

# PROJECT STATUS REPORT

07/01/2020 - 12/31/2020

## SECTION 1: PROJECT SUMMARY

**Operation number:** RG-T3255

**Suboperation number:** ATN/CN-17185-RG

**Project Name:** EcoMicro - Grenada Development Bank - Green Finance for MSMEs & Low-Income Households

**Purpose:**

Country admin	Country beneficiary:	Group:	SubGroup:
BARBADOS	Regional	C	

**Executing Agency:** Grenada Development Bank

**Team Leader:** RUTHH

**Project cycle:**

Report Date: 2021 - 01 - 01

Approval Date: 2018 - 12 - 08

Signature Date: 2019 - 05 - 28

First disbursement date: 2019 - 10 - 30

Original Execution End Date:

Current Execution End Date:

Original Last Disbursement Date: 2022 - 11 - 28

Last Current Disbursement date: 2022 - 11 - 28

## SECTION 2: PERFORMANCE

Project's performance summary since the beginning

The Grenada Development Bank (GDB) through this EcoMicro technical project aims to support MSMEs and householders in their climate change mitigation and adaptation efforts by increasing access to finance. The Bank is also seeking to assess its inherent portfolio risk, improve its risk assessment capacity by providing its officers with the tools required to appraise projects for climate risks while taking the required steps to green its internal operations and activities. Recognizing the significance of climate change the Bank sought to focus the theme of its 2019 Annual Performance Report on the subject. "As a financial institution deeply rooted in development, the Grenada Development Bank embraces the opportunity presented for resilience building and sustainable development by 'adopting a green culture towards achieving a sustainable future', and encouraging our customers to do the same. This thrust to be at the forefront of creating innovative financial solutions to reduce the dependence on fossil fuels and adapt to climate change will aid in our nation's transformation. As an enabling environment conducive to "adopting a green culture" is created, the continuous provision of development and climate financing is critical as this directly contributes to the sustainable economic growth of our tri-island state". Although the project target is the development and deployment of two financial products, four potential product offerings were presented to the GDB Board of Directors (BoD) for their review in March 2019 and were all approved. These are at distinct tiers and target: 1. Existing housing customers - basic facility up to US\$3.7K: A pilot within the pilot which allows for targeted marketing to existing home owners on the Bank's portfolio enabling them to perform basic resilience building activities without the requirement of an additional legal mortgage and for which all bank fees have been waived. 2. New home owners (and existing home owners requiring more than US\$3.7K): Potential beneficiaries are encouraged to build climate resilience into their construction or upgrades with the inclusion of financing for these elements on favourable terms. 3. Existing and new MSME Customers to integrate aspects of climate resilience into their properties and business operations 4. Property Owners (Climate Resilient Insurance Rebate) - Option to explore possible collaboration with insurance companies to offer insurance premium rebates if customers fulfill specific criteria aimed at ensuring that their property is resilient. Initial discussions have been held with two leading local providers who have expressed interest in this regard. Subsequent to the approval by the BoD various methodologies were considered for further engagement of consumers and suppliers to raise awareness of the products and to position these within the market place. The intention was to officially launch the products as part of the Bank's 55th Emerald (Green) anniversary celebrations in July 2020 under the theme "A 'Green' Culture: Integrated Financial Development". Unfortunately the advent of Covid-19 the subsequent shut down of the country and the closure of its borders created a significant contraction of economic activity resulting in job losses and a reduction in public engagement. Investment financing was no longer a priority as individuals and businesses fought to meet their recurrent expenditure needs with the various relief programs provided by the Government of Grenada. Advancements have therefore been made with desk-based activities such that the impacts of in-field dependencies are minimised and extensive deployment of digital collaboration techniques including virtual training tools have been deployed. Additionally, the Bank has begun the process of considering its approach to mobilising balance sheet resources in order to meet its financing obligation under the project. Economic and lending activities have generally constricted throughout the country as borrowers generally sought extensions to moratoriums that were provided during the initial stages of the pandemic. This risk is constantly being re-evaluated as the Bank seeks to understand the changes in the market and adapt accordingly.

**Supervision Team Leader comments**

In agreement with the Executing Agency

**Project's performance summary in the last 6 months**

During the last six month the GDB together with its consulting partner conducted a comprehensive review of the project's work plan based on the ongoing Covid crisis. In line with the overall work plan for Year 2 and following an incremental approach, various activities have been initiated and executed towards the achievement of the required outputs within Component I - Design and Implementation of Green Finance Products, Component II - Climate Change Vulnerability Assessment of GDB's Loan Portfolio, Component III - Reducing the Environmental Impact of GDB and Component IV, Knowledge Management and Communications. Given the current economic situation, movement and travel restrictions and the general lack of face to face engagement, the decision was made to prioritise desk work by the consultants and to introduce the products to the market via a soft launch. The products were fine-tuned as GDB's balance sheet resources became available for on-lending and an additional mitigation product approved by the Board of Directors and added to the suite in September 2020. The marketing and sales strategy, which is linked to the beneficiary outreach and awareness-raising processes outlines the tools to promote the green finance product. A promotion was launched on social media during December which resulted in over 12K FaceBook views during the month with negligible conversion into actual sales. Direct engagement with potential customers indicate that persons have generally become more

