

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

MID-TERM REVIEW OF THE SEVENTH CYCLE OF THE SPECIAL DEVELOPMENT FUND (UNIFIED)

REPORT TO SDF CONTRIBUTORS

This report has been prepared for the Mid-Term Review of SDF 7, to be held in conjunction with the Annual Meeting of SDF Contributors. It reports on and assesses progress with respect to the strategic priorities on which Contributors and the Bank had agreed and the SDF 7 Implementation Plan. In doing so, it addresses the specific issues that Contributors had identified for consideration at the Mid-Term Review. It has been prepared as an independent assessment.

April 2011

CURRENCY EQUIVALENT

Dollars (\$) refer to United States dollars unless otherwise stated

ABBREVIATIONS

ADB/ADF	-	Asian Development Bank/Fund
ARPP	-	Annual Review of Portfolio Performance
BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
BNTFO(s)	-	Basic Needs Trust Fund Office(s)
BSIF	-	Belize Social Investment Fund
CARTAC	-	Caribbean Regional Technical Assistance Centre
CARTFUND	-	Caribbean Aid for Trade and Regional Integration Trust Fund
CCCCC	-	Caribbean Community Climate Change Centre
CCRIF	-	Caribbean Catastrophic Risk Insurance Facility
CDM	-	Comprehensive Disaster Management
CMDG(s)	-	Caribbean Millennium Development Goal(s)
COTED	-	Council of Ministers of Trade and Economic Development
CPA(s)	-	Country Poverty Assessment(s)
CPIA	-	Country Policy and Institutional Assessment
CRNM	-	Caribbean Regional Negotiating Machinery
CRS	-	Creditor Reporting System
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DiMSOG	-	Disaster Management Strategy and Operational Guidelines
DPs	-	Development Partners
DRM	-	Disaster Risk Management
DSIF	-	Dominica Social Investment Fund
ECG	-	Evaluation Cooperation Group (of the MDBs)
EGRIP	-	E-Government for Regional Integration Project
ENAF	-	National School of Financial Administration
EOV	-	Evaluation and Oversight Division
ERSWP	-	Environment and Social Review Procedures
GAD	-	Gender and Development
GAVI	-	Global Alliance for Vaccines and Immunisation
GE	-	Gender equality
GEPOS	-	Gender Equality Policy and Operational Strategy
HDI	-	Human Development Index
ICT	-	Information and communications technology
JSIF	-	Jamaica Social Investment Fund
LDC	-	Least-Developed Country
M&E	-	Monitoring and Evaluation
MDG(s)	-	Millennium Development Goal(s)
MfDR	-	Managing for Development Results
MSMEs	-	Micro, Small and Medium-Size Enterprises
MTE	-	Mid-term Evaluation
MTR	-	Mid-term Review
NDCs	-	Neighbourhood democratic councils
NPRS(s)	-	National Poverty Reduction Strategy(ies)

ABBREVIATIONS CONT'D

OCR	-	Ordinary Capital Resources
PBA	-	Programme-Based Approach (or Performance-based allocation system)
PBL	-	Policy-based Loan
PCR	-	Project Completion Report
PPES	-	Project Performance Evaluation System
PPMS	-	Project Performance Monitoring System
PRAP	-	Poverty Reduction Action Plan
PRS	-	Poverty Reduction Strategy
PSIP	-	Public Sector Investment Programme
PSR	-	Project Supervision Report
RAS	-	Resource Allocation System/Resource Allocation Strategy
RBM	-	Results-Based Management
RMF	-	Results Monitoring Framework
RPG(s)	-	Regional public good(s)
SALISES	-	Sir Arthur Lewis Institute for Social and Economic Studies
SDF (U)	-	Special Development Fund (Unified)
SF	-	Special fund(s)
SIDS	-	Small Island Developing States
SMG	-	Senior Management Group
SPARC	-	Support to Poverty Assessment and Reduction in the Caribbean
STMP	-	Sustainable tourism master plan
SWAps	-	Sector-Wide Approaches
TA	-	Technical Assistance (or technical assistance project)
TPGs	-	Trans-national public goods
UNECLAC	-	United Nations Economic Commission for Latin America and the Caribbean (also ECLAC)
UWI	-	University of the West Indies
WB	-	World Bank

TABLE OF CONTENTS

Executive Summary	(v)
1. INTRODUCTION	
1.1 . The SDF 7 Replenishment	1
1.2 . Purpose of the Review Document	4
2. OVERVIEW OF SDF OPERATIONS: A PROFILE	
2.1. Programme and Financial Summary	5
2.2. Resources and Programme Levels	8
2.3. SDF Programme and Country Allocations	9
2.4. SDF in Relation to Overall CDB Operations	11
2.5. SDF Operations by Country and Cycle	11
2.6. Contributions to SDF	13
2.7. Terms of Lending and of Blended Funds	13
3. SDF 7 OPERATIONAL STRATEGY	
3.1. Addressing the MDGs and CMDG Targets	15
3.2. Poverty Reduction and Human Development	18
3.3. Basic Needs Trust Fund (BNTF)	23
3.4. Haiti	29
3.5. Environment, Climate Change and Disaster Management	31
3.6. Regional Cooperation and Integration	37
3.7. Gender Equality	40
3.8. Good Governance and Capacity Development	46
3.9. Policy-Based Loans	51
3.10. Sector Specialisation	54
3.11. Selectivity	61
4. DEVELOPMENT EFFECTIVENESS	
4.1. The MfDR Agenda	64
4.2. Institutional Capacity and Reform	
4.2.1. Strategic Plan 2010-2014 and the Internal Reform Agenda	66
4.2.2. Country Strategy Papers	69
4.2.3. Evaluation and Oversight: Role, Strategy and Programme	73
4.2.4. Project and Portfolio Performance Monitoring	75
4.2.5. Quality Assurance: Appraisal, Supervision and Project Completion Reporting.....	77
4.2.6. Technical Assistance Reform	78
4.3. The SDF 7 Results Monitoring Framework	80
4.3.1. <i>RMF Level 1</i> – Regional Progress towards CMDG Targets	80
4.3.2. <i>RMF Level 2</i> – CDB/SDF Selected Outputs	84
4.3.3. <i>RMF Level 3</i> – Operational and Organisational Effectiveness	87
4.3.4. <i>RMF Level 4</i> – Partnership, Harmonisation and Alignment	90
4.3.5. Results Frameworks for the Operational Themes	92
4.3.6. Next Steps on Monitoring Results	92

5.	SDF 7 IMPLEMENTATION PLAN MILESTONES	93
	<i>Achievement of Strategic Priorities and Programme Focus</i>	
	<i>Development Results</i>	
	<i>Institutional Capacity and Reform</i>	
6.	SDF 7 RESOURCES	
6.1.	Resource Availability and Commitment Authority	99
6.2.	Status of Contributions	100
6.3.	Programme Allocations	101
6.4.	Resource Allocation Strategy	102
7.	CONCLUSIONS AND NEXT STEPS	104

APPENDICES

- A. The Caribbean MDG Framework**
- B. Country Case Reviews**
 - B.1 Belize
 - B.2 Dominica
 - B.3 Jamaica
- C. Policy-Based Lending Cases**
- D. Contributions to SDF 1 to SDF 7**

LIST OF BOXES

Box 1: Strategic Objectives and Core Priorities	2
Box 2: Education Enhancement in Dominica	20
Box 3: Community Roads Improvement in Guyana.....	21
Box 4: Belize River Valley Rural Water Project.....	21
Box 5: Major Gains in Educational Attainment.....	23
Box 6: Caribbean Community Climate Change Centre	33
Box 7: Housing Sites and Services in Safer Areas after Hurricane Ivan Devastates Grenada	36
Box 8: Sustainable Tourism in Anguilla.....	48
Box 9: A Programme Management System in Montserrat	49
Box 10: Good Governance and Capacity Building in the OECS	50
Box 11: Core, Collaborative and Exit Sectors.....	55
Box 12: Belize Social Investment Fund (BSIF)	63
Box 13: Antigua and Barbuda: Achieving Educational Objectives Despite Implementation Delays	85
Box 14: Status of SDF 7 Implementation Plan.....	95

