



GRENADA

DISASTER RESILIENCE STRATEGY

March 2022

The Disaster Resilience Strategy was prepared by the Government of Grenada in broad consultation with the staff of the International Monetary Fund and by drawing on the 2019 Climate Change Policy Assessment that was prepared jointly by the staffs of the IMF and the World Bank. It describes the macroeconomic, structural, and social policies being pursued by the government to build resilience against natural disasters and the associated financing needs. This document for Grenada is being made available on the IMF website by agreement of the member country as a service to users of the IMF website.

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GRENADA: DISASTER RESILIENCE STRATEGY

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EXECUTIVE SUMMARY

Context. Natural disasters and climate change are existential threats to Grenada, with annual losses from these events estimated at 1.7 percent of GDP. Grenada has proactively pursued resilience-building, with its Climate Change Policy and National Adaptation Plan providing detailed roadmaps for policymakers. However, the challenges are increasing, including from slow-moving effects owing to the rising sea level, even as implementation capacity and resource constraints remain significant impediments. The COVID-19 pandemic has amplified those challenges by increasing risks and tightening Grenada's fiscal space.

Recent progress. In early 2019, IMF and World Bank staffs carried out a Climate Change Policy Assessment (CCPA) of Grenada's plans to manage its response to climate change from the perspective of its macroeconomic and fiscal implications. Drawing upon the CCPA, the government of Grenada (GoG) decided to work on a Disaster Resilience Strategy (DRS), aimed at elaborating a comprehensive plan including policies, cost, and financing for building resilience to natural disasters and climate change. The DRS is anchored by three pillars: structural, financial, and post-disaster resilience. In parallel, the government, with the support of development partners, has been strengthening its related strategies and institutions: it is implementing a Disaster Risk Financing Strategy with the support of the World Bank and several other climate-related initiatives with international partners. These include the "Blue Growth" initiative supported by the World Bank and a fledgling major Climate-Resilient Cities project. The government has also mainstreamed disaster preparedness within its 2020-35 National Sustainable Development Plan. The first round of consultations on the DRS between the IMF and Grenada stakeholders was conducted through a virtual mission in March 2020.

DRS coverage and costs. The direct cost of making rapid and critical progress in building resilience to natural disasters is estimated to amount to around US\$1.3 billion over 15 years, averaging on an annual basis of around 5½ percent of GDP. A predominant share of this cost will go towards building structural resilience (Pillar 1), estimated in the range of US\$1 billion or about 4 percent of GDP on average per year. Grenada has over the years built significant financial resilience (Pillar 2), because of which additional coverage is expected to cost about ½ percent of GDP per year for the next 15 years. The cost of strengthening Post-Disaster or social resilience (Pillar 3) is estimated at around 1 percent of GDP annually. These costings are preliminary and would need to be completed and periodically updated.

Comprehensive Macroeconomic Framework. Grenada would not be able to finance the cost of building resilience to natural disasters and maintain fiscal and debt sustainability without additional concessional financing from the international

community. After taking into account domestic resource mobilization, additional external grant financing of about 2½ percent of GDP (about US\$40 million) annually is key to implementing the DRS within a balanced post-COVID-19 recovery and development strategy.

Prepared jointly by the Ministry of Finance and Ministry of Climate Resilience of Grenada, with support from the International Monetary Fund and by drawing on the 2019 Climate Change Policy Assessment that was prepared jointly by the staffs of the IMF and the World Bank.

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