

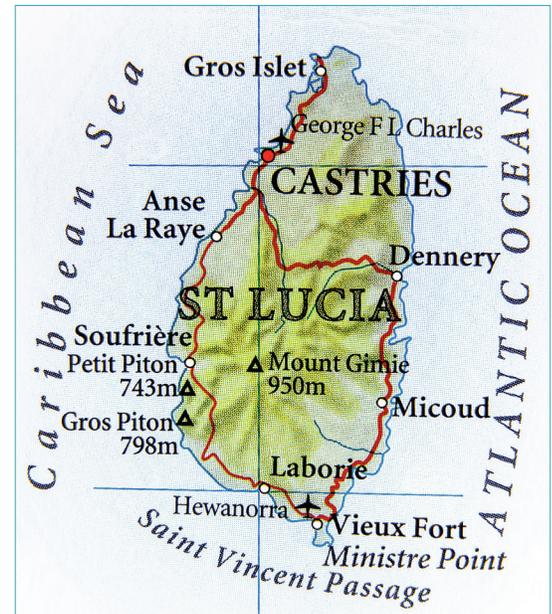
CRF | Canada Caribbean Resilience Facility

SPOTLIGHT ON SAINT LUCIA



Reform in action—using the Covid-19 crisis to accelerate the disaster responsiveness of public financial management systems.

Caribbean countries are highly vulnerable, both physically and fiscally, to natural hazards. This vulnerability makes it imperative for the region to focus on resilience. Past development progress can be jeopardized as natural hazard events intensify due to climate change. Saint Lucia has been working to improve its fiscal resilience by making its public financial management system more responsive to disaster risks. Coincidentally, this has also helped to boost its preparedness to confront health crises such as the novel coronavirus pandemic.



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THE CHALLENGE

Saint Lucia is frequently affected natural disasters—hurricanes, earthquakes, droughts, floods, and landslides—which usually cause significant physical and financial damage. The country is particularly vulnerable to the impacts of hurricanes and earthquakes, which cause average annual losses of USD 9.5 million (0.66 percent of GDP) and USD 2.56 million (0.18 percent of GDP), respectively. The rapidly evolving COVID-19 pandemic is posing many similar challenges for the Saint Lucian economy, calling for extraordinary measures to safeguard lives, health, and livelihoods. The Government of Saint Lucia (GOSL) faces the dilemma of mobilizing unprecedented resources to meet increased spending on health and fiscal stimulus packages as revenue collection is decreasing or delayed as the economy is deliberately put to sleep to slow the spread of the virus.

Conventional public financial management (PFM) systems are often ill-equipped to facilitate rapid response while maintaining accountability and transparency in times of emergency. The administration of disaster risk financing needs to be responsive and flexible, while ensuring value for money and minimizing fraud and corruption. Saint Lucia is making several quick fixes to its PFM system that are simultaneously enhancing its capacity to better support COVID-19 responses.

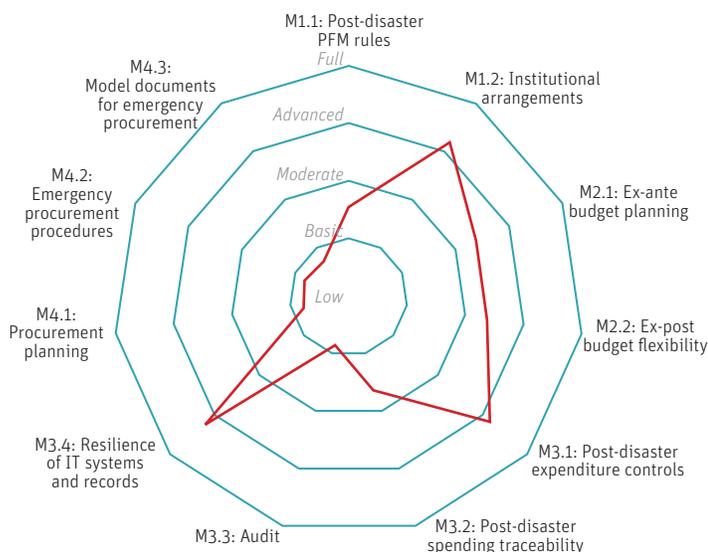
THE CRF APPROACH

With financial support from the Canadian government, the World Bank (WB) and the Global Facility for Disaster Reduction and Recovery (GFDRR) established the Canada-Caribbean Resilience Facility (CRF) in March 2019. The Facility is, *inter alia*, assisting nine countries, including St Lucia, to respond more effectively to disasters through the implementation of PFM institutional reforms.

Against this background, a WB team assessed the responsiveness of Saint Lucia's PFM system to disaster shocks in June 2019. Of the eleven areas assessed, three were evaluated as "Advanced", indicating these aspects of the PFM system are *highly successful* in facilitating efficient or effective response to natural disasters. Two areas were identified as "Moderate", indicating these components are *capable* of facilitating efficient or effective post-disaster response. Two areas were rated as "Basic" and four as "Low", where very significant reforms are needed. A reform action plan was developed that focuses on building capacity in the areas rated as "Basic" and "Low"; i.e. PFM rules for disaster response, traceability of disaster spending, disaster-responsive auditing practices, and emergency procurement planning, operating procedures and model documents.