LIST OF TABLES

Table 2.1: SDF Commitments SDF 5 – SDF 7 (2009-2010)	5
Table 2.2: SDF Disbursements SDF 5 – SDF 7 (2009-2010)	6
Table 2.3: SDF Financial Summary 2005-2010.....	6
Table 2.4: SDF Financial Summary 2005-2010 (constant dollars)	7
Table 2.5: SDF, Other SF and OCR Financial Summary 2009-2010	8
Table 2.6: SDF Resources and Programme Levels SDF 1 to SDF 7	8
Table 2.7: Programme Allocations SDF 5 to SDF 7.....	9
Table 2.8: Indicative Country Lending Allocations SDF 5 to SDF 7 with SDF 7 Approvals.....	10
Table 2.9: Total CDB and SDF Loan Approvals and Disbursements 1984-2010	11
Table 2.10: SDF and Total OCR and SDF Loan Portfolios, Selected Years 1987-2010	11
Table 2.11: SDF Project Approvals by Country 1984-2010	12
Table 2.12: SDF Loan and Grant Disbursements 1984-2010.....	12
Table 2.13: Contributions to SDF, SDF 1 to SDF 7	13
Table 2.14: Lending Terms by Country with Estimated Grant Element.....	13
Table 2.15: Average Interest Rates of Loans by Source of Funds.....	14
Table 3.1: Commitments in SDF 6 and SDF 7 by Strategic Themes.....	19
Table 3.2: BNTF 5 Allocations, Approvals and Disbursements 2002-2010.....	25
Table 3.3: BNTF 6 Allocations, Approvals and Disbursements as of December 31, 2010.....	26
Table 3.4: Haiti – SDF Allocations, Approvals and Disbursements.....	30
Table 3.5: Policy-Based Lending	52
Table 3.6: Loan Grant Approvals by Sector and Source 2005-2007 and 2008-2010.....	57
Table 3.7: Percentage of Approvals by Sector with and without PBLs 2005-2007 and 2008-2010	58
Table 4.1: Current Timing of Country Strategy Papers	71
Table 4.2: Portfolio Performance Scores, Loans, 2004-2008 and 2009.....	75
Table 4.3: Progress towards Selected CMDG Targets (RMF Level 1: Development Outcomes)	83
Table 4.4: CDB/SDF Contributions to Country and Regional Outcomes: Key Outputs (Level 2)	86
Table 4.5: Operational/Organisational Effectiveness (RMF Level 3)	89
Table 4.6: Partnership, Harmonisation and Alignments (RMF Level 4)	91
Table 6.1: SDF 7 Resources and Approved Programme Levels	99
Table 6.2: Commitment Authority and Use of Resources SDF 6 and SDF 7.....	100
Table 6.3: Contributions to SDF 6 and SDF 7	100
Table 6.4: SDF 7 Programme Allocations and Approvals to date.....	101
Table 6.5: SDF 7 Indicative Country Lending Allocations with Approvals to date	102

EXECUTIVE SUMMARY

0.01 This report has been prepared for the Mid-Term Review (MTR) of the Special Development Fund (Unified) Seventh Cycle (SDF 7) (2009 to 2012). It reports on and assesses progress with respect to the strategic and other priorities on which Contributors and the Bank agreed in the *Report of Contributors on SDF 7: A Partnership for the Millennium Development Goals in the Caribbean*, and the milestones set out in the SDF 7 Implementation Plan.

0.02 This includes targeting the strategic operational themes of *poverty reduction and human development, environmental sustainability and adaptation to climate change, and regional cooperation and integration (RCI)*, as well as the cross-cutting theme of *gender equality (GE)*. All of these were expected to contribute to progress toward the Millennium Development Goals (MDGs) and the Caribbean MDG (CMDG) targets. The priorities for SDF 7 include also the strategic theme of *strengthening development effectiveness*, which includes the Bank's internal reform agenda and a Results Monitoring Framework (RMF).

0.03 The Report identifies substantial progress in the work of SDF 7 and supporting reforms within the Bank on the strategic themes and priorities set by Contributors. This includes the programme directions of SDF 7, strengthening the Bank's overall Results Agenda and the "results culture" within the Bank, and the Bank's internal reform agenda to strengthen institutional effectiveness and efficiency. Progress on the 23 milestones in the SDF 7 Implementation Plan is largely on target, although there are some of the milestones on which implementation is continuing or action is still to be taken.

0.04 The SDF 7 agenda is, of course, a work in progress, particularly in some of the areas of reform, and in the refinement of the RMF and the collection of comprehensive data for the various indicators being monitored.

0.05 The Report discusses progress in each of the major areas, with an indication, where possible, of results to date, and identifies, as appropriate, *next steps*, either steps currently being taken or planned, or steps suggested by the analysis in the Report. These are summarised in the concluding Chapter. A short summary of principal issues is provided below.

Programme Levels and Loan Portfolio

0.06 Contributors approved a Base Programme Level for SDF 7 of \$361.1 million (mn) and a higher Target Programme Level of \$390.6 mn, including an unfunded structural gap. The provision for country loans in the Base Programme Level is \$145.5 mn, after allowing for \$215.6 mn in set-asides for specific purposes, including \$138.6 mn for grant funding.

0.07 Two years (2009-2010) is a short period on which to judge SDF activity levels. Total project approvals, however, have risen from an annual average of \$39 mn in SDF 5 and \$64.4 mn in SDF 6 to \$74.5 mn in 2010, although with a lower figure of \$51.8 mn in the first year of SDF 7. The Base Programme Level for SDF 7 will require increasing this to an annual average of \$90 mn, including the new commitment that will be needed toward the end of the cycle for the next phase of the Basic Needs Trust Fund (BNTF). A significant share of the increase in SDF 6 and projected for SDF 7 is in grant financing, reflecting the start of operations in Haiti and other increases in grant allocations. Increases in loan approvals have been at a much slower rate.

0.08 Disbursements averaged \$38.2 mn per year during SDF 5, \$34.7 mn during SDF 6, and in the first two years of SDF 7 have averaged \$62.6 mn per year, reflecting an increased rate of disbursement, including for BNTF. The shift to an increased proportion of grants has been also been reflected in disbursements.

0.09 One result has been that the portfolio of loans outstanding has grown relatively slowly, by 22.4% from 2005 to 2010, and in real terms (after inflation) by about 10%. Much of the increase has been the result of an expansion of the Bank's policy-based lending, particularly in 2009 and 2010. Income from SDF loans has increased only modestly, by 5.3% over the same period, while administrative expenses charged to SDF have increased by 7.7%.

SDF 7 OPERATIONAL STRATEGY

0.10 **Addressing the MDGs and CMDG Targets.** SDF 7 is the last full replenishment before 2015, the target year for most of the MDGs, and the SDF 7 Agreement underlines as a primary objective helping Borrowing Member Countries (BMCs) to reach the millennium goals. The CMDG framework was planned as a principal means of targeting SDF 7 and selecting and designing projects. Particular importance was placed on MDGs 1 and 2, but also MDGs 3, 7 and 8, and the related CMDG targets.

0.11 The Bank has taken a leading role in inter-agency efforts, together with BMCs, to develop the CMDG framework. It has also assisted BMCs to carry out country poverty assessments (CPAs) and to design national poverty reduction strategies (NPRSs). CPAs have deepened the understanding of the nature and characteristics of poverty in BMCs and contributed to the Bank's poverty reduction strategy (PRS) and that of BMCs and other donors. CDB also plays a key role in the multi-donor Support to Poverty Assessment and Reduction in the Caribbean (SPARC) programme.

0.12 **Poverty Reduction and Human Development.** Poverty reduction and human development is both a cross-cutting and over-arching theme for SDF 7. As would be expected, the largest part of the SDF programme to date has supported, as a principal purpose, this goal and the related objective of inclusive social development and broad-based economic growth. On a broad definition, the Bank reports \$105 mn in loan and grant approvals in this category as of December 31, 2010, compared to total approvals of \$126 mn. In a number of cases, these have also supported other objectives, as would be expected for a cross-cutting theme. On a more restrictive definition, and separating out policy-based lending, the trend in SDF 6, when over 60% of resources were in the poverty reduction category, has been sustained in the first two years of SDF 7.

