



Supporting climate resilient investments in the agricultural sector in Saint Lucia

Country / Region: **St. Lucia** | Project Id: **PPCRLC506A** | Fund Name: **PPCR** |

Comment Type	Commenter Name	Commenter Profile	Comment	Date
Comment 1	Gaia Allison	United Kingdom	<p>Thanks for sharing the Saint Lucia project proposal with us. Working with the cooperatives and credit unions to take forward resilient improvements in agriculture is a good idea and they are important brokers on the islands. Further potential rollout of the innovative livelihood disaster insurance scheme developed a few years ago, and combining this with new loan products for climate smart investment is an interesting approach.</p> <p>We have a few questions for which we would appreciate a response:</p> <ul style="list-style-type: none"> -The original concept for this PSSA project was for ~\$6m but this has been significantly scaled down to ~\$1m. Could you provide some explanation for this decision? The revised budget is certainly proportionate for the scale of the initiative proposed but it would be useful to have some information explaining the downward revision in ambition. -Could you expand further on the reasons for low appetite for loans from the producers? The mitigation measures provided suggest that the main obstacle is a lack of markets to justify the cost of taking a loan and investing in new production practices. Is this the only reason for the low appetite? -Affordability issues and applying lessons learnt to date regarding uptake of the livelihood insurance scheme (or sustainability from disaster insurance schemes like those trialled in Haiti) will be important to consider. What is the likelihood of uptake of loans and insurance products by small producers and subsistence fisher folk? Can any lessons from the existing scheme be provided? -Given the Gender focus set out – it would be helpful to have some analysis of any gender related barriers to accessing finance, and the inclusion of sex disaggregated targets for the finance related indicators. <p>Many thanks and best wishes Gaia</p>	May 16, 2017
Response 1	Sara Valero	IDB	<p>Answering in the same order of the questions:</p> <ul style="list-style-type: none"> - The issue is really absorptive capacity of the Executing Agency Laborie Credit Union, the original amount was predicated on earlier discussions with the two institutions that were first considered but which proved unfeasible as partners. The revised loan financing is based on estimated take up by the clients of Laborie Credit Union and also reflects the fact that this institution does not wish to over inflate its liquidity position and the fact that this type of lending is a new line for our partner. There is however interest in further uptake if this approach proves successful via a second round of financing. - MIF's experience in the agricultural sector in the Caribbean tells us that given the small scale subsistence models that dominate agriculture in most islands, and although farmers and fisher folk are aware of the impact of climate change on their livelihoods, the current model of price taking, selling via wholesalers cannot support new investment in mitigation measures. MIF has found in the Caribbean in particular that access to more profitable channels must accompany new investment by producers. So the low appetite is in fact reflective of the model of farming that is 	May 31, 2017



prevalent in the targeted population at this time, i.e. small scale, limited co-ordination and limited access to more viable market channels (tourism and supermarkets) given lack of assurance to buyers on availability and quality. It's a circular issue as climate change poses risks to farmers in terms of assuring buyers of availability and quality. In addition in the past there has been some crowding out of loan financing by grant resources available to farmers following the loss of preferential access to European markets for bananas which are the islands dominant crop. The loans are granted based on the ability to pay and the cash flow from the productive activities does not always show ability to pay. Producers do access the markets as they should. The general production strategies do not enable the farmer to maximize market share. Production is not market driven. It is unplanned and availability is inconsistent (causing gluts and shortages) hence the market imports quite a lot of produce which can be available locally. The Project will address this issue by implementing techniques of production planning and scheduling using appropriate information systems. Purchasing Officers and Chefs from the market will inform what is produced and when it is produced. Local producers are making sub-optimal use of the market. The Project is geared at changing that.

- Based on MIF's discussions with Laborie Credit Union (LCCU) and the current provider of parametric insurance, pricing as a standalone product is a key barrier to uptake. Laborie Credit Union sees the bundling (and financing) of key insurance products (property, parametric and possibly life) with the loans as a way to encourage farmers to uptake as well as mitigating default risk in the loan portfolio and to borrowers. The current model in use at the LCCU is that the Co-operative pays part of the insurance premiums. In this case part of the cost of the insurance will be borne by the Black Bay Farmers Co-operative as operational expenses. This would be an additional benefit of membership or else the cost of insurance could be prohibitive or a deterrent to some Members. The team has also been in discussions with MUNICH RE from when the concept note for this initiative was first presented to the PPCR S-C since they have successfully implemented a parametric insurance scheme for farmers in the Caribbean (e.g. Jamaica and Saint Vincent and the Grenadines). These conversations informed the inclusion of such insurance scheme in the project and the team plans to keep incorporating the lessons learnt, best practices and recommendations from the MUNICH RE experience to improve the proposed scheme and ensure farmers and cooperatives fully understand the benefits and how the insurance policy works in order to support the uptake of it.