“The CRF is helping to build PFM capacity to respond to any type of emergency”

Degree to which disaster response considerations are mainstreamed into Saint Lucia’s PFM system



RESULTS

The CRF is helping GOSL to strengthen its legal and regulatory framework for administering disaster risk finance, reorient expenditure controls, and streamline emergency procurement. The following results were achieved between September 2019 and April 15, 2020:

1. The Department of Finance (DOF) drafted interim finance instructions to give guidance on how MDAs should execute emergency budget, procurement, accounting, reporting and audit processes in response to a disaster event. The instructions are being finalized for dissemination throughout the government. The PFM Bill has been revised to include disaster-response considerations and the Budget Circular for FY21/22 is being amended to include criteria for gender-based budgeting, emergency and disaster planning. Improvements have also been made to capture and include sex disaggregated data and gender impacts in the 2021/22 Social and Economic Review. These improvements will enhance the efficacy and inclusiveness of disaster-response by providing clear rules for planning, mobilizing, appropriating, and executing financial resources to support disaster relief and recovery activities.
2. A firm is being contracted to assist the Office of the Director of Audit to develop a comprehensive audit toolkit and planning manual, inclusive of templates and guidance notes, for conducting rapid post-disaster in-year audits of the State’s accounts. This will help to reorient, not dilute, controls to ensure accountability and transparency. Progress has been made to clear a

backlog of outstanding annual financial statements, a crucial step in improving the accessibility of timely performance and financial information on disaster response activities, the lack of which could undermine citizen confidence.

3. The GOSL revised its Public Procurement and Asset Disposal Act to include provisions for using flexible procurement arrangements during emergencies. The CRF supported the drafting of emergency procurement guidelines that outline specific procurement methods prescribed for disaster response, the circumstances under which MDAs are permitted to forego routine procurement procedures, who is responsible for undertaking emergency purchases, and how to execute emergency purchases.

COVID-19: An Incubator for Applying the PD-PFM Recommendations

“With the outbreak of COVID-19, the Ministry of Health has been at the forefront of the nation’s strategic response. This has called for an increase in capacity to detect the virus, to procure protective gear to protect front line workers, as well as to expand and repurpose existing structures to adequately quarantine, treat and house positive and suspect populations. The aforementioned requires a quick response not only with respect to the needs of such populations, but from a procurement system that must be able to acquire necessary supplies within the shortest possible times and with great accountability given the huge budgets required to achieve the same. Procurement under these conditions continue to be demanding. As such, the Ministry is desirous of establishing the necessary guidelines that would enable a seamless and responsible process of procurement during emergencies.”

—Anthony Philgence, Financial Analyst from the Ministry of Health highlighting the need for emergency procurement guidelines.

The COVID 19 global pandemic has underscored that in addition to natural disasters, **public health emergencies are testing the efficacy of PFM systems in Caribbean countries**. The spread of the COVID-19 has galvanized the GOSL into action and has provided an opportunity to quickly put into effect some CRF recommendations. Whereas DOF was aware and putting plans in place, the public health emergency also galvanized the Ministry of Health (MOH) and the National Emergency Management Organization (NEMO).

“Awareness of disaster-responsive PFM is gaining momentum. Ministries and agencies are actively seeking to apply CRF recommendations, in reaction to COVID-19, to allow for not only fast-tracking of emergency procurement for food supplies, but also to ensure that these procurements can be tracked in the budget, be accounted for, and, audited and reflected in the annual financial statements.”

The CRF directly contributed to GOSL responding more effectively to the coronavirus outbreak by:

- Financing just-in-time technical advice that helped MOH to develop emergency budgets and action plans to fast track access to contingent financing. GOSL has access to contingent financing for emergencies, including the fast-track facility established by the World Bank for COVID-19 response and through a Contingent Emergency Response Component (CERC) embedded in Saint Lucia’s Health Systems Strengthening Project. The CERC is designed to mitigate situations of urgent need and allows for the rapid reallocation of funding in the event of a natural or man-made disaster or crisis that has caused, or is likely to imminently cause, a major adverse economic and/or social impact. Preparation of emergency budgets and action plans of acceptable quality is a key criterion for accessing both sources of support for the GOSL’s COVID response plan. The developed budget will finance health care services for affected populations, including tests, medicines, medical support, and logistics.
- Enhancing the capacity of disaster response agencies to acquire emergency supplies quicker. Once finalized, the abovementioned emergency procurement guidelines will help MOH, NEMO and others respond quickly the public health emergency through expedited procurement procedures that ensure adequate accountability, transparency, and value for money, while considering quality, cost and time of delivery.

MOVING FORWARD

- The GOSL, in partnership with the WB and with support from Canada, is planning to mainstream disaster response considerations into other identified aspects of its PFM system, including business continuity planning and planning for contingencies. These reforms will become a mainstay of both emergency response and routine PFM processes. The current health pandemic has underscored that support provided under the CRF is building resilient PFM capacity to address any type of emergency with the current momentum informing and strengthening budgetary preparations for the upcoming hurricane season. Saint Lucia is demonstrating the relevance, utility and timeliness of the PD-PFM Review and its successor reform action plan to the current COVID-19 crisis underscoring the its applicability beyond the focus on natural disasters.

The Canada Caribbean Resilience Facility was established to achieve more effective and coordinated gender-informed climate-resilient preparedness, recovery, and public financial management practices in nine Caribbean countries. The Facility supports countries by deploying technical experts in the region to provide close partnership, collaboration, and just-in-time support to accelerate the implementation of recovery projects and overall resilience-building efforts across the Caribbean. The CRF works in Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Jamaica, Saint Lucia, Saint Vincent and the Grenadines, and Suriname.

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