramatic and bloody end.

After seizing power in a bloodless coup or 'Revo' in March 1978, the PRG of the charismatic Maurice Bishop led Grenada along Marxist-Leninist lines. Although Prime Minister Bishop was immensely popular, both at home and abroad, within three years the PRG had split into two opposing factions: moderates led by Bishop; and a hardline leftist faction led by the People's Revolutionary Army (PRA).

Matters came to a head in October 1983. Upon returning from an overseas trip, Prime Minister Bishop was placed under house arrest on October 12 by the PRA. However, one week later Bishop was freed from house arrest by a spontaneous demonstration of support led by Grenada's schoolchildren. Matters quickly got out of hand, when Bishop and his followers swarmed into Saint George's and seized control of Fort Rupert, headquarters of the PRA. Tense moments followed as the leadership of the PRA, Finance Minister Bernard Coard and his Jamaican-born wife Phyllis, watched the unfolding events from the safety of Fort Frederick, overlooking the town of Saint George's.

As Bishop and his supporters celebrated his freedom at Fort Rupert, three armored personnel carriers were dispatched from Fort Frederick. As usual in such a melee, no one can say who fired the first shot. However, the three armored personnel carriers unleashed a barrage of gunfire into the crowd; instantly killing many civilians. People sought to escape by jumping off the fort's high escarpments and went tumbling to the ground.

Maurice Bishop, his partner Jacqueline Creft, who was pregnant at the time and other supporters were rounded up and kept at the fort under guard. After a few hours, the orders arrived. Bishop and seven others were placed against a wall in front of the basketball court and shot down by a firing squad. Exactly one week later, the United States invaded Grenada to 'free American students and restore democracy'.

The bullet holes are still visible and the fort is still used by the security forces, exactly as it was in 1983.

6. In 2004, Hurricane Ivan devastated Grenada and damaged several buildings on Fort George. One of the barracks (East Barracks) facing onto the Central Square and parade ground of the fort is still damaged having lost its roof, flooring, and window shutters during the storm.

7. Although reasonably popular with visitors (currently, the fort receives approximately 30,000 visitors a year. However, the numbers could be higher as the data is not kept effectively), there is little or no historical information within the fort itself and no opportunities for a visiting tourist to spend money. From the battlements, there are good views of the surrounding landscape.

8. Much of the fort is still intact and open to visitors. However, as a tourist attraction, the fort leaves much to be desired. A summary of 183 reviews in TripAdvisor is shown in table 9.1.

**Table 9.1. TripAdvisor Reviews of Fort George, Grenada<sup>47</sup>**

Ranking	Number	Percentage
Excellent	48	26.2
Very Good	69	37.7
Average	46	25.1
Poor	17	9.3
Terrible	3	1.6
	<b>183</b>	<b>100.0</b>

<sup>47</sup> Source: [http://www.tripadvisor.com/Attractions-g147296-Activities-St\\_George\\_s\\_Saint\\_George\\_Parish\\_Grenada.html](http://www.tripadvisor.com/Attractions-g147296-Activities-St_George_s_Saint_George_Parish_Grenada.html)

<b>Very Good to Excellent</b>	<b>63.9%</b>	
<b>Average to Terrible</b>	<b>36.1%</b>	

9. The fort is ranked 3rd among 47 things to do in Saint George's, Grenada. Yet, it is clear from these rankings and the comments left by travelers on TripAdvisor that Fort George is 'a diamond in the rough'. The areas where Fort George scores highly are its natural attributes: the views, historical significance, and so on. The areas where the scores fall are its developmental aspects: lack of signage and historical information, general dilapidation, lack of availability of any kind of tourism service or product, entertainment, and so on.

10. In undertaking restoration works of a historic heritage site like Fort George, it is imperative that the restoration works be done by people who are knowledgeable and experienced in this highly specialized field. Otherwise, irreparable damage could be done to the physical structures of the fort. For example, a toilet was recently added to the outside of the fort, in a style totally out of place in a heritage site.

#### *Design Concept for Restoration of East Barracks*

11. Architecturally, the fort follows the patterns of the French military architect Vauban, with ramparts and bastions designed to cover all angles of defense on a series of levels. These are connected by courtyards and tunnels or 'sally ports' for quick evacuation or movement of troops from one level to the next, depending on the state of action during battle.

12. The barracks follow the classic British Georgian style with windows and doors symmetrically balanced along the façade of the building. The building is also the main access to various features such as the kitchen, gun placements, underground tunnels, and ordnance storage chambers. All these were developed when the fort was expanded in the 1780s. This was during an intensification of military conflict in the Caribbean between the British and the French at the end of the eighteenth century.

13. These design features lend themselves to providing a fascinating walking tour for visitors to the site. The ultimate aim of this project is to enhance the experience by restoring the damaged barracks and providing a tour route that will take visitors to all of the main features of the fort. At the same time, it will provide services such as site interpretation, a coffee shop and café to relax, and access to the viewpoints along the ramparts.

#### *Visitor Access*

14. There is a clear separation between the police and tourist in access to the fort. Recently a 'sally port' along the north wall was opened for tourist access to avoid the previous situation whereby visitors had to enter through the police compound. This created difficulties in relation to traffic and parking. This separation has eased the movement of people into the fort. A ramp has been created along which there is a kiosk where visitors pay entry fees. As they climb higher, they enter the fort through a tunnel, which opens out onto the central parade ground, and begin their tour of the fort itself.

15. There are two improvements to be made at this stage:

- (a) The traffic drop-off point is along a narrow road, which is also one of the access roads to the main hospital. Any vehicle parked to disembark passengers is blocking traffic. A major excavation needs to be carried out into the adjacent bank to allow for a wide lay-by for tourist traffic. The entrance platform will be affected by this and the angle of the entrance ramp will have to be changed.
- (b) The entrance tunnel through which visitors arrive has an uneven surface interspersed with water pipes and exposed drainage. This has to be rectified, particularly for safety reasons.

### *Tour Route*

16. An organized tour route has to be established, along which visitors will move around the fort following panels that interpret each location in this order:

- (a) The visitor arrives at the top of the entrance tunnel and faces the main parade courtyard. At this point, there is a welcome panel explaining the significance of the Parade Ground. It directs the visitor across the parade courtyard to the restored East Barracks. On the ground floor is the interpretation centre that provides an introduction to the layout and the history of the fort and its relationship to the town of Saint George's.
- (b) From the interpretation centre the visitor moves across the parade courtyard toward the ramp that goes to the upper ramparts. At the bottom of this ramp is a second panel explaining the significance of the adjacent wall as the site of the assassination of Maurice Bishop and others in 1983.
- (c) The visitor then climbs the ramp and arrives at the upper ramparts with its views to the west and north.
- (d) The visitor moves along the rampart and around, behind the upper floor of the police barracks, to arrive at the viewing platform on the south facing bastion. A panel explains the main landmarks of the view before them.
- (e) The visitor then moves along the southern rampart that will be restored to become the terrace for the café and bar. Another panel describes the view below and the line of fortifications on the hills above.
- (f) The visitor then moves into the café bar, which is on the upper floor of the restored East Barrack building.
- (g) From the café bar, the visitor goes downstairs to the gift shop, which shares the ground floor with the interpretation centre.
- (h) From the gift shop, the visitor exits the restored East Barracks and crosses the Parade Square to the sally port tunnel. There the visitor exits the fort having followed a loop trail to all the main points.