- There is very limited information related to gender related barriers in Saint Lucia to accessing finance, which was a general finding of a recent review commissioned by the Caribbean Development Bank (2016) on gender issues affecting the services sector. However some general observations from the study indicated that in St. Lucia: (i) access to collateral is a major conditioning factor, particularly as men tend to dominate in the ownership of collateral material. This means that in the case of large enterprises, men will have the collateral available to secure the necessary finances. In St. Lucia women are the majority of owners of micro-enterprises, whereas small and medium enterprises are mainly owned by men. (ii) Enterprises led by women are "necessity based" whereas those often led by men are "opportunity based" (longer timeline, greater potential for job creation) which may suggest that women are less likely to seek funding for projects from lending institutions.

MIF has learned over the years that in smaller states including the Caribbean collateral/security acceptable to financial institutions is rarely held by women, it is usually held by male head of household or jointly, therefore this poses a barrier to women seeking access to finance from formal sources falling back on more informal (unreported) and traditional models (e.g. in Trinidad and Tobago even today women contribute an agreed amount to a savings on a weekly, fortnightly or monthly basis and proceeds are paid out on agreed intervals to one member at a time this is called a "sou sou" and is prevalent today as a source of informal financing and is also still used in other Caribbean states).

The project intends to address precisely the barriers explained before (during the implementation phase). More specifically, it was the intention of the insurance scheme to provide security to borrowers and lower the risk associated to the loans (that is also why it is being promoted as a package) so that some of these barriers are lowered and financing is made available to individuals that would normally not qualify as eligible. The results matrix of the project there has been updated to include gender disaggregated targets for: (i) the number of people who gain access to micro insurance products and (ii) the number of producers that gain access to green finance, on the basis of data from the Small Enterprise Development Unit (SEDU), Ministry of Commerce, St. Lucia on the percentage of businesses owned by



Comment 2	Katharina Stepping	Germany	<p>women in the agricultural, forestry and fishing sector (CDB, 2016 report).</p> <p>Germany has no major objections to the implementation of the project. However, we have a few comments, which we would like to see incorporated during project implementation:</p> <ol style="list-style-type: none"> 1. The proposal foresees institutional capacity building as a measure for sustaining targeted results in the project's component 1/ subcomponent 3. In this context, the project includes the development of business continuity plans; however, it is not further elaborated in which way the business continuity plan will contribute to post-project sustainability (e.g. use of more climate-resilient technologies and continuous use of climate-resilient practices, long-term improvement of production quality). Given the importance of sustaining achieved results, we suggest elaborating in detail on the business continuity plan and its value added. We further suggest that other multiplier effects conducive for post-project sustainability, e.g. trainings for trainers, shall be taken into consideration. 2. The project proposal includes the provision of direct insurance against major climate events for smallholder farmers. Saint Lucia is also a policy holder of an indirect climate risk insurance against extreme weather events of the regional insurance facility CCRIF (Caribbean Catastrophe Risk Insurance Facility). Germany therefore kindly asks to outline potential synergies of combining the envisaged direct insurance coverage of farmers with existent indirect insurance coverage at state level. It should be ensured that potential synergies are considered within project design and implementation and that lessons learned are identified and utilized further on how macro and micro insurance approaches can be combined within a country's policy mix for tackling residual climate risks. 	May 17, 2017
Response 1	Sara Valero	IDB	<p>Answering in the same order as the questions:</p> <ol style="list-style-type: none"> 1. The Business Continuity Plan (COP) will assume an all hazards approach, that is, an approach for prevention, mitigation, preparedness, response, continuity, and recovery that addresses a range of threats and hazards, including natural, human-caused, and technology-caused. The main objectives of the COP are to: <ol style="list-style-type: none"> 1. Reduce the potential human, operational and financial impacts of a disaster. 2. Minimize disruptions to service and production by managing disaster events. 3. Facilitate the efficient and effective restoration of full service and production (farming and fishing) activities within the shortest possible timeframe. 4. Safeguard members' funds, holdings and protect the assets of the co-operatives. <p>The all hazards approach of the COP would cause the continued use of climate resilient technologies and post project sustainability. The idea is that climate risk management and climate resiliency become embedded in the organizational culture of the three co-operatives. Specialized training and HR capacity building in the various aspects of climate resiliency would enable the transfer of knowledge and best practices beyond the Project. The trained individuals would then be a resource. The aim is to make the three co-operatives climate resilient organization and by extension the methods by which goods and services are produced in the community.</p> <ol style="list-style-type: none"> 2. An important aspect of climate resilience is recovery after a climate related disaster. Recovery is also integral to the COP. At the macro level CCRF helps with the recovery efforts by mitigating the disruption short term cash flows the economy of Saint Lucia suffers after a disaster. At the micro level direct insurance coverage will enable the farmer to get back into production within the shortest possible time and to so normalize economic activity within reasonable. Hence the macro and the micro risk management strategies would collectively cause productive activities in Saint Lucia to recommence within reasonable time after a disaster and so get the economy back in revenue creating mode. Records should be kept to track the length of time that farmers take to get back into production with and without direct insurance coverage. 	May 31, 2017
Comment 3	Katharina Stepping	Germany	<p>Germany welcomes that the results framework does incorporate a gender target "of the number of females directly supported by the program which will be $\geq 25\%$ of the total number of people supported by the program" (cover page, p. 3). Yet, this quota is only reflected in one indicator, i.e. "number of people who gain access to micro insurance products". The project does not provide measures for gender equality that go beyond the women's quota, in terms of a gender-differentiated impact. As there is certainly potential for a stronger consideration on the gender issue, we kindly ask to include further indicators that are targeting respective gender-balance.</p>	May 17, 2017
Response 1	Sara Valero	IDB	<p>In the updated results matrix of the project there has been the inclusion of gender disaggregated targets for:</p> <ol style="list-style-type: none"> (i) the number of people who gain access to micro insurance products and (ii) the number of producers that gain access to green finance. In addition, the 	May 31, 2017