0.13 Major areas of programming in 2009 and 2010 include education, community roads and rural poverty, as well as BNTF. These are discussed in Sections 3.2 and 3.3 of the Report. The Report notes that targeting SDF initiatives to be most effective in supporting poverty and human development will need to be a continuing feature of the country strategy process, and that there is scope for further articulation in the Country Strategy Papers (CSPs) of the relationship between analysis in CPAs and the Bank's programme planning.

0.14 **BNTF.** BNTF continues to play a significant role in the Bank's PRS, and after delays in the implementation of BNTF 5, which introduced significant design changes, the programme has accelerated under both BNTF 5, which is drawing to a close, and BNTF 6. BNTF addresses issues of vulnerability, capability enhancement and governance at the level of poor communities, and makes a contribution also to GE and environmental objectives. Early completion of the Mid-term Evaluation (MTE) of BNTF 6, including design and implementation effectiveness issues, is a priority, as an input to further strengthening of implementation of BNTF 6, the design of BNTF 7, and consideration of future BNTF funding by SDF Contributors. Priority should also be given to the planning and commencement of

BNTF 7, and to carrying BNTF monitoring and evaluation to the stage where reporting on outcomes can become a regular feature of BNTF reporting.

0.15 **Haiti.** SDF operations in Haiti commenced in 2007, soon after Haiti became a member of the Bank. Programming has been supported by special grant allocations in both SDF 6 and SDF 7, and has reflected both government priorities and the Bank's comparative advantage and the need to develop CDB's own capacity to apply its strengths and experience in a new environment under difficult operating conditions. Substantial efforts have been made to strengthen CDB capacities and establish working relations with the Government and other institutions in Haiti as well as with development partners. This has been made more difficult by natural disasters on a promethean scale. It is, however, still a work in progress, and the Report identifies a number of steps that should be considered if the Bank is to make a larger contribution to one of the world's most difficult development challenges.

0.16 **Environmental Sustainability and Climate Change.** The natural environment in the Caribbean is complex and challenging. Much of the region is subject to natural disasters including hurricanes and volcanic activity, and climate change, in particular the prospect of rising sea levels, poses a threat to many communities. As well, the natural environment has suffered from man-made environmental problems arising partly from poverty and partly from policy failures. These include coastal habitat deprivation, inadequate waste management and water management, deforestation, erosion and over-use of marginal lands, and problems of urban sprawl with traffic and energy costs and adverse impacts on natural areas.

0.17 The Bank has introduced new strategies and implementation guidelines, including a position paper on "Responding to Climate Change in the Caribbean", a new *Environmental Sustainability Policy and Environmental and Social Review Procedures* with an implementation plan, and a new *Disaster Management Strategy and Operational Guidelines* (DiMSOG) based on an assessment of its natural disaster risk management assistance. Each of these sets out priorities for the Bank and SDF.

0.18 The Bank's CSPs are expected to address environment, climate change and disaster management issues and identify opportunities for financing and technical assistance (TA) interventions. The project appraisal process, especially in regard to infrastructure projects such as road development, also considers environmental issues, such as those related to urban growth and development. The Bank is also developing partnerships in this sector, and the most recent DiMSOG emphasises the importance of partnerships with other development institutions through the Enhanced Caribbean Disaster Management Strategy (CDM) Framework. CDB was an active participant in the process and has designed its own policy and operational guidelines in keeping with the CDM strategy.

0.19 CDB is a contributor and trustee to the *Caribbean Catastrophic Risk Insurance Facility*, which provides short-term liquidity after a catastrophic hurricane or earthquake, and participates in the governance arrangements of the *Caribbean Community Comprehensive Disaster Management Strategy*, which seeks to strengthen regional, national and community capacity for the mitigation, management and coordinated response to natural and other hazards, and the effects of climate change.

0.20 SDF programming on environmental sustainability and climate change, for which a significant increase in the percentage share of SDF funding is targeted, increased somewhat in 2010 over 2009, but is still well short of the intended share for 2012, and additional programming will be needed. A continued effort needs to be made in the formulation of country strategies to identify specific areas for programming on the environment and climate change. Proactive activities also need to be undertaken to develop demand for project funding, including where potential regional public goods (RPGs) can be identified. There is a small grant allocation in SDF 7 that can be used for this purpose, and it may be possible to obtain supplementary resources. Continued emphasis on mainstreaming of environmental considerations

is also needed, and building and strengthening of partnerships can make a recognised contribution to effective programming.

0.21 The MTR team also concluded that there would be advantages in making a clearer distinction in CDB's target areas between those areas primarily related to natural disasters, including adverse climate change, and areas that are substantially driven by other factors, including problems of pollution, urban sprawl and loss of land to urban and transport uses, deforestation, collapse of sugar-based and banana-based ecologies as farmland reverts or changes its use in response to tariff changes, deforestation and soil erosion, industrial pollution, and marine and terrestrial habitat destruction.

0.22 The use of a target for an increase in programme share for environmental sustainability and the climate change agenda remains appropriate, and while there are clear linkages between these areas and disaster mitigation, and some proactive programming on the latter is necessary, the overall disaster management area is more responsive in nature, and a target level is less appropriate.

0.23 **Regional Programming.** SDF Contributors recognised that BMCs had entered a critical phase of the integration process and endorsed support for regional integration as a priority for the Bank, with a lead role in selected areas. They also welcomed the Bank's further work on defining a more targeted role for SDF and the Bank.

0.24 Contributors endorsed the importance of providing a focal point within the Bank to develop and coordinate a specifically regional programme and undertake further work in areas such as RPGs. Establishment of a focal point for regional programme design and coordination is one of the milestones in the SDF 7 Implementation Plan and is highlighted in the Bank's Strategic Plan 2010-2014. The Bank has given consideration to different approaches for creating the focal point, and this is expected to be determined shortly. The development of a more coherent and strategic regional programme will be based on the strategy considered by SDF Contributors, including TA, possible complementary capital projects, and selected research in areas such as RPGs, and including joint research with other regional multilateral development banks (MDBs).

0.25 The regional TA programme in SDF 7 to date has included some significant regional interventions, including some that follow from past interventions and have a degree of continuity and potentially increased impact. There have been 63 grant TA interventions for regional projects, for just over \$11 mn.

0.26 In most cases, however, the initiatives have been responsive to opportunities and requests. A more strategic and coherent programme should be the first assignment for a strengthened regional programme focal point.

0.27 **GE.** CDB's commitment to GE is important in itself and also an important part of the Bank's work on poverty reduction. Particular concerns in the Caribbean include the large number of households headed by single women, worsening education achievement rates and marginalisation of young men in some communities, and the extreme disadvantages that can arise from a confluence of factors including gender, race and ethnicity and age.

0.28 The Bank's recent achievements on GE include a major TA project to undertake gender assessments in ten BMCs; a prior diagnostic study of gender and development in the Caribbean, *Status of Gender and Development in the CDB and in the Caribbean, the Way Forward and CDB's Role*; a *Gender Equality Policy and Operational Strategy (GEPOS)*; and improvement of the approach to gender analysis by integrating gender considerations in the *Guidelines for Social Analysis of Development Projects*, and formulating *Gender Analysis Guidelines* for BNTF projects.

0.29 The next steps identified in the Report include strengthening the analysis and integration of gender issues in CSPs; development of the planned GE Results Framework to define and track results; appointment of a senior GE Adviser; an independent evaluation of the result of the GE strategy at regular intervals, as envisaged in the GE policy paper; and development of a monitoring system to measure and record the extent to which gender concerns are mainstreamed in each CDB/SDF project.

0.30 **Good Governance.** The Bank was an early adopter of a strategy on good governance, with its *Strategy on Governance and Institutional Development* approved in 2003. SDF 6 was the first replenishment after adoption of the strategy, and programming reflected this new priority. In 2009-2010, the annual volume of grant financing for good governance has remained roughly the same as in SDF 6 (around \$1.5 mn). In addition to loans and grants that directly promote good governance, BNTF operations encourage stakeholder participation in decision-making processes and in programme and project implementation.