risk averse, adopting a wait and see approach in the current circumstances. This risk is being monitored and a more targeted approach is being considered for proposal to management as a mitigating consideration. During this period the Operational Guide for the implementation of the financial products was also developed and feedback provided for further revision. It presents all the relevant information necessary for the green finance product implementation and consists of an extracted hand-out summarising the essential points which is aimed to be used as reference material by the loan officers. The first batch of training materials including Self-Evaluation and Training Assessment was conducted one month after virtual on-boarding of the loan officers. The ensuing evaluation and assessment was aimed to understand their knowledge of the climate change-related topics and evaluate the content presented in the different modules. Additionally, the climate risk policy and action plan for the Bank's greening were adjusted to include specific emissions reduction measures through photovoltaic (PV) implementation, energy efficiency measures and office waste reduction. The implementation of these measures was summarised into implementation targets for the period 2021-2025, while the measures were categorised according to high, medium, and low priority. The climate risk assessment tool is currently under development and will assess the climate risks for the agriculture, tourism, home mortgage and fisheries sectors. A draft version of the tool was submitted for review on 30th December featuring the visualisation of the various elements of the tool and the required inputs.

**Supervision Team Leader comments**  
In agreement with the Executing Agency

## SECTION 3: INDICATORS AND MILESTONES

**C1 : Design & Implementation of Green Finance Products** **Weight 25%**

**Qualification High**  
Satisfactory

Indicators	Baseline	Planned	Achieved	Status
<b>I1</b>	0	1 ( 2020 - 11 - 28)	1 ( 2020 - 06 - 03)	Finished
<b>I7</b>	0	500 ( 2023 - 05 - 28)	130 ( 2020 - 12 - 31)	In progress
<b>I2</b>	0	2 ( 2021 - 11 - 28)	5 ( 2020 - 09 - 10)	Finished
<b>I5</b>	0	2400000 ( 2023 - 05 - 28)	4981 ( 2020 - 12 - 31)	In progress
<b>I3</b>	0	130 ( 2023 - 05 - 28)	1 ( 2020 - 12 - 10)	In progress
<b>I4</b>	0	260 ( 2023 - 05 - 28)	2 ( 2020 - 12 - 31)	In progress
<b>I6</b>	0	28 ( 2023 - 05 - 28)	6 ( 2020 - 07 - 31)	In progress
<b>I8</b>	0	1 ( 2022 - 12 - 08)		In progress

**C2 : Analyzing the Vulnerability of the Finance Institution Loan Portfolio to Climate** **Weight 25%**

**Qualification High**  
Satisfactory

Indicators	Baseline	Planned	Achieved	Status
<b>I1</b>	0	100 ( 2022 - 11 - 28)	50 ( 2020 - 07 - 31)	In progress
<b>I2</b>	0	1 ( 2022 - 06 - 08)		In progress
<b>I3</b>	0	28 ( 2022 - 12 - 08)		In progress
<b>I4</b>	0	100 ( 2022 - 12 - 08)		In progress

**C3 : Reducing the Environmental Impact of the Finance Institution** **Weight 25%**

**Qualification High**  
Satisfactory

Indicators	Baseline	Planned	Achieved	Status
<b>I1</b>	0	100 ( 2023 - 05 - 28)	75 ( 2020 - 07 - 31)	In progress
<b>I2</b>	0	1 ( 2023 - 05 - 28)	0 ( 2020 - 07 - 31)	In progress
<b>I3</b>	0	1 ( 2022 - 12 - 08)		In progress
<b>I4</b>	0	0 ( 2022 - 12 - 08)		In progress
<b>I5</b>	0	28 ( 2022 - 12 - 08)		In progress

**C4 : Knowledge Management and Communications** **Weight 25%**

**Qualification High**  
Satisfactory

Indicators	Baseline	Planned	Achieved	Status
<b>I1</b>	0	13 ( 2023 - 05 - 28)	6 ( 2020 - 12 - 31)	In progress
<b>I2</b>	0	1 ( 2022 - 12 - 08)		In progress
<b>I3</b>	0	3 ( 2022 - 11 - 28)	1 ( 2020 - 12 - 09)	In progress
<b>I4</b>	0	75 ( 2022 - 06 - 08)		In progress
<b>I5</b>	0	1 ( 2022 - 12 - 08)		In progress