project will work with a group of women to develop products from cassava. The group already exists but is in need of an improved management structure. The project specifically targets this women group and will encourage them to join Blackbay Co-operative and the co-operative will assume responsibility for product development and marketing. Working with this group will assist in the attainment of the gender-related target of the number of producers that gain access to green finance.

Comment 4	Katharina Stepping	Germany	Germany welcomes that the proposed results framework makes clear reference to PPCR core indicators 1, 4 and 5. However, indicator 2 (Evidence of strengthened government capacity and coordination mechanism to mainstream climate resilience) and 3 (Quality and extent to which climate responsive instruments/investment models are developed and tested) are marked as "n/a", although measures are mentioned that could potentially fall under these categories; e.g. the training of four employees of the Ministry of Agriculture could be regarded as a measure falling under indicator 2. We thus kindly ask to further describe how the project will contribute to the PPCR core indicators 2 and 3.	May 17, 2017
Response 1	Sara Valero	IDB	The team has revised the cover page to better reflect the contribution of project activities to the PPCR core indicators.	May 31, 2017
Comment 5	Katharina Stepping	Germany	German development cooperation has currently no activities in St. Lucia. However, German development cooperation is working at the regional level with CARICOM on a project which aims to improve climate resilience of Caribbean island and coastal states through systemic management of aqua-terrestrial resource management, which undertakes also activities in Saint Lucia. We therefore recommend that potential synergies towards the mentioned project with regard to water management will be examined.	May 17, 2017
Response 1	Sara Valero	IDB	The team takes note of the recommendation and will reach out to the GIZ CATS program to explore these potential synergies.	May 31, 2017
Comment 6	Katie Berg	United States	Dear Mafalda, Thanks for the opportunity to review this project. We have a couple of questions. It appears that the primary problem these producers are facing is a lack of markets, and that there is significant risk that the credit line will be underutilized until this issue is addressed. The document mentions several initiatives underway to expand access to markets. How likely is it that access to markets will improve significantly in the short term? We would appreciate more information on how the existing parametric insurance facility will be adapted for these producers. What is the impact of bundling the parametric insurance coverage into the loans -- the additional cost to borrowers for the loan, as well as the savings on insurance premiums? Thank you, Katie Berg	May 19, 2017
Response 1	Sara Valero	IDB	The problem is not the lack of markets, in fact there are several great opportunities. The principal issue the producers have is the lack of organization and production planning to respond to the market needs in quality, quantity and on timing. Three hotels are going to be built in the South of the island. One will be in Black Bay and construction is scheduled to start in January 2018. Unfortunately 8 of their farmers have to be relocated. Agriculture has been performing dismally in the past and Black Bay Farmers Co-operative through this Project has an opportunity to create significant livelihoods in the sector. With market led production the credit line will be fully utilized to have producers meet the demands of the market. The market exists. Producers have just not positioned themselves to fully access the market. This Project will help in this regard. Also please see responses provided to similar comments raised by other donors that can clarify some of the questions raised.	May 31, 2017
Response 2	Sara Valero	IDB	On the issue regarding the parametric insurance scheme proposed, please see responses provided to other donors that have raised similar questions. The responses should clarify the concerns reflected here.	May 31, 2017