0.31 While the pace of the Bank's capacity development and governance programming has remained steady, its interventions have tended to be responsive and random, rather than strategic. An effort is needed to identify critical capacity and governance weaknesses during preparation of CSPs and to respond in a purposeful way. It would also be desirable, given the considerable period since training was last provided to staff, for further training to be provided in operationalising the Governance Strategy and use of the toolkits.

0.32 Periodic evaluation of the Bank's capacity development and good governance interventions, to confirm whether the pillars of the governance strategy are being addressed and whether intended outcomes are being achieved, could help in determining effectiveness of the strategy and suggest possible course corrections. This could include an annual review of a sample of good governance TAs, loan projects and policy-based loans (PBLs) to monitor the Bank's contributions to improved capacity and governance in BMCs.

0.33 Civil society participation can be further strengthened in CDB's interventions in BMCs by building capacity in non-governmental organisations/community-based organisations at the national and regional levels, and requiring participatory engagement in CDB-financed projects (e.g. targeted stakeholder fora to complement project launch, and stakeholder focus groups for reviewing the likely impact or reception of recommended initiatives).

0.34 **PBLs** have become a significant element in CDB operations, including SDF 7. In 2009 and 2010 the Bank approved \$205.8 mn in PBLs, of which \$23 mn (11.2%) was provided by SDF. In addition, SDF provided a policy-based grant to Haiti of \$10 mn. Over the past four years, approximately 24% of the Bank's PBLs have been provided from concessional funds, mainly SDF. Some of the PBLs have been undertaken jointly with other lenders.

0.35 The Bank did a preliminary review of its PBLs in 2010, and intends to undertake a full evaluation of one case in 2011. The preliminary study showed that results were mixed. With some exceptions, governments were able to meet conditions for the release of the first tranche of funding, sometimes because policy reforms were already underway, and sometimes because the difficult reforms were designated as second tranche conditions. Second tranche conditions were met less often. In response, the Bank has used single-tranche loans in some cases. Four examples of PBLs are discussed in Appendix C.

0.36 **Sector Specialisation.** The *Contributors' Report* suggested that SDF (and CDB) focus or specialise on certain sectors. CDB's *Strategic Plan 2010-2014* also addresses selectivity and focus. The

Contributors' Report identifies seven *core sectors* for the Bank. The Strategic Plan includes a similar designation of core sectors, but with “private sector development” rather than the “financial sector”.

0.37 The Report also lists four *collaborative sectors* where the Bank will generally work with other development agencies, to support a single voice on policy matters or to field joint expertise. Contributors recognised that the Bank had experience and expertise in sectors such as shelter, where it would not normally take the lead, but might engage in a collaborative effort.

0.38 Also listed are five “*exit sectors*”. These are sectors where the Bank would not expect to develop or maintain capacity, and where it would generally disengage. In the case of tourism, the “exit” intention refers to direct investment in facilities such as resorts and hotels, where the private sector should be relied on, with the Bank being selective in what it supports – generally infrastructure and the overall environment for tourism. Since 2005, there has been limited or no lending activity in the exit sectors, although there has been investment in integrated tourism facilities.

0.39 There was a large increase in activity in collaborative sectors, if these are defined to include PBLs jointly supported with other agencies. There was little activity in two other sectors designated as collaborative (agricultural production and marketing, and information and communication technologies in development). There was, however, significant support for housing, particularly in the most recent period, which was largely financed from CDB’s ordinary capital resources (OCR).

0.40 CDB was active in road and air transport, followed by education and training. Close behind was “Multi-sector – Other”, which includes CDB’s direct poverty reduction programme, BNTF, and its TA programme for small and medium-size enterprises (SMEs), Caribbean Technological Consultancy Services (CTCS). Support for agriculture was concentrated on financial intermediaries in rural areas. There was support for land settlement and rural development and for water, sanitation and solid waste management. There were also projects approved in electric power, alternative energy, urban development, and medium and small-scale enterprises.

0.41 A comparison with other institutions, in particular the Asian Development Bank (ADB), which was recently ranked first in sector specialisation, can provide perspective on CDB’s degree of specialisation by sector. CDB has been one of the most specialised development agencies (single-purpose funds aside), and its holistic mission to address economic growth and poverty reduction in its BMCs, particularly small BMCs where it is a major partner, may not be well served by a greater degree of concentration. An analysis of CDB project approvals by sector does not support a conclusion that CDB has too little sector specialisation and should concentrate on fewer sectors, although there are other factors that need to be considered, including staff capabilities.

0.42 **Selectivity** is a broader topic than sector specialisation. There are various definitions of selectivity, but it generally refers to the allocation of resources to countries with the greatest need (“poverty selectivity”) and countries that are capable of using aid well (“policy selectivity”). “Aid selectivity” is a composite of the two. If rated using the approach adopted by the World Bank, CDB would rank well on policy selectivity because its SDF concessional resources are allocated substantially in accordance with the same country performance criteria. The caveat is that there is a high proportion of SDF set aside for special purposes, which in some cases may increase policy selectivity and in others may not.

0.43 Poverty reduction is the Bank’s overarching mission. Therefore, selectivity based on the expected effects on poverty reduction is important. It is made more complex by the fact that CDB, like other multilateral development institutions, is struggling to find ways to reach large numbers of poor and

indigent people in countries that are, on average, lower middle income. ADB has termed this issue *a crisis of relevance*.¹

0.44 Poverty selectivity requires the Bank to be active in Haiti, which has by far the largest population of very poor people among the BMCs, as well as its other low-income borrowers such as Belize and Guyana. CDB has met the challenge of reaching poor people partly through its poverty-targeted BNTF, and similar Social Investment Funds (SIFs).

DEVELOPMENT EFFECTIVENESS

Institutional Capacity and Reform

0.45 **Strategic Plan 2010-2014.** The new Strategic Plan was approved in May 2010. In setting a course for the five-year period, the Plan draws on and reflects the Bank's evolving strategic directions, including strengthening development effectiveness and managing for results, together with the strategic and operational framework established for SDF 7. There is a high degree of coherence, including operational priorities and management tools, between SDF 7 and the Bank's overall strategic framework. This reflects the intent when SDF 7 was designed, and it has been carried through in the Strategic Plan. There is some adjustment and broadening of focus to reflect CDB's overall operations, but the integration and consistency of objectives and priorities is maintained.

0.46 The Strategic Plan includes the Bank's *internal reform agenda*. This covers institutional reform to realign organisational structure, business processes and human resources in order to respond in a more timely and relevant way to client needs; a shift to greater client and country-focus in operations; greater use of information and communications technologies to drive internal efficiency; and promoting a learning organisation and internal learning processes.

0.47 Re-engineering of business processes has already produced a redeployment of staff resources. In 2009 and 2010, 15 positions were eliminated from corporate services departments, permitting both a redeployment of some positions to project-focused operational tasks and a strengthening of the ratio of management and professional positions to support positions, as well as a reduction in the overall number of establishment positions. Improved quality management is another aspect of the reform agenda, focused on improving the quality of project design, appraisal and supervision, and promoting a results culture. The focus on becoming a learning organisation includes both the development of a knowledge management strategy and an increased emphasis on the strategic role of the evaluation function.

0.48 **CSPs** are a key element in strengthening the Bank's programming, including that of SDF. There has been substantial progress on CSPs. At the time of the last SDF MTR, there were three CSPs that were current. The Bank subsequently made a commitment to keep CSPs current and to upgrade their quality. Since that time, eight CSPs have been developed and approved, and their quality has been strengthened. All eight CSPs contain a results framework. The previous MTR noted that the CSPs were "not yet the product of a fully engaged cross-CDB team, despite the fact that a focus on desired outcomes usually requires a multi-sector and multi-disciplinary approach." This is no longer the case. More integration of the various parts of the CSP, however, would be beneficial. At the moment, the texts are often presented as a compilation of different inputs rather than a single integrated strategy. The Bank's specialists, such as on gender and environment, contribute to CSPs, but their contributions tend to stand alone, rather than being fully mainstreamed.

¹ *Mid-Term Review of the Asian Development Fund*, Asian Development Bank, 2010.

0.49 Each CSP is approved after concurrence by the BMC government. In some cases, this can be slow. The CDB Board's decision that no programme-based policy loan can be approved in the absence of a CSP has been helpful in some cases in obtaining concurrence. Strategy papers could probably be more efficiently sequenced to take greatest advantage of other work, such as the poverty assessments, and to link with strategy research by other donors, and to smooth the workload of CDB staff. The Bank intends to make CSPs available on its website in 2011 as part of its knowledge management system. This is an important step.

0.50 **Evaluation and Oversight (EOV).** Evaluation is an important instrument of the Bank's results focus. As during SDF 6, CDB has had an active evaluation programme in SDF 7 to date, and a strong evaluation programme is planned for 2011 and 2012. When Projects Department has produced project completion reports (PCRs), as it is presently doing, EOV will review and prepare a *Project Performance Audit Report*, initially for each Completion Report, and in the longer term for a sample of Completion Reports. EOV is managing a review of the independence of the evaluation and performance-audit function in the Bank.

0.51 The Division is not yet a member of the Evaluation Cooperation Group (ECG), which includes the other multilateral development banks (MDBs). The Bank should consider joining the ECG. Among other functions, the Group undertakes peer reviews of its member evaluation offices. CDB should consider inviting such a peer review. This would be an opportunity to consider the evaluation function within the Bank, including the reporting relationship to the President and the Board, the tenure of the head of evaluation, the relationship of evaluation to performance-based audit (and the desirability of performance audits as well as financial and compliance audits), the adequacy of resources devoted to evaluation and oversight, the quality of its products and the quality of the evaluation work plan. As is the practice at other MDBs, CDB should consider making evaluation reports available on its website.

0.52 **Project and Portfolio Performance.** CDB monitors the performance of its loan projects and enters the data into a Project Performance Monitoring System (PPMS). In principle, performance scores are updated each time a Project Supervision Report (PSR) is prepared. In practice, PSRs have been written much less frequently than planned, and performance scores reported to the Board have typically been a year after the event. The performance of TA projects is not rated. The *Annual Review of Portfolio Performance (ARPP)* is an important reporting tool for management, but it has been generally produced with a considerable lag. CDB is currently in the process of contracting for a new computerised project management system. However, it is not entirely clear whether the computerised system is the essential problem, and this is receiving attention under CDB's *Quality Assurance Initiative*.

0.53 **Quality Assurance.** An objective of the SDF 7 Implementation Plan is to "increase the results orientation in project and programme design, implementation and reporting". A milestone in the Plan is the implementation of quality assurance standards for each stage of the project cycle, from country partnership strategies to PCRs. This reflects the Bank's quality assurance initiative, proposed in 2008, and for which funding was approved in July 2009. A final report was delivered in September 2010, and the recommendations are being implemented. The focus is on guidelines to ensure quality standards for project appraisal, project supervision, and PCRs.

0.54 **TA Reform.** The SDF 7 Contributors' Report noted serious capacity limitations in some BMCs and underscored the need for a focus on *capacity development* as a priority under *good governance*. The Bank has recognised the need to strengthen its TA work, with greater emphasis on strategic direction and increased attention to quality at entry, project supervision, and results monitoring and reporting. A wide-ranging evaluation of CDB's TA operations made a number of recommendations, including the establishment of a TA Focal Point for the tasks that need to be done centrally, with a priority for systematic training and learning from experience. Consultants were retained in 2009 to help develop a

policy document and a detailed strategic framework to implement the reforms, together with a revision of the TA operational manual. This is a major agenda on which the Bank has embarked, and while the work has taken much longer than expected, it is now scheduled to be completed in mid-2011.

0.55 The next step is to develop a stronger strategic focus and greater coherence for the TA programme, based on an assessment of critical areas for strengthening good governance and economic management. The TA Focal Point will need to be strengthened to undertake the substantial tasks that need to be done centrally, and a training programme provided for operations staff to improve the design and other quality at entry prerequisites, effective supervision and monitoring, and use of lessons learned, so as to strengthen the quality and results of TA initiatives.

SDF 7 RMF

0.56 The Report of Contributors included a RMF that organised results conceptually at four levels. Some modifications to the RMF for use with the Strategic Plan have been proposed, and are currently under consideration. A single RMF will be adopted by mid-2012, and future reporting will be based on this unified framework.

0.57 **Level 1 Results: Regional Progress toward CMDG Targets.** Available economic and social data for the Caribbean has limitations for tracking progress on the MDGs, but permits some broad inferences about performance in relation to the CMDGs. The picture that emerges is one of steady, but uneven, progress. In particular, BMCs have registered notable advances on CMDGs 2, 4, 5 and 6. This is despite the increase in the region's overall population from 25.5 mn in 1993 to 31 mn in 2008.² As a result, the Human Development Index (HDI) for the Caribbean region as a whole rose from 0.763 in 2004 to 0.791 in 2007 (which would give an HDI ranking of 80.8). Within this regional picture, individual BMC performance ranged from Barbados, whose improvement from 0.879 in 2004 to 0.903 in 2007 gave it an HDI rank of 37, to Haiti, which moved from 0.482 in 2004 to 0.532 in 2007, and a ranking of 149.

0.58 SDF Contributors stressed that it was critically important that CDB assist BMCs to reach the CMDGs and targets. Unfortunately, with few and partial exceptions poverty levels generally exceed 20%. In some cases, the rate is over 30%, and is an extraordinary 65% in Haiti.

0.59 As noted above, CDB has funded CPAs as a contribution to the design of NPRSs. In 2009-2010, three CPAs were completed and five initiated, and CDB contributed to three NPRSs. Over the next two years, CDB intends to fund another five CPAs and to support nine NPRSs. CDB's active involvement in this exercise has helped to deepen understanding of poverty in the Caribbean, on the part of both BMCs and the donor community. CDB's CSPs, however, with few exceptions, have not yet fully addressed or integrated the findings of the poverty assessments and this needs closer attention in future.

0.60 **Level 2 Results: CDB/SDF Contributions to Outcomes: Key Outputs.** The Report notes some caveats on data available, but also notes substantial increases in outputs in certain areas, such as: the number of students benefiting from education projects including student loans, beneficiaries of agriculture and rural development projects, number of bridges constructed, secondary and other roads, installed energy generation capacity, micro, small and medium enterprises (MSMEs) benefiting from credit, number of persons benefiting from mortgage programmes; all aspects of DRM, resources for programme-based loans, and capacity development (public sector institutional strengthening and community-based management of natural resources). On the other hand, outputs in water and sanitation, and community

² The data cited refer to the Caribbean region as a whole, including Dominican Republic, Dutch Antilles and Puerto Rico.

infrastructure interventions are running behind SDF 6. The differences, however, are not great and may be largely random.

0.61 In future, the Bank intends to expand its monitoring of outputs to cover all projects that were active during a particular year. It also intends to be more precise on number of outputs produced each year (as distinct from the number of outputs produced by projects that reached completion during the year). The possibility of using three-year moving averages rather than annual figures as measures of the Level 2 indicators will also be explored. These initiatives will enable CDB to link outputs with outcomes more analytically, and to link outputs more precisely to the project performance ratings for that year.

0.62 **Level 3 Results: Operational and Organisational Effectiveness.** The performance indicators on CDB operational and organisational effectiveness focus on six areas of SDF 7 operational objectives and the Bank's internal reform agenda, in each case with both a baseline and a target for 2012.

0.63 The *portfolio performance rating for implementation* declined slightly in 2010 from 2009, but was still at the target level for 2012. The number of PCRs shows significant improvement, but still has a considerable distance to go by 2012. The indicator for *entry of project supervision reports (PSRs) into the computerised reporting system* shows a decline from 2009, although still representing progress from a relatively low base line. *Use of the resource allocation strategy (RAS)*, when the allocation for BNTF 7 is done, will rise to the baseline figure of 61% of SDF resources, but the higher target for 2012 cannot be achieved without additional resources for country lending. *Disbursement performance* in 2010 was mixed, with disbursements from undisbursed balances declining somewhat from 25 to 21%, while the disbursement efficiency ratio improved from 83 to 89% (i.e. actual disbursements were 11% below the level anticipated by project supervisors).

0.64 The number of *CDB country strategies with a results framework* increased significantly from the 2008 baseline figure and was at 50% of the target for 2012. The number of *new or updated CPAs within the past five years* increased in 2010, but was not yet above the baseline of 2008.

0.65 The *strategic programming indicators* for 2010 varied. Environmental sustainability and climate change show an improvement over 2009, but were still well short of both the baseline and the target for 2012. Significant programme planning, however, is underway. The proportion of financing for regional cooperation and integration showed a slight decline and is still well short of the 2012 target. 2010 showed the start of SDF 7 programming related to GE. The indicator for supporting private sector development showed a decline and is well short of the 2012 target.

0.66 In the case of all four of the indicators for monitoring strategic programming, however, single year figures can be misleading, as there is considerable "lumpiness" over periods as short as one or two years. It is suggested that the indicators be reconsidered, with a change to a three-year average for the baseline and a moving three-year average for the indicator itself, so year-to-year volatility does not obscure the true rate of change over time. The final programming indicator, for countries receiving support for direct poverty reduction, remains at the target figure of 11, which represents the number of countries receiving BNTF or SIF assistance.

0.67 The indicator for the percentage of *budgeted professional staff in place in operations departments* showed a small decrease, although there has been an overall increase in the number of positions for the Projects Department, as a result of the elimination of some positions in other areas. There was some decline in the *ratio of professional staff to support staff* as a result of vacancies, although in terms of establishment positions there has been an improvement in the ratio as a result of the institutional reform programme. *Representation of women* in the professional staff and in middle and senior management

positions increased in 2010 over 2009, in both cases to a percentage somewhat higher than the 2012 target. Small changes in staffing or vacancies, however, can affect these ratios from year to year.

0.68 The three *efficiency indicators for administrative expenses* relative to total CDB loan project approvals and disbursements and loan projects under implementation showed some decline and are below both the baseline and the 2012 target. These indicators, however, monitor only loan projects, and there has been a significant increase in SDF grant approvals and disbursements, which are also serviced from the same administrative expenses and were a higher percentage of total SDF operations in 2009 and 2010.

0.69 Of the two indicators under *business processes and practices*, there was a reduction in the time from loan approval to first disbursement in public sector operations, from 12 months to 9.4 months, while average loan processing time in public sector operations moved in the other direction, from 4.5 months to 8.1 months. In subsequent reporting, it is suggested that averages be used, particularly for the SDF 7 period as a whole, and compared with a three-year average baseline.

0.70 **Level 4: Partnership, Harmonisation and Alignment.**³ **Ownership:** The number of BMCs with national development strategies and with completed CPAs in 2010 remained the same as in 2009 and in the baseline year, close to but not yet at the target numbers. The number of BMCs with PRSs has increased from the baseline year, but is still well short of the target for 2012.

0.71 **Harmonisation:** The percentage of the Bank's CSPs with explicit consideration of the programmes of other agencies remains at 100%. The percentage of CDB/SDF interventions using common arrangements or procedures, however, declined in 2010, and remains well short of the 2012 target.

0.72 **Alignment:** The percentage of capacity development support provided through coordinated programmes shows a decline in 2010, and remains well below the target. The Bank's current reform of TA policy and operating procedures should provide an opportunity to consider this issue and the scope for expanding use of this type of programming. The percentage of financial support using BMC procurement systems that either adhere to broadly accepted good practices or have a reform programme in place to achieve this remains at the baseline figure of 25%, well short of the target. Much depends on the BMCs in improving this ratio, and the Bank remains willing to provide TA for improved procurement practices. The number of joint monitoring missions with other agencies increased in 2010, to the target level. Efforts will be made to continue at this level, and additional joint missions will be undertaken as appropriate.

0.73 Overall, there is increased awareness within the Bank of the importance of the Paris and Accra agendas, and the key elements of that agenda are highlighted in the operational framework in the Bank's Strategic Plan 2010-2014. Performance will be monitored as part of the implementation of the Strategic Plan.

SDF 7 IMPLEMENTATION PLAN

0.74 The SDF 7 Implementation Plan has three sets of objectives and milestones: *Strategic Priorities and Programme Focus*, *Development Results*, and *Institutional Capacity and Reform*, with monitoring parameters for each milestone. Progress has been made on all of the milestones, and most of them are on target. Several, such as targeting strategic operational themes, are ongoing, and completion of current work or specific actions is still needed on some of the milestones.

³ The term "partnership" covers all three of the categories in this Level of the RMS.

0.75 Substantial progress has been made on *targeting strategic priorities*, although further steps are needed in some cases, as in further strengthening of CSPs, and completion of the TA reform measures, as well as further steps on mainstreaming of GE.

0.76 Significant progress has also been made on *the Bank's results agenda*, including extending and adapting the SDF 7 RMF so that it can be a tool for monitoring implementation of the Strategic Plan 2010-2014. Other steps have included a strengthening of the Bank's evaluation and oversight work and the development of a results framework for each new country strategy paper. Further steps, however, are needed, including the ongoing critical review of the indicators, baselines and targets for the RMF, and on comprehensive and timely data collection, which is still a work in progress.

0.77 The Bank's *internal reform agenda*, to strengthen institutional capacity and improve efficiency and effectiveness, also continues as a work in progress, but with significant steps achieved across a broad area of reform and strengthening. An overall guide to this process has been set in the new Strategic Plan 2010-2014, with a strong emphasis on targeting and monitoring of results. Further steps are needed in several areas, including on strengthening of capacity for strategic regional programming.

0.78 The present status of each milestone is set out in Box 14 in Chapter 5, and in most cases, the issues and progress to date are also discussed in the text of the Report.

SDF 7 RESOURCES

0.79 The Report reviews in Chapter 6 the status of SDF 7 resources and commitment authority, and notes that available resources do not exceed the Base Programme Level, and that instruments of contribution for \$20.8 mn in pledged contributions remain to be deposited. Some contributions toward the structural gap and the higher Target Programme Level are under discussion, but significant further efforts will be needed if progress is to be made toward the Target Level.

0.80 The set-aside allocations for particular programme areas remain appropriate at this stage and do not require adjustment for the present, although some adjustments may be considered later in the cycle.

0.81 **RAS**. The SDF RAS was introduced in SDF 5 and has been used for both the basic allocation of country lending resources and the allocation of BNTF grant funds among eligible BMCs. It is based on a formula with a needs component and a performance component, which is similar to that of other MDB concessional funds, but with elements such as vulnerability and an emphasis on small states that are specific to CDB's BMCs.

0.82 In each of SDF 5 and SDF 6, there were adjustments in the initial country loan allocations during the course of the Replenishment in the light of factors such as usage to date and projected requirements. A similar review of country allocations is planned for 2011, and will be reported to Contributors and discussed with BMCs concerned.

0.83 An independent assessment of RAS was undertaken in 2006/2007, and its recommendations have proved useful. An evaluation of the strategy and formula every five years may be appropriate, and some consideration can be given to this during the remainder of SDF 7. Issues that might be addressed in an evaluation include whether Haiti might appropriately be brought gradually within the formula-based country allocations, whether more weight might be given to environmental sustainability in the allocation formula, whether the "country need" portion of the formula might be adjusted to reflect poverty more accurately, and technical issues related to application of the formula.

1. INTRODUCTION

1.1 THE SDF 7 REPLENISHMENT

1.01 The current cycle of the Special Development Fund (SDF 7) covers the period 2009 to 2012.⁴ Formal negotiations for the SDF 7 replenishment were concluded in December 2008, and a Resolution conveying the final *Report of Contributors on SDF 7: A Partnership for the Millennium Development Goals in the Caribbean* and approving administrative and legal arrangements for new contributions was adopted in March 2009. The Report sets out the results of the negotiations and constitutes an agreement between the Caribbean Development Bank (CDB) and the Contributors, on the basis of which Contributors agreed to provide additional resources for the SDF 7 period, subject to monitoring and a Mid-term Review (MTR).⁵

1.02 The Replenishment Agreement⁶ describes the rationale for the Replenishment in the context of the Millennium Development Goals (MDGs) and the Caribbean MDG (CMDG) targets, including the challenges of poverty and vulnerability in the Caribbean and the special role of CDB and SDF in the Caribbean aid architecture. It also sets out the operational strategy for SDF 7, a framework for increasing development effectiveness and managing for development results, the agreed financial resources and programme levels, and an SDF 7 Implementation Plan.

1.03 The operational strategy is to target particular strategic themes and objectives within the framework of the MDGs and CMDG Targets.⁷ These include four overall strategic themes:

- *Strengthening poverty reduction and human development;*
- *Supporting environmental sustainability and advancing the climate change agenda;*
- *Supporting Regional Cooperation and Integration (RCI); and*
- *Enhancing development effectiveness.*

1.04 The *first three strategic themes* are both programming areas and cross-cutting themes, with poverty reduction as an overarching theme, consistent with the Bank's mission statement. These build on the policy framework and experience of successive SDF replenishment cycles, and extend and deepen the efforts under previous replenishments to target and monitor SDF operations in a CMDG framework. Contributors recognised that SDF 7 was the last full cycle before the MDG target year of 2015 and agreed that efforts should be stepped up to assist Borrowing Member Countries (BMCs) in accelerating progress toward the CMDG targets for poverty reduction and human development. They also endorsed an increased emphasis on environmental sustainability and climate change mitigation and adaptation under MDG 7, as well as the importance in the Caribbean context of MDG 8 on strengthening partnerships for development, including addressing the special needs of least-developed countries (LDCs) and Small Island developing states (SIDS). Support for RCI within the Caribbean Community (CARICOM) is a key element in MDG 8 for the Caribbean.

1.05 Contributors welcomed increased support for Haiti, which is a major LDC and a fragile state. They also agreed that gender equality (GE) and MDG 3 should be a principal cross-cutting theme in

⁴ All references to the Special Development Fund are to the Special Development Fund (Unified), which has provided the principal concessional fund resources for CDB operations since 1984, and for which SDF 7 is the sixth replenishment.

⁵ *Report of Contributors on SDF 7*, p. (iii), para. 14.

⁶ The *Report of Contributors* is also referred to as the Replenishment Agreement.

⁷ *Report of Contributors*, pp. 13-14, sec. 3.1.

SDF 7, and that capacity building and good governance should be a continuing objective in the Bank's operations.⁸

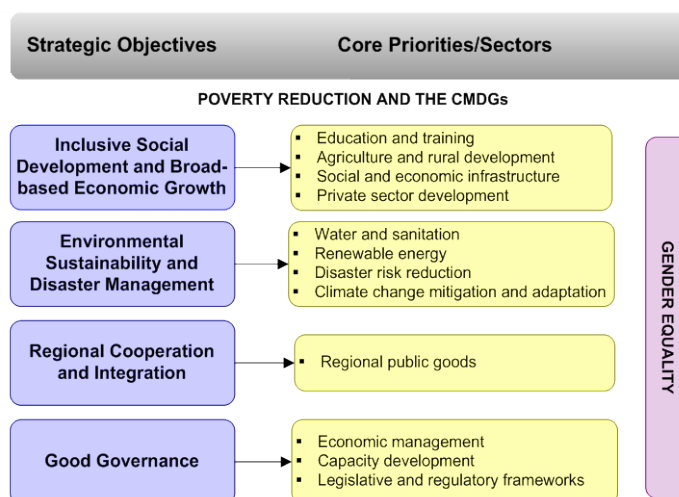
1.06 The *fourth strategic theme* reflects the commitment of the international development community to increase the effectiveness with which development resources are used, and to do so in the context of the Paris Declaration and the Accra Agenda for Action. This includes a commitment to monitoring and measuring results, with a further strengthening of the Bank's work on managing for development results (MfDR), as well as to strengthening partnerships, harmonisation and alignment. It includes a priority for the Bank's internal reform agenda and further strengthening of its human resources and institutional capacity.

1.07 Contributors laid emphasis on the importance of focusing on selected priorities within the new strategic framework, and of targeting, monitoring and reporting on key results. It was agreed to target the three operational themes, with poverty reduction and CMDGs as an overarching theme, through *four strategic objectives* and a limited number of *core priorities or sectors*, in which the Bank had strong experience and would expect to be a leading provider of assistance. The strategic objectives are also reflected in the Bank's Strategic Plan for 2010-2014.⁹

1.08 Contributors also recognised that the Bank had experience and expertise in certain other sectors, but where it would not seek to be a leading provider of assistance although, depending on circumstances, it might engage as part of a collaborative effort. There were also several sectors in which the Bank would not expect to develop or maintain capacity, and where it would disengage. These exit sectors included forestry, fisheries, health, communications, and direct support for tourism.¹⁰

1.09 Contributors and the Bank agreed that the core elements of the approach to increasing development effectiveness should be:

BOX 1: STRATEGIC OBJECTIVES AND CORE PRIORITIES



⁸ *Report of Contributors*, paras.7, 1.12 and 3.40.

⁹ See *Strategic Plan 2010-2014*, pp.22-23, for CDB's overall strategic objectives for the period 2010-2014. The core sectors for SDF 7 are also consistent with what has been established as the Bank's overall core operational sectors for 2010-2014 (education and training, transportation, water and sanitation, solid waste management, energy, agriculture and rural development, and private sector development) (*Strategic Plan 2010-2014*, p. 134, para. 3.03). A separate listing of operational priority areas for purposes of performance monitoring covers these same sectors but also separately identifies disaster risk management (DRM), climate change response, regional public goods (RPGs), economic management and capacity development, as set out in the SDF 7 RMF: Level 2. There is, therefore, consistency between the Bank's overall strategic planning and the SDF 7 framework, as discussed in Section 4.2.1 below.

¹⁰ In the case of tourism, however, it was envisaged that continued support could be given for infrastructure and the enabling environment.

- Further development of the Bank’s MfDR or Results Agenda, including working with development partners (DPs) to strengthen BMC capacities and develop a community of practice on MfDR to assist BMCs in managing for results;
- CDB’s internal institutional reform and capacity building agenda; and
- A results monitoring framework (RMF) addressing results at four levels: regional progress towards selected CMDG targets and development outcomes; CDB/SDF contributions to outcomes in terms of outputs; operational/organisational performance measures; and progress in relation to the Paris Declaration and the Accra Agenda for Action.

1.10 In addition to the overall results management framework, CDB was to prepare an operationally-oriented results framework for each of the three operational strategic themes setting out expected outputs and outcomes in terms of the relevant MDGs and CMDG Targets. Each of the thematic results frameworks would in turn provide a basis for selecting a small number of performance measures that would be reported together with the overall RMF.

MTR

1.11 Contributors agreed that they would undertake an MTR of SDF 7 to assess progress on implementation of the Replenishment and results as reported in the agreed monitoring framework. They asked the Bank to report to the mid-term review meeting on progress with respect to the SDF 7 Implementation Plan and the strategic priorities on which Contributors and the Bank had agreed, including:

- (a) progress with respect to supporting BMCs in accelerating progress toward the MDGs and CMDG targets, including poverty reduction and human development, environmental sustainability and the climate change agenda, and GE;
- (b) progress with respect to BNTF 6, as the flagship programme for targeted poverty reduction and inclusive social and economic development;
- (c) progress and challenges in operationalising a more strategic approach to support for RCI, and to capacity-building technical assistance (TA);
- (d) progress and challenges in respect of the operational programme for Haiti and its special needs as a LDC and a fragile state;
- (e) stocktaking of the Bank’s internal reform agenda, as an integral part of further strengthening institutional effectiveness, and other capacity-related issues;
- (f) progress in terms of the performance measures in the SDF 7 RMF and the proposed results frameworks for the operational programming themes, including an assessment of the results reported;
- (g) resource availability and commitment authority for SDF 7 at mid-term, and the application of the SDF Resource Allocation System (RAS); and
- (h) any other relevant issues.¹¹

¹¹ *Ibid.*, pp.28-29, sec. 4.4.

1.2 PURPOSE OF THE REVIEW DOCUMENT

1.12 The current document reports on the various issues identified by Contributors for consideration at the MTR, including those listed above. The objective is to review and assess:

- implementation of SDF 7 and the strategic priorities agreed by Contributors and the Bank; and
- results to date in the context of the SDF 7 objectives and priorities and as reported within the framework of the SDF 7 RMF.

1.13 There are two issues that will be addressed in separate reports and are not included in the current document. These are:

- A review of the country groups that provide the basis for differentiation of SDF financing terms,¹² on which an initial paper was submitted to the Annual Meeting of Contributors in May 2010; and
- A review of the limit for grant financing in SDF 7.¹³

1.14 The Review Team has reviewed progress and results on the basis of information available at the mid-point of SDF 7. The analysis identifies degrees of progress in different cases, along with, as appropriate, next steps that seem likely to strengthen achievement of SDF 7 objectives in the remainder of the cycle (2011 and 2012). Some adjustments in the country resource allocations are also under consideration separately, with a view to strengthening results by the end of the cycle, and these will be submitted to Contributors at a later date.

1.15 This report is based on analysis of available reports and other data, consultations with staff, comparisons with best practices, and analysis of the various performance measures and results indicators that CDB has agreed to monitor in SDF 7.

1.16 The structure of the Report includes a factual profile or overview of SDF operations as Chapter 2, followed by chapters that broadly follow the structure of the *Report of Contributors on SDF 7*. Chapters 3 and 4 parallel Chapters 3 and 4 in the Report of Contributors, including sections on the SDF 7 strategic and operational themes and related issues. Chapters 5 and 6 also parallel similar chapters in the Report of Contributors, although in reverse order. Chapter 3 and those following report on and assess progress under SDF 7 to date, with suggested Next Steps as appropriate, depending on the analysis.

¹² *Ibid.*, p. 34, para. 5.14.

¹³ *Loc. cit.*, para. 5.16.

2. OVERVIEW OF SDF OPERATIONS: A PROFILE

2.1 PROGRAMME AND FINANCIAL SUMMARY

2.01 An overview of SDF operations in terms of commitments (project/programme approvals) and disbursements for the first two years of SDF 7 (2009 and 2010) is shown in Tables 2.1 and 2.2 together with comparable figures for SDF 6 and SDF 5. Loans and grants are identified separately, as are programme-level commitments for the Basic Needs Trust Fund (BNTF) and TA grant and loan projects, as well as operations in Haiti (all of which to date have been on a grant basis).

2.02 *New SDF loan commitments* increased from an annual average of \$28 mn in SDF 5 to \$42.5 mn in SDF 6, and in the first two years of SDF 7 have averaged \$40.9 mn. *SDF grant commitments* increased from an average of \$11 mn in SDF 5 to \$21.8 mn in SDF 6 and have averaged \$22.3 mn in the first two years of SDF 7.¹⁴ The increase in grant commitments reflects in part the commencement of operations in Haiti in 2007, and a further increase can be expected when the planned programme-level commitment is put in place for BNTF later in the SDF 7 cycle.

	SDF 5		SDF 6		SDF 7		
	2001-2004	Annual average	2005-2008	Annual average	2009	2010	2-year annual average
SDF loan approvals	111.9	28.0	170.1	42.5	35.2	46.6	40.9
SDF grant approvals	44.1	11.0	87.3	21.8	16.6	27.9	22.3
Total Commitments	156.0	39.0	257.4	64.4	51.8	74.5	63.2
<i>Of which:</i>							
<i>BNTF (grants)</i>	32.0	8.0	32.0	8.0	11	11	
<i>TA (grants)</i>	10.4	2.6	9.8	2.5	3.7	2.8	3.3
<i>TA (loans)</i>	2.9	0.7	2.5	0.6	-	1.9	1.0
<i>Haiti (grants)</i>	-	-	25.0	12.5 ¹⁵	10.0	17.8	13.9

2.03 *Total commitments* rose from an annual average of \$39 mn in SDF 5 to \$64.4 mn in SDF 6, and in SDF 7 to date have averaged \$63.3 mn. When the programme-level commitment for BNTF is made later in the SDF 7 cycle, this will increase average annual commitments for SDF 7 by \$11.5 mn.¹⁶ The target for overall SDF 7 commitments, with a Base Programme Level of \$361.1 mn, is an average of \$90 mn per year.

2.04 Commitments of new SDF funds for BNTF averaged \$8 mn a year in both SDF 5 and SDF 6, and will rise to \$11.5 mn when the commitment for BNTF 7 is made later in the SDF 7 cycle. Commitments for TA grants were relatively constant at about \$2.5 mn in SDF 5 and SDF 6, but have risen to an average of just under \$3.3 mn in the first two years of SDF 7, and are planned to rise somewhat further in keeping with an increase in resources for TA in SDF 7 and an increase emphasis on capacity-building TA.

¹⁴ The initial commitments for ongoing BNTF operations in 2009 and 2010 were made in SDF 4 and SDF 5. BNTF has three levels of commitments: programme level (shown here), country-level and sub-project-level. As noted in the text, new commitments will be needed later in SDF 7.

¹⁵ A two-year average, since operations in Haiti commenced only in 2007.

¹⁶ Averaging the expected commitment of \$46 mn over the four years of the SDF 7 cycle.

2.05 As shown in Table 2.2, loan *disbursements*, which had risen significantly in SDF 5 to an average of \$33.9 mn,¹⁷ levelled off to an average of \$26.5 mn in SDF 6, and in SDF 7 to date have averaged \$40.1 mn. Grant disbursements have risen from \$4.4 mn per year in SDF 5 to \$8.3 mn in SDF 6, and in SDF 7 to date have averaged \$22.5 mn. The latter two figures include grant operations in Haiti and reflect also an acceleration in BNTF disbursements. Overall, the shift into an increased proportion of grants (from 11.5% in SDF 5 to 23.9% in SDF 6 and 35.9% in SDF 7 to date) represents a significant change in the composition of the SDF programme, as shown in part in the first two lines in Tables 2.3 and 2.4.

TABLE 2.2: SDF DISBURSEMENTS SDF 5 – SDF 7 (2009-2010)

(USD mn)							
	SDF 5		SDF 6		SDF 7		
	2001-2004	Annual average	2005-2008	Annual average	2009	2010	Two-year annual average
SDF loan disbursements	135.4	33.9	105.8	26.5	45.6	34.6	40.1
SDF grant disbursements	17.4	4.4	33.0	8.3	24.3	20.6	22.5
Total Disbursements	152.8	38.2	138.8	34.7	69.9	55.2	62.6
<i>Of which:</i>							
<i>BNTF</i>	7.3	1.8	14.2	3.6	4.0	8.9	6.5
<i>TA (grants)</i>	10.1	2.8	18.8	4.7	6.2	5.4	5.8
<i>TA (loans)</i>	6.8	1.7	<i>n.y.a</i>	<i>n.y.a</i>	<i>n.y.a</i>	<i>n.y.a</i>	<i>n.y.a</i>
<i>Haiti (grants)</i>	-	-	1.0	1.0 ¹⁸	14.1	6.3	10.2

2.06 The increase in disbursements under BNTF has been particularly significant in proportional terms, rising from an annual average of \$1.8 mn during SDF 5 to \$3.6 mn in SDF 6 and just under \$6.5 mn in the first two years of SDF 7. Disbursements of TA grants have also risen, from an average \$2.8 mn during SDF 5 to \$4.7 mn in SDF 6 and \$5.8 mn during the first two years of SDF 7.

2.07 Total SDF disbursements averaged \$38.2 mn in SDF 5, \$34.7 mn in SDF 6 and \$62.6 mn in the first two years of SDF 7, in part reflecting the changing composition of the programme in terms of the rising proportion of both grants and quicker-disbursing policy