- (i) Railings will have to be installed in certain areas for the safety of visitors although this should be done without spoiling the look of the structures as much as possible.

#### *East Barrack Restoration*

17. Although the East Barracks was severely damaged and unroofed by Hurricane Ivan in 2004, the 230-year-old stone walls stood up remarkably well and provide a secure shell around which the wooden frame of a new roof, floor, and partitions can be constructed. The process of restoration will follow these steps:

- (a) Total removal of all debris, damaged woodwork, furniture, and abandoned materials
- (b) The demolition of the remnants of any recent concrete additions dating from the last century particularly the remains of the twentieth century extension of the upper floor covering the Eastern Ramparts
- (c) Cleaning and relaying of stone ground floor
- (d) The erection of a wooden frame within the shell of the old building to support the roof and floor. Pillars to be of 8"x 8" treated pitch pine with all beams, rafters, boards, and joists to be 3"x 8" and 2"x 6" treated pitch pine with floorboards 1½ x 6 inches treated pitch pine. Most colonial buildings in the eighteenth century were constructed with pine imported from North America after the local hardwood timber was exhausted.
- (e) Windows and doors to be heavy wooden shutters with traditional 'jalousie' louvered windows on the inside
- (f) Roof to be a heavy wooden frame with rafters 16' apart and clad in pitch pine boards so as to support traditional fish scale tiles to match the older houses in Saint George's.
- (g) Staircase to be lined with mahogany or teak turned balustrades and handrails to match eighteenth century models
- (h) The ground floor to be divided between the gift shop and interpretation centre
- (i) Interpretation centre. The panels and display cases giving a history of the fort with artefacts related to the military life of French, British, and West Indian regiments. Possible multilingual signage with information in English and two other languages chosen by the top foreign language-speaking visitors based on tourist statistics
- (j) An added attraction linked to interpretation of the fort's history would be a light and sound projection played against the main inside wall of the Parade Square. This is done to great effect against the walls of the main courtyard of the Museum of the Americas in Old San Juan, Puerto Rico. The audience will sit in the Parade Square facing the wall and watch a half hour show projected from the upper story of the restored East Barracks. It will commence with the volcanic eruption of Grenada from the seabed, through the indigenous people and colonization, to the PRG revolution, to the present day, and ending on a high note of peace and natural beauty. This could be



shown on advertised nights during the tourist season thereby attracting guests from neighbouring hotels who, at the same time, will patronize the coffee shop bar and gift shop

- (k) The gift shop. Concession to be leased out to an entity that will stock high-quality souvenirs, preferably locally made, mementoes, and books associated with the heritage of the site.
- (l) The coffee shop. Situated on the upper floor and leading out to the terrace on the Eastern Ramparts. This will be partly covered in the form of an open verandah built over half of the width of the ramparts.

#### *De-bushing and Stabilization of Damaged Walls*

- (a) At several points along the outer walls of the entire fort, there are areas where tree roots have invaded the structure, prizing the stones apart and threatening to destroy the stonework.
- (b) These areas need to be carefully de-bushed, the roots removed, and stonework replaced with new mortar.
- (c) Cut away as much vegetation as possible without unduly shaking the roots. The best implement in such circumstances is a small chain saw. Trimming should be done as close as possible to the masonry.
- (d) A concentrated solution of weed killer with the trade name, Roundup, or similar type, should be used to poison the roots using half of the recommended amount of water. Ensure that the liquid is well applied to the cut ends of the stems, roots, and branches, as well as the bark.
- (e) In some areas, whole sections of the wall will have to be carefully removed to get out all of the roots before replacing the stonework.
- (f) The mortar to be used in any restoration of stonework on the fort should not be plain grey Portland cement. A mixture of powdered lime, 'white lime', mixed with fine aggregate and white cement will match the original historic mortar and bind with the original white lime. This is not possible if modern grey Portland cement is used.

#### **SVG: Fort Charlotte**

18. Fort Charlotte is the most important historic site on Saint Vincent. Like other islands in the Caribbean, SVG was caught up in the colonial wars for possession of sugar producing islands. These wars raged during the eighteenth and nineteenth century, mainly between the British and the French. Fort Charlotte is a fine example of the military architecture raised at that time. In 1784, substantial fortifications for the defense of Kingstown began to be built. These were based on smaller, earlier installations constructed since the British took over Saint Vincent in 1763. By the last year of the Brigands War (1797), the town's outer environs bristled with troops and gun

emplacements facing both seawards and inland. Additional fortifications continued to be built until the defeat of Napoleon in 1815.

19. Kingstown, capital of SVG, lies on the south west coast of the island between two towns with Amerindian Kalinago (Carib) names: Barrouallie to the north and Calliaqua further to the south. Kingstown was built on a wide bay stretching 1.5 miles across from east to west. The bay could be defended against attack from sea or land because the surrounding hillsides provided good sites for lookout areas and gun emplacements.

20. Fort Charlotte is the centerpiece of a network of defenses that covered Kingstown and its harbor on all sides. Standing at 600 feet above sea level, Fort Charlotte was named after George III's consort. Fort Charlotte and its garrison contained barracks for 600 men and had 34 pieces of artillery of different descriptions. The fort was garrisoned until 1873 when troops were finally withdrawn from the island. Since that time, the fort was largely abandoned until the rise of the tourism industry from the 1960s, which made it a prime visitor site. Interestingly, unlike most forts in the Caribbean, it was not built to protect the island from naval attacks. Rather its purpose was to protect Kingstown from inland attacks, by the 'Black Caribs' of Saint Vincent and the French.

21. During 2000–2004 and again in 2009, some restoration work was done on the fort and its surroundings. This included completion of toilet facilities, the roofing, and establishment of a bar/café in the former bakery house, the placing of display cases in the five vaulted chambers, the re-plastering of the cistern, ramparts, and other deteriorating sections of the fort. However, there are areas which still need attention to secure the fabric of the fort for continued use. This mainly involves de-bushing along the precipitous southern wall and correcting leaks and seepage of water into parts of the vaulted chambers along the southern section of the fort.

22. Motor access to the fort is difficult because of the narrow winding road. A serious impediment has been the state of the historic bridge over which all tour buses have to pass to reach to the fort. Instead of excavating, so as to widen the road, and repairing the bridge (which are costly endeavors), the supply of passenger buggies is considered to be an option. Visitors would change into buggies before crossing the bridge and continue to the fort in these vehicles. A turn around point would have to be constructed at a point before the bridge. A minimum investment has been envisioned for the stabilization of the bridge under the project to allow small vehicles to reach the fort.

23. Fort Charlotte is reasonably popular with cruise ship passengers, who generally give the site lukewarm reviews, as shown in table 9.2.

**Table 9.2. TripAdvisor reviews of Fort Charlotte**

<b>Fort Charlotte:</b>	<b>Reviews</b>	<b>Percent</b>
Excellent	10	18.9%
Very good	34	64.2%
Average	9	17.0%
Poor	0	0.0%
Terrible	0	0.0%
	<b>53</b>	<b>100.0%</b>
<b>Good to excellent</b>	<b>83.0%</b>	
<b>Average to terrible</b>	<b>17.0%</b>	

24. TripAdvisor ranks Fort Charlotte 3rd among 51 things to do in Kingstown, SVG.
25. The fort is maintained by the Ministry of Tourism, with help from the National Parks Board. No admission is charged, although tour guides are available for a small fee.
26. No statistics are kept on the number of visitors that the fort receives. According to the National Parks Board, the fort is equally as popular as the Kingstown Botanical Gardens; both are included on the day trips organized by tour operators. According to data provided by the National Parks Board, almost 12,000 tourists visited the botanical gardens in 2014. Unlike the gardens where 34 percent of the visitors are local, based on information provided, very few locals visit Fort Charlotte.

#### *Current Condition and Use*

27. Fort Charlotte is in reasonably good physical shape. The premises are clean and well maintained. Along with 13 other heritage sites in Saint Vincent, Fort Charlotte was restored in 2009 with funding from the EU. Adequate management practices were not put in place to ensure maintenance of the sites. Most of the walls and battlements have been maintained to a good standard, although this has at times led to the use of modern Portland cement, covering over historic brickwork. Many of the canons are in excellent condition. The site is generally clean and well maintained. It is imperative to ensure that a proper management framework is developed and implemented so that the fort does not require major repairs again in the near future.
28. Although the physical structures that comprise the fort are in good condition, as frequent comments on TripAdvisor attest, ‘there is nothing much to see but the view’. To create a more interesting historical attraction, it will be necessary to repair and upgrade, where necessary, all the existing structures and create an interpretation center, handicraft vending facilities/workshops, and a cafeteria. All the new facilities are to be built in the old colonial style.
29. Some recommendations for upgrading and enhancement include
- (a) Clearing of roots and encroaching trees from the walls of the fort particularly along the southern wall;
  - (b) Improving parking by increasing parking space near the fort entrance by excavating some of the bank;

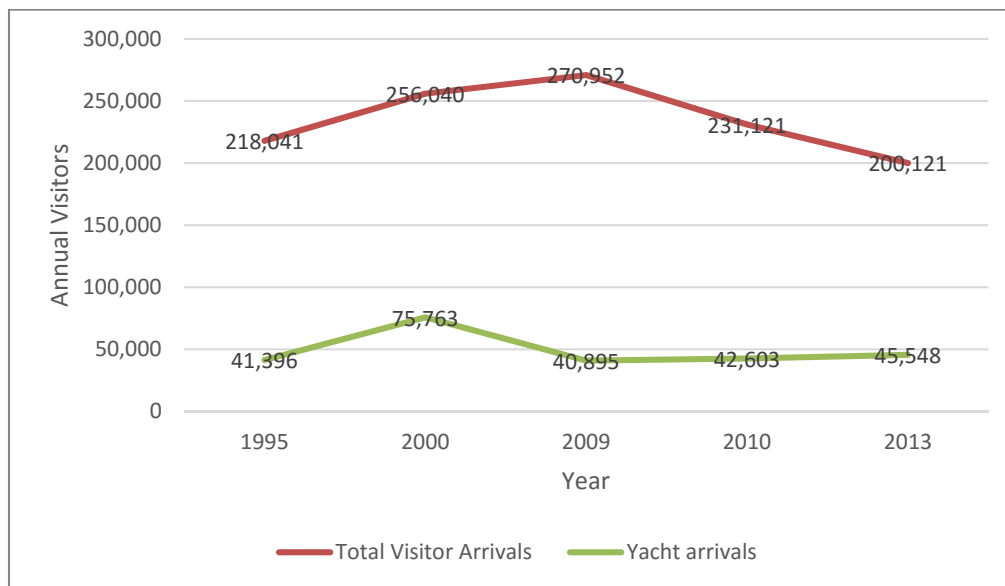
- (c) Stopping leaks and water seepage into the main southern chamber by removing a section of the upper platform and sealing cracked areas before replacing paving stones. This is vital to enable use of the chamber for commercial and display purposes;
- (d) Refurbishing the five vaulted chambers to accommodate craft studios and sales points for makers and vendors of locally produced handcrafts. These rooms have been adapted for displaying museum artefacts, which were never mounted, and the cases have now deteriorated. The work will entail removing these units so as to provide more space for workshops;
- (e) Moving the large paintings by Prescott. At present, these paintings, which depict aspects of Vincentian history, take up a lot of space in the bar/café area. Once the southern vaulted chamber is secured, these should be moved into that room. The paintings should be hung on wooden frames rather than directly upon the wall;
- (f) Using this space for interpretation of the fort and providing illustrated panels, which provide information on the history of the site; and
- (g) Interior decoration of bar/café. The furniture in this facility is very basic and should be replaced with replica eighteenth century furniture so as to enhance the experience adding to the attractiveness of the site.

## **SVG: Marine-based Tourism Product**

### *Yachting*

30. The yachting sector, a reliable parallel for the wider marine-based tourism sector, has also experienced stagnation, and even decreased from 75,763 yacht visitors in 2000 to 45,548 in 2013. Since 2009, it comprises gradually larger percentages of arrivals due to declining total numbers and slightly increasing yachting visitors, as seen in figure 9.1.

**Figure 9.1. Total Tourism Arrivals over Time (Select Years)**



Source: SVG Tourism Authority and Ministry of Tourism's Tourism Statistics.

31. SVG has not kept up with the increasing competitiveness of other destinations, whether in the region (British Virgin Islands, Saint Lucia, the French Islands) or globally with competitors in Asia-Pacific and the Mediterranean, as well as island clusters such as the Canary Islands. Other destinations have advanced significantly with regard to improved connectivity, room capacities, promotion, infrastructure, and product development. These elements have led to the shrinking of SVG's market share, which was further affected by the great recession. The Government is taking a number of steps to regain this competitiveness, importantly by the construction of a new international airport and investment promotion to increase its room capacity.

32. There are opportunities to leverage its undiscovered reputation to grow its marine-based tourism segment, focusing on high-end baby boomers, millennials, and adventure travelers by upgrading its destinations, marine tourism product and services offerings, and communicating them effectively. Safety and security, pollution, and environmental degradation remain the key risks to the development of the marine tourism sector in SVG and need to be addressed in the immediate term.

33. The main chartering areas in the Caribbean are the Virgin Islands and the Grenadines, with a third, lesser hub in the French Islands. The key service centers are Trinidad, Grenada, Venezuela, Saint Maarten, and Antigua. Martinique and Guadeloupe are popular provisioning stops. Martinique and Saint Lucia are staging areas for charter boat trips to the Grenadines, given their locations.

34. Within SVG's marine tourism sector, yachting has been identified as having the strongest potential for tourism development. Yachting has long been the cornerstone of the country's tourism, with the TCMP as its flagship product. In 2013, the latest year for which statistics are available, SVG welcomed a total of 200,121 visitors, with 63 percent entering by sea, 45,548 (23

percent of total) of whom were on yachts.<sup>48</sup> However, this number includes only yachts arriving from other countries and does not take into account those that have been chartered in SVG. Additionally, a study of yachting in SVG found that one-third of yachts are suspected of avoiding clearance, making the actual number much higher. The majority of those entering by yacht make Bequia their port of entry, followed by Union Island.

35. The Ministry of Tourism outlines that ‘yachting has unlimited potential for growth based on the country’s well-endowed natural resource base, numerous offshore cays, good anchorages, extensive reef, and clear waters for sailing and scuba diving’. Historically, the growth of yachting in SVG has been stunted by lack of direct air access, which has inhibited the growth of locally based charter operations; evidenced by the majority of yacht charters being undertaken abroad. This is set to change with the new international airport opening. Although certain areas are reaching their carrying capacities, the diversification of destinations and extension of seasonality can allow such growth to continue.

36. In 2002, the last time a comprehensive assessment of the yachting sector in SVG was carried out there were four charter companies with 85 yachts directly employing 152 persons in the country, only one of which was locally owned. The communities in Union Island and Bequia were and continue to be, to a large extent, directly dependent on yachting tourism. It was estimated that yachting generated around US\$10 million in annual visitor expenditures.<sup>49</sup> Despite this study being undertaken more than 20 years ago, the structure of yachting in SVG has not undergone many major changes since then.

37. Key issues facing the yachting sector include seasonality, crime (theft and non-clearance of vessels), pollution and ecosystem damage, and overcrowding of anchorages. There are 19 anchorages in the country with differing variety and quality of facilities and services offered. Many of them are unmanaged and do not have above-rudimentary infrastructure or facilities, which can be a roadblock to diversifying yacht destinations.

#### **Box 9.2. Infrastructure and Services at Anchorages**

SVG has 19 utilized anchorage areas throughout the archipelago, with a wide range and varying quality of facilities and services. In general, the main gaps are

- lack of properly regulated system of yacht moorings. Most anchorages need additional moorings. The moorings can be installed through private sector initiatives but would need to be regulated and controlled (licensed) by the Government;
- more garbage receptacles required on waterfronts of frequented yachting destinations, as well as landfills or alternative disposal arrangements required on all islands;
- inadequate facilities for solid waste disposal and lack of regulated garbage collection;
- lack of facilities for reception and treatment of yacht sewage;
- lack of water at several anchorages;
- the coast guard being under-equipped and under-trained to undertake its law enforcement tasks, with petty theft and enforcement of environmental regulations being the greatest issues that yachting in SVG face;
- lack of fuel and power at certain docks;

<sup>48</sup>SVG Tourism Authority Monthly Statistics. 2013.

<sup>49</sup> Saint Vincent and the Grenadines. 2002. The Yachting Sector. Economic Commission for Latin America and the Caribbean.

- inadequacy of public bathrooms; and
- lack of facilities on shore (provisions, restaurants, bars, materials, supplies, activities, and crafts).

**Table 9.3. SWOT Analysis of the Marine Based Tourism Product of SVG**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• Unique destination of clustered islands ideal for cruise yachting</li> <li>• Sought-after product in the TCMP</li> <li>• Existence of structured and operational community groups and associations within SVG</li> <li>• High satisfaction rate from existing marine-based tourism visitors</li> <li>• Well-developed yachting sector in certain areas of SVG</li> <li>• TCMP has organized management and strategic plan as well as 100% self-financed operations</li> <li>• The OECS yachting strategy focus has improved regional competitiveness</li> </ul>	<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Lack of organized sector: No marine-based tourism association, working group, or advisory committee</li> <li>• Lack of clear marine-based tourism policies and prioritization</li> <li>• Unfocused branding and positioning</li> <li>• Relatively unknown destination</li> <li>• Highly seasonal subsector</li> <li>• Cumbersome customs regulations and clearance procedures</li> <li>• Data deficiencies in yachting impacts and satisfaction ratings</li> <li>• Poor management and upkeep of anchorages, including low levels of infrastructure, facilities, and services</li> <li>• Lack of direct, international air access into Saint Vincent and expensive and few flights into Grenadines' airports is stunting the growth of a locally based yachting sector</li> <li>• Lack of marine repair infrastructure, goods, and services</li> <li>• Lack of zoning of harbors and main anchorages</li> <li>• Low service quality and lack of technical and managerial skills related to marine-based tourism and yachting in particular</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Growing independent adventure market that prefers undiscovered destinations like SVG</li> <li>• Pristine sites are available to diversify the tourism product</li> <li>• Authentic and undiscovered reputation</li> <li>• Local communities open to involvement in site stewardship, management, and increasing linkages</li> <li>• Marine-based tourism is a sizeable and growing global sector, with potential for growth in yachting, diving, wind sports, marine events, festivals, and competitions in SVG</li> <li>• Location on prime regional yachting circuit</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Overcrowding and carrying capacity issues threatens the sustainability of marine-based tourism products, especially in the TCMP in high season</li> <li>• Poor liquid and solid waste management due to a lack of infrastructure and enforcement of regulations</li> <li>• Crime, theft, and harassment</li> <li>• Lack of compliance with regulations to protect endangered species</li> </ul>

38. Strategies to increase visitor expenditures:

- Communicate a high-value offering and reduce seasonality through promoting and positioning marine-based tourism in SVG as an authentic, undiscovered, and upscale experience

- (b) Sustainably develop, diversify, and manage marine-based tourism sites in a participatory manner by upgrading infrastructure, services, and facilities to improve the quality, diversity, and security of the experience
- (c) Improve the local marine-based tourism product and services offering by investing in training and providing business development services and access to finance

### **Saint Lucia: Castries Waterfront**

39. Unlike many capital cities of member states of the OECS, Castries, Saint Lucia, has few traces of its eighteenth century origins. This is because of a disastrous fire that swept through the old city in 1948. Reconstruction took place during the 1950s with bland mid-century concrete structures replacing the traditional West Indian architecture that had existed before the fire. The late nineteenth century steel-framed Roman Catholic cathedral survived, as did the central Columbus Square, now renamed Walcott Square after the Saint Lucian Nobel Laureate for Literature, Derek Walcott. Around this square, stand buildings that have been reconstructed in a traditional style to reflect the pre-fire architecture, even if in many cases these are merely façades covering the 1950s concrete. At one corner is the public library donated by the Scottish American philanthropist, Andrew Carnegie.

40. The square itself provides a beautiful centerpiece for the town with the cathedral along one side and a magnificent samaan tree providing shade over a wide area. There is a bandstand, a central fountain, a war memorial to those who fell in the First and Second World Wars, and two busts of the island's Nobel laureates: Derek Walcott and Sir Arthur Lewis. The latter received his award for economics. The square is covered in lawn grass and provides a cool shady retreat from the heat of the surrounding city. The pity is that many visitors do not make it across the 300 meters of traffic and crowded streets that lies between their arrival point on the wharf and the pleasures of Walcott Square.

41. To materially improve Saint Lucia's tourism product, some way has to be found to reduce the intense congestion of the downtown Castries and waterfront areas, especially when there are cruise ships in port.

42. Cruise ships frequently dock at the wharf along Jeremie Street and passengers exit to the street through the duty-free arcade. However, the streets in the immediate vicinity are always highly congested, with trucks hauling 40-foot containers out from the Port of Castries immediately next door. It is not a good introduction to otherwise beautiful Saint Lucia.

43. In addition to the issue of traffic, a Cruise Industry Overview Report for 2014 highlighted the following areas of the island's tourism product for improvement.

- (a) Cleaner island
- (b) More tours
- (c) Open on Sundays
- (d) Apprehend drug sellers who target tourists



- (e) Taxi drivers too aggressive
- (f) More signage
- (g) More beach access
- (h) Reduced visitor harassment
- (i) Free Wi-Fi
- (j) More local craft

*Transport: Addressing challenges of traffic*

44. Key issues include

- (a) Traffic congestion
  - (i) Castries is a very congested place, particularly during the peak travel time in the morning (8:00 a.m.–10:00 a.m.) and the afternoon (4:00 p.m.–6:00 p.m.). Congestion is at its worst about four to five mornings per week when a cruise ship arrives at the port's southern berth and off-loads passengers through the 'La Place Carenage' terminal right into Jeremie Street, Castries' main artery.
  - (ii) There are many compounding reasons for congestion in Castries. The main one is that, with the city structure, there is basically only one possible road to carry traffic in and through town. This is the Compton Highway-Jeremie Street link that follows the bay on its southern and eastern sides. Although there is an internal bypass to the downtown area (through Brazil Street and Chaussee Road), vehicles will always prefer the Compton-Jeremie link because it is wider and shorter. There is therefore a very varied mix of vehicles using that link, including freight vehicles during peak hours, which often disrupts the flow of traffic and are a danger for pedestrians.
  - (iii) However, there are also serious road design and traffic management issues in Castries that make congestion much worse than it needs to be. The most important is the poor design and condition of the main intersection in the city, where Jeremie Street, Compton Highway, and Peynier Street meet. The presence of drains, which are lower than the road surface and are covered by metal plates, brings almost every vehicle to a halt. In addition, the backup of buses from the nearby bus station on Peynier Street sometimes limits available space, and the traffic lights do not seem coordinated with others on Jeremie Street. Furthermore, pedestrian movements are not organized properly at this junction.
  - (iv) There are other serious traffic-related issues. Most traffic lights do not work properly and those that do are not properly programmed. The presence of parking spaces and bus stations close to several main intersections reduces available space and junction capacity. Although bus stations are spread out by destination

and mostly located on the outside of Castries' central area, which is a good thing, there are still too many buses just waiting at the stations and occupying precious public space. When cruise ship passengers exit La Place Carenage, the unruly parking and movement of taxis on Jeremie Street obstruct this key artery. Some features of the one-way system downtown may also need to be revised such as the ability of vehicles to go down Laborie Street and intersect with traffic on Jeremie Street. In fact, during most of the workday, traffic in downtown Castries is close to saturation so that any incident that affects the capacity of a key link in the street system has disastrous effects.

- (v) All this congestion affects the image of the city, making it unpleasant and time consuming for tourists to cross Castries to go to other parts of Saint Lucia and return on time. It also affects the local population and the attractiveness of activities in Castries.

(b) Lack of safety and poor experience for pedestrians

- (i) Street space in Castries is unpleasant and the movement of pedestrians, particularly those with reduced mobility (which include many older tourists) is often difficult and unsafe.
- (ii) Generally, the sidewalks are uneven, narrow, and difficult or, in some cases, impossible to walk on. Their appearance (low-quality concrete) is poor. Many ditches are also open, making it dangerous for both pedestrians and vehicles, and unaesthetic. Many itineraries are not continuous, forcing pedestrians to walk on the street. Crossings are often not marked and there is no feature to calm down traffic, such as an elevated crossway. Faulty traffic lights of course do not help pedestrians cross streets. Due to poorly cleaned ditches, some areas are said to be flooded during heavy rains.
- (iii) There are also three specific areas that require attention. The most important is the area around La Place Carenage where pedestrian movements are not organized and highly dangerous. Tourists should be led quickly to the southern side of Jeremie Street and from there either further south to the cathedral and Walcott Square or east to the Castries market. Also important is the area in front of the market, west across Compton Highway to the Vendors' Arcade and south across Jeremie Street. Finally, the William Peter Boulevard does not live up to its potential, as it remains an undistinguished urban space cluttered with parked vehicles and unfriendly to pedestrians.

(c) Undeveloped institutions

Although the public sector has the main responsibility of ensuring that citizens' and tourists have good access to services and economic activities and that all forms of traffic (including pedestrians and public transport vehicles) flow efficiently and safely, the institutions that should fulfil this mission are undeveloped. The Ministry of Infrastructure does not have any unit in charge of

transport planning and data analysis and there is only one person dealing with traffic and parking management in the Technical Services Department. There is also no formal structure such as an urban transport committee that could continuously bring together the various entities whose responsibilities have a bearing on mobility in Castries (Ministry of Infrastructure's various departments, public transport operators' unions, traffic police, urban development, and land use planning and control, city council, and so on) and ensure adequate decision making.

*Tourism: Botanical Gardens, the Market, and a 'food' theme*

45. A variety of studies has explored the factors that affect the spending behavior of cruise tourists. Andriotis and Agiomirgianakis (2010) suggest that cruisers' choice of offshore activities is driven by seeking novelty, interest in doing something different, and escaping from daily routine.<sup>50</sup>

46. According to a study conducted by the IFC, Australian Aid Program, and Carnival Australia (2014)<sup>51</sup> tourist spending on shore is highly correlated with the overall satisfaction of tourists with the quality of available activities, shopping opportunities, and attractions. This means that the more satisfied cruise visitors are with the things that are available for them to do and see, the more time they spend in the port of call and, as a result, the more expenditures they make. Time spent at the destination has repeatedly been confirmed as the main determinant of higher spending.<sup>52</sup>

**Figure 9.2.**



47. A very recent exploration of offshore behavior of cruise travelers in Bergen, Norway finds that the availability of too many options is also not a positive thing as it actually suppresses visitor spending.<sup>53</sup> This is in line with contemporary consumer behavior research, which confirms that the availability of a broad set of options creates decision-making complications and prompts consumers to avoid making choices all together.<sup>54</sup> This suggests that the best context facilitating high offshore spending for cruise tourists is the availability of a relatively small portfolio of high-quality activities and attractions.

<sup>50</sup>Konstantinos Andriotis and George Agiomirgianakis. 2010. "Cruise Visitors' Experience in a Mediterranean Port of Call." *International Journal of Tourism Research*, 12(4): 390–404.

<sup>51</sup> IFC, Australian Aid Program, and Carnival Australia. 2014. Assessment of the Economic Impact of Cruise Ships to Vanuatu, August 2014.

<sup>52</sup> Brida, Juan. Gabriel, Daniel Bukstein, and Emeliano Tealde .2015. "Exploring Cruise Ship Passenger Spending Patterns in Two Uruguayan Ports of Call." *Current Issues in Tourism*, 18(7): 684–700.

<sup>53</sup> Larsen, Svein, and Katharina Wolff. 2016. "Exploring Assumptions about Cruise Tourists' Visits to Ports." *Tourism Management Perspectives*, 17: 44–49.

<sup>54</sup> Iyengar, Sheena. 2010. *The Art of Choosing*. Twelve.

48. According to another study by Jackson (2004) cruise tourists have specific behaviors that relate to their comfort with the safe and controlled environment provided onboard by cruise ships. In this sense, they are more conservative in venturing out and engaging in activities that might be associated with higher risk or less control. Among the main concerns of cruise visitors are the unfamiliar environment, fear of being lost, and fear of crime. In this sense, creating areas around ports that can become ‘extensions’ of the safe and secure environment on the ship can be very effective in encouraging cruise ship passengers to engage in offshore experiences that feel safe and comfortable.<sup>55</sup>

49. In summary an increased desire to visit a destination and spending among cruise tourists can be achieved with

- (a) opportunities for experiences that are novel and different from what tourists can experience elsewhere;
- (b) experiences that form positive perceptions and lead tourists to spend more time on shore and as a result make them spend more;
- (c) environment and service providers that leave positive impressions and lead to positive word of mouth effects; and
- (d) attractions and experiences that are close to the cruise ship in areas that are perceived as extensions to the safe and controlled on board environment.

50. As mentioned, to address the concerns raised by cruise tourists, Saint Lucia aims to focus on beautification of the downtown and market area in Castries. This would include safe and pedestrian-friendly areas that allow for self-guided or guided experiences, include improved general infrastructure and light visitor and recreation infrastructure. An important anchor of the development will be the authentic culture and tradition center, which will be developed by transforming the old botanical gardens. The center will provide a place for extended culinary and cultural experiences, as well as potential spice and medicinal plant gardens, areas for cultural events, culinary demonstrations, tastings, and so on. This anchor development in the downtown area could fuel additional investments from private sector operators who will design and launch new products and services, including restaurants and cafes offering local cuisine, crafts and souvenir shops, excursions and tours, and so on, which will contribute to the adding of a diverse portfolio of things for visitors to do.

51. Another investment would be the upgrading of the market and the surrounding area. There are not many similar offerings in the Caribbean region, so market and local food experiences are likely to be perceived as novel and different by cruise tourists. In addition, the market area is close to the cruise ship terminal, so access will be fast and easy for guests who may be hesitant to take long trips to other parts of the island but will be tempted to explore nearby areas. Finally, developing an anchor attraction around local produce and local food is likely to create a favorable environment for linkages with local culinary experiences such as culinary demonstrations and tastings, cooking classes, and farm experiences. There are already some private sector providers

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<sup>55</sup> Jackson, R. 2004. Beyond the Tourist Bubble: Cruiseship Passengers in Port. *Annals of Tourism Research*, 31(1): 44–60.

of cooking classes, culinary, and tasting experiences in Saint Lucia that seem to receive strong positive feedback.

52. The downside of only investing in the market is that market experiences are, generally and predominantly, outdoor experiences, which are affected by climate. Warm and humid weather can limit the desire of visitors to spend much time outdoors. For this reason, the combination of the botanical gardens and the market investment could offset the climate impact. If the botanical garden area is covered and provides opportunities to engage in culinary or cultural activities or explore local farming practices, it will be an attractive extension to the open-air market experience

53. It is important to note that regardless of the type of core attraction that is developed, attention will need to be devoted to the style of experience offered and the quality of the services. Hassling and safety concerns need to be addressed through some soft measures as they seem to be strong deterrents, which research shows puts visitors off and suppresses spending. The quality of the offerings and supporting services is also going to be key in creating a favorable environment for increased spending by cruise and other visitors.

## **Annex 10: Proposed Castries Façade Improvement Grant Program**

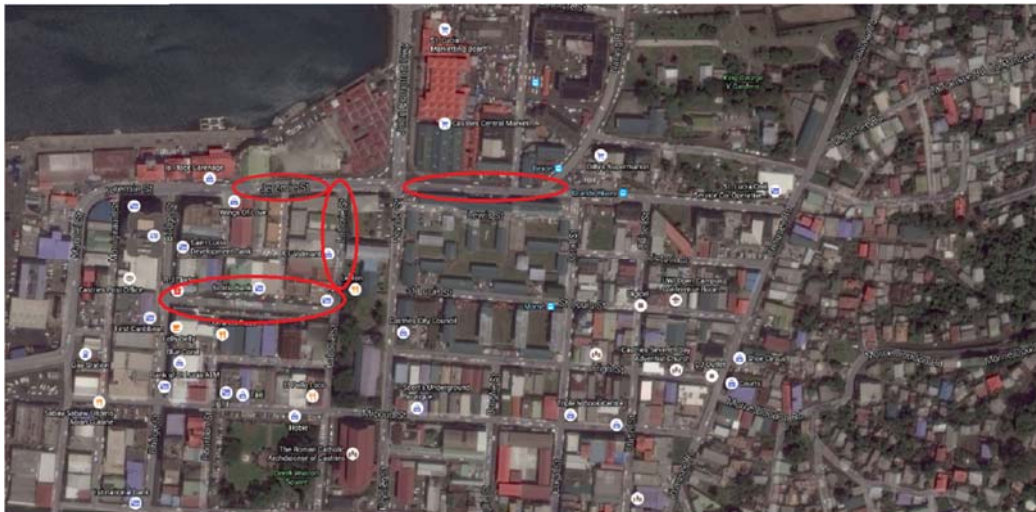
### **Grenada, Saint Vincent and the Grenadines, and Saint Lucia: OECS Regional Tourism Competitiveness**

1. A sum of US\$500,000<sup>56</sup> has been set aside for the proposed Castries façade improvement grant program to provide matching grants to approximately 60 storefronts of local, small businesses that operate in the government-identified heart located in the Castries Central Business District. While not blighted, the area is currently undistinguished—the buildings have poor quality façades, lacking color, appealing architecture, or a picturesque character and unpleasant poles with electricity and phone cables abound. Moreover, the uneven sidewalks and open ditches for drainage make pedestrian access difficult.

#### **Description of the Target Area**

2. The buildings targeted for storefront improvements in the Castries Central Business District are those on parts of Jeremie Street, Laborie Street, and William Peter Boulevard (see figure 10.1). These are also the sites of concurrent urban transport initiatives to improve pedestrian access to the area, by pedestrianizing William Peter Boulevard and improving sidewalks and closing open ditches on William Peter Boulevard, Laborie Street, and Jeremie Street.

**Figure 10.1. Aerial View of the Target Area**



3. This area is primarily a commercial zone with retail and office land uses. Commercial uses include commercial banks, general stores, clothing shops, jewelry stores, beauty salons, electronics stores, drugstores, doctors' offices, fruit and vegetable shops, and fast-food restaurants. The targeted segments of Jeremie Street (20–25 storefronts) include a mix of these uses, and the area across from Central Castries Market has fruit and vegetable hawkers and fast-food restaurants. The buildings on Laborie Street (5–7 storefronts) include a department store, a beauty salon, a

<sup>56</sup> This amount will be distributed as follows: US\$300,000 for the façade improvement program (funding matching grants) and business support services; US\$125,000 for a grant manager; US\$30,000 for capacity building for the program, US\$30,000 for the drafting of a grant manual; and US\$15,000 for public awareness regarding the program.

bookshop, and small offices. Lastly, William Peter Boulevard (15–20 storefronts) features an indoor shopping mall, banks, fast-food restaurants, and general stores. Figures 10.2 to 10.5 show the street segments targeted for façade upgrades.

**Figure 10.2. Jeremie Street (portion across Central Castries Market)**



**Figure 10.3. Jeremie Street (portion across La Place Carenage)**





**Figure 10.4. Laborie Street (portion between Jeremie Street and William Peter Boulevard)**



**Figure 10.5. William Peter Boulevard (facing west)**



4. Locally owned businesses within this historic downtown district of Castries have inconsistent and unremarkable façades and the surroundings lack information and pedestrian signage for tourists wanting to explore the area. The area, generally, and the targeted street segments on Jeremie Street, Laborie Street, and William Peter Boulevard, have poor pedestrian access, with small sidewalks and open drains. There is a lack of unique restaurants/bars/shops or activities/events to enhance its attractiveness to tourists. The small and owner-operated retail businesses that cluster in this target district may lack the financial resources, human resource



capacity, and/or technical knowhow to invest in and maintain attractive storefronts and façades, including investments in deferred maintenance, business branding and signage, and other storefront upgrades.

5. Some of the property owners in the target area are chain department stores, such as A.F. Valmont (which also has tenant business owners in the area), and or chain pharmacy stores, namely R.J. Clarke. The target of this program are small businesses, whether they are commercial tenants or property owners, which would be unable to afford façade improvements without government intervention. The program also targets the commercial tenants of the large property owners in the Castries downtown area. There are businesses that have made façade improvements in the area. However, comparing the improvements to one another, the style and quality is inconsistent. Consistent facade improvements aim to improve the area's appeal and generate local economy benefits.

### **Rationale for Investing in Façades within a Designated Historic District**

6. Façade improvements are a means to enhance the viability of these businesses as well as, indirectly, the attractiveness and vitality of the broader Castries Central Business District neighborhood to retail customers and visitors.

7. Jeremie Street/La Place Carenage is the designated cruise ship landing area in Castries, and can therefore serve as an entryway to many of the other tourism sites in Castries. Similarly, tourists disembarking at Pointe Seraphine can travel to the Central Business District by boat or along the promenade. La Place Carenage is only about a two-minute walk from William Peter Boulevard and a two-minute walk to the Central Castries Market. The façade improvements in the area will be implemented in conjunction with the pedestrianization of the William Peter Boulevard as well as other public services improvements, to increase the entrepreneurial activity on both the boulevard and the intersecting streets. Other interventions occurring in parallel to the proposed façade improvement program will include the placement of signage, new benches, and additional trash receptacles, traffic, sidewalk, and drain improvements, and improved maintenance. The improved pedestrian access throughout the area will enhance the experience of tourists along the boulevard and facilitate the improved movement of tourists from the cruise ship port to the local retail offering, including restaurants, bars, and locally owned shops.

8. An additional component of the Castries City Tourism product will be on providing assistance to small, local area businesses within the target area, and might include

- (a) business planning/business model preparation;
- (b) marketing/branding support (including product offerings and signage discussed under other project component); and
- (c) technical business support (for example, upgrading a small business' accounting functions from paper to electronic).

## Background on Façade Improvements as a Component of a Broader Urban Regeneration Strategy

9. The concept of façade improvements is to promote conservation and/or reconstruction of historic façades of privately owned buildings as one component of an integrated, multi-sectoral investment strategy to regenerate a designated area. Cities in both developed and developing countries provide financial incentives, often in the form of matching grants, to private property owners to conserve and/or upgrade façades of privately owned buildings, particularly buildings of heritage value. The argument for these programs is that storefront façade improvements enhance the image and overall economic viability of neighborhood businesses by improving the function and appearance of individual building façades. In addition, the programs show tangible and immediate public improvements, as other, lengthier urban development initiatives are ongoing (for example, framework plan for redevelopment). Examples of successful façade improvement programs can be found in U.S. cities such as Philadelphia and Detroit. In these cities, retailers and local businesses benefitted from increased traffic and the local government benefitted from increased property values and spending by tourists. A study on a Philadelphia commercial corridor targeted for façade improvement demonstrated that the improvements had a positive economic effect measured with regard to population and property value increases.<sup>57</sup>

10. Several World Bank financed projects on cultural heritage, including in Lebanon and Morocco, have included components on façade improvements.<sup>58</sup> In Lebanon, dense and predominantly poor old town centers, in cities such as Byblos and Saida, were targeted for infrastructure rehabilitation and service provision. Byblos' streets and infrastructure, and Saida's old city streets, were rehabilitated, and as a result, tourist visits increased to the shops and restaurants in the area. The component of the Lebanon project most related to façade improvement was termed 'conservation and adaptive reuse of monuments and historic buildings'.<sup>59</sup> Economically, the project aimed to create new local employment opportunities and stimulate economic activities in locations of high unemployment, and socially it sought to enhance the value of cultural assets primarily for recreational purposes for local residents. Results of these kinds of projects and initiatives can be tracked with regard to land and/or rental value increases as a result

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<sup>57</sup> For an analysis of property value increases as a result of Philadelphia's façade improvement program, see: Maust, Erica. 2013, *Placing Color: Architectural Color and Façade Improvement Programs in Commercial Corridor Revitalization in Philadelphia*. University of Pennsylvania, Philadelphia, PA.

<sup>58</sup> The World Bank has financed the conservation of privately owned façades of heritage buildings in downtowns in a number of projects, including:

- Morocco: Fes Medina Rehabilitation Project <http://www.worldbank.org/projects/P005524/fes-medina-rehabilitation-project?lang=en>
- Tunisia: Cultural Heritage Project <http://www.worldbank.org/projects/P048825/cultural-heritage-project?lang=en>
- Lebanon: Cultural Heritage and Urban Development Project <http://www.worldbank.org/projects/P050529/cultural-heritage-urban-development-project?lang=en>
- Ethiopia: Tourism Development Project <http://www.worldbank.org/projects/P057770/cultural-heritage-project?lang=en>

In these World Bank financed projects, the incentive to private owners (in some cases for the façade, in some cases for the entire building) was delivered in kind, meaning that a contractor recruited by the implementing agency undertook the conservation works with the written consent of the owner.

<sup>59</sup> For more on the Lebanon Cultural Heritage and Urban Development Project, see:

<http://www.worldbank.org/projects/P050529/cultural-heritage-urban-development-project?lang=en>.

of the project; however, this often requires a reliable cadaster and real estate market. The World Bank financed project in Fes, Morocco pursued “the expansion of existing programs to improve the built environment, consisting of consolidation of dilapidated structures, demolition of ruins, construction of community facilities, and urban landscaping.”<sup>60</sup> The project also created an incentive program to encourage private investments in the improvements. It measured project benefits with regard to the increase in property values attributable to the project.

11. The problems with projects that have pursued façade improvements has been an overemphasis on the rehabilitation of façades and less attention to overall urban development needs of the surrounding area, such as pedestrian accessibility, traffic management, and solid waste management. In addition, processes to select particular properties for façade improvement should be widely publicized and fair—thus both property owners and community organizations should be involved in the process of creating such a program. These programs seem to work best when rolled out gradually and as part of a suite of urban development improvements. Public realm interventions and demonstration projects with public buildings renovated first to serve as a catalyst for private improvements have been successful in past experience.

12. While policy debate has arisen regarding whether façades of heritage buildings are public goods or not, there is general agreement that it is in a city’s best interest that its downtown is in good shape, so as to attract visitors and serve as a catalyst for follow on private investments, which will generate additional revenue for the city and its citizens. Added revenue can eventually contribute to improved public services. For this project, façade improvements are only one component of integrated, multi-sectoral public services improvements in the Central Business District, including the reconstruction of the intersection of Jeremie Street and Compton Highway; the organization of pedestrian and taxi movements near La Place Carenage; and works in other parts of Castries focused on the improvement of sidewalks, as well as the improvement of junctions and traffic lights.

### **Financial Incentives Provided by the Government**

13. Subsidies are in the form of a matching grant, the value of which would be provided by in-kind design and construction delivered by a technically qualified contractor pre-selected by the Government. In many cases, the use of these financial incentives worldwide, are counterbalanced with one or more of the following measures:

- (a) An expected increase in assessed real estate value, which translates into higher real estate taxes collected by the local government
- (b) A commitment to let city users (including tourists) visit the buildings, especially when these assets have high heritage value
- (c) A signed agreement by property owners to facilitate a building’s adaptive reuse, as an incentive for owners who get subsidies to let businesses open at the ground floor of the buildings

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<sup>60</sup> For more on the Morocco Fes Medina Rehabilitation Project, see: World Bank. 1998. Rehabilitation of the Fes Medina, Project Summary Document.

- (d) A binding signed commitment by property owners to conduct proper maintenance on elements of the building conserved with public funding

14. An agreement will outline the obligations of the parties benefiting from this scheme. The PCU managing the program will be included in a legally binding agreement, which clarifies that the subsidies will be in the form of a matching grant. The agreement will indicate what the party benefiting from the subsidy, the property owner, will be expected to provide in exchange for this benefit.

### **The Scope of Work for Façade Improvements in Castries**

15. It is estimated that façade improvements within the target regeneration district will range from US\$2,000 to US\$10,000 per building, varying by building height, existing façade, and amount of upgrades required. The MOE has preliminarily identified 60 storefronts as potential candidates for this program. The following are guidelines to initiate the façade improvement program.

- (a) *Establish implementing agency for façade improvement program*

- (i) The Project Implementation Unit (PCU) will be responsible for the overall management of the project, through a designated grant manager.
- (ii) The manager will administer the façade improvement funding, develop an operational grant manual, and evaluate proposals.

- (b) *Present façade improvement program to area businesses and public*

- (i) A focus group and interviews with several local businesses, in partnership with the Saint Lucia Chamber of Commerce, Industry and Agriculture and the Vendors' Association, will discuss how the façade improvement program may benefit their business and how such a program will work.
- (ii) Businesses will be presented with the types of façade improvements envisioned, the time frame for the project, and aspects of implementation.
- (iii) The PCU will also lead a public awareness initiative to provide information about the façade improvement program.

- (c) *Establish façade improvement grant guidelines regarding application and funding*

- (i) The MOE, both the PCU and DPND, in cooperation with the Ministry of Physical Development, should establish the eligibility requirements of interested target area businesses; this would likely include that
  - the property owners and commercial tenants (with approval from the property owner) are located within the targeted area of improvement (segments of Jeremie Street, Laborie Street, and William Peter Boulevard);

- the façade improvements are for a commercial business or commercial building—a building which has a retail and/or office use;
  - the majority of the work will be done on the street-facing front or side of an existing building; and
  - the specific façade improvements may include any of the following:
    - Exterior painting or professional cleaning
    - Exterior lighting
    - Restoration of exterior finishes, including restoring architectural details (for example, cornices, graphics) or removal of materials that cover those details
    - Repair or installation of gutters and downspouts
    - Masonry repairs or cleaning
    - Repair or replacement of store windows and doors
    - Canopy or awning installation or repair
    - Murals will be possible as part of an art project in the area focused on attracting tourists and locals
    - Repair or installation of exterior signage
    - Removal of barriers to access the building from outside, including for people with disabilities
    - Walls, windows, and other signs advertising the business name and identity
- (ii) The façade improvements must comply with all relevant government permits, regulations, and codes. Participant businesses are themselves responsible for obtaining all of the necessary regulatory approvals, which could be obtained at the relevant permitting agency.
- (iii) Project costs should not exceed US\$10,000.
- (d) *Establish façade improvement grant budget, matching grant amounts, and reimbursement*
- (i) The PCU and the DPND will establish an annual budget for the façade improvement program which will take into account the project funding amount, the cost of façade improvement for a particular storefront, annual target for

façade improvement, and the percentage of the contribution that the Government will require from private businesses.

- (ii) In other contexts, governments match grants at either a 1:1 or 1:2 match. With a 1:1 match, the Government pays for 50 percent of the total project costs—up to a US\$5,000 maximum because the projects are not to exceed US\$10,000. The Government may offer a greater private contribution in certain areas and require a 1:2 match, where the grant will pay for 33 percent of the total project costs—up to a maximum of US\$3,300.
- (iii) The total costs, including both construction costs of the improvements and the architectural fees are not to exceed US\$10,000 per project. The maximum number of storefronts that could be upgraded at the maximum US\$5,000 matching grant amount (50 percent of project cost) per project is 60 (based on a budget of 300,000). However, the program will likely be able to support more than 60 storefronts because the Government may designate areas where it will provide only a 1:2 match (and fund 33 percent of the project cost) and some targeted storefronts would be more appropriate for less costly exterior signage and painting improvements.
- (iv) Proposed projects will only receive funding after their proposals have been reviewed and approved by the DPND and the private businesses have completed and paid for the total project costs. The DPND will then issue a commitment letter and subsequently allocate funding. The letter will outline the terms and conditions of the matching grant. The letter will also bind the DPND and the property to the scope and quality of work of the façade improvements and the amount of funds to be allocated.

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<sup>61</sup> Refers to Former Yugoslav Republic of Macedonia.