Milestones	Planned Value	Achieved Value	Due Date	Achieved Date	Status
Conditions Prior	1	1	2019 - 11 - 24	2019 - 10 - 07	Achieved
Market Study (including Gender Analysis) completed	1	1	2020 - 05 - 28	2020 - 05 - 04	Achieved
Operational Guide and Internal Processes for the new green finance product	1	0	2021 - 05 - 28		Pending
Climate Risk Assessment Tool developed and approved by Board	1	0	2022 - 05 - 28		Pending
Plan for Scale: strategy for post-pilot roll out of the Green Finance Product	1	0	2022 - 09 - 28		Pending
Institutional Assessment completed	1	1	2020 - 11 - 28	2020 - 02 - 17	Achieved

## CRITICAL FACTS THAT HAVE AFFECTED PROJECT'S PERFORMANCE

Environmental restrictions

Others, Which?

The advent of the Covid-19 pandemic presented significant challenges to the implementation of this project. It has required the implementation of alternative methodologies to ensure that project objectives are met and activities progress. Continued restrictions of movement have limited interactions with suppliers and potential borrowers and it has been observed that consumers are generally either unable to make or are deferring major purchases and investments due to the current economic climate and uncertainty that exists.

### SECTION 4: RISKS

	Impact Area	Severity	Prob.	Date	Responsible	Mitigation action
<b>Limited appetite among MSMEs and low-income households for green financing.</b>	Final Outcome, Intermediary Outcome, Design & Implementation of Green Finance Products	(3) Medium	Medium 60%	2021 - 01 - 18	Executing Agency	The project will address potential limited demand by devoting significant resources to an initial market study, review of technologies and technology suppliers and product design. This will help to determine local demand for green lending as well as to establish strategic alliances and partnerships with local suppliers and other key actors. The project will also conduct direct outreach and training within beneficiary communities to stimulate awareness and demand for the new green finance products. In addition, continuous assessments and a final evaluation of the performance of both the RE/EE and climate adaptation loan products in the market will be prepared, with a view to making necessary adjustments to scale post-pilot.
<b>Limited number of RE/EE and climate smart agriculture technology suppliers.</b>	Design & Implementation of Green Finance Products	(2) Low	Very Low 20%	2021 - 01 - 18	Executing Agency	The market is dominated by a limited number of key suppliers and their respective distribution agents. Given that new green finance will result in an increase in the demand for RE/EE and climate-smart agriculture technologies by low-income households and MSMEs (including smallholder farmers), the project will establish alliances between GDB and leading suppliers to ensure that this increasing demand can be met. In addition, the market study will assess the potential for GDB to encourage new technology entrants and distributors into the local market, through tailored products to finance green suppliers.
<b>Low Quality of EE/RE Equipment</b>	Final Outcome, Design & Implementation of Green Finance Products	(3) Medium	Medium 60%	2021 - 02 - 03	Executing Agency	Presently there are no regulations relating to the standards and labeling of EE/RE equipment. While there is an Energy Policy which addresses the general enabling environment details of related standards are in draft form. This process is being driven by the Division of Energy of the Ministry of Finance in collaboration with the Grenada Bureau of Standards and there are projects being implemented to support this activity. A time frame for completion of this activity is not available at the moment..

TOTAL RISKS QUANTITY: 3 IN EFFECT RISKS: 3 NOT IN EFFECT RISKS: 0 MITIGATED RISKS: 0

### SECTION 5: SUSTAINABILITY

Indicate likelihood of project sustainability after project completion:

HP

Justification

GDB is highly committed to seeking long term sustainability through active engagement with government and partners including GCF.

### ASPECTS THAT PUT THE PROJECT SUSTAINABILITY AT RISK

Factor	Comments
COVID-19 continues to impact financial health of MSMEs. Sustained closure of key economic sectors such as tourism continues to hamper full performance. However the EA is focussing on green housing loans to ensure some movement in green finance	
Others, Which?:	

Actions related to sustainability which have been implemented in the project:

The ability to scale this EcoMicro project beyond its life cycle is a critical success factor for the GDB. The products created are being embedded into the Bank's portfolio as regular offerings and the increased capacity of loan officers in climate change matters is creating the opportunity for greater dialog with prospective clients. The GDB is currently seeking accreditation to the Green Climate Fund as a National Direct Access Entity for Grenada and it is envisaged that this would provide access to financing that would enable the long term sustainability of the project. The evaluation of the performance of this pilot would inform further refinement of the products where necessary as well as the allocation of additional resources.

**SECTION 6: PRACTICAL LESSONS**

	<b>Relative to</b>	<b>Author</b>	<b>Date</b>
Behavioral Change is Critical - One of the discoveries during the market analysis was that there was a disconnect between the the public's knowledge of climate hazards and their corresponding behaviors. As a result many of our awareness initiatives have included messages related to the benefits of personal "green" choices with the intent that there be an assimilation of the importance of the collective responsibility.			2021 - 02 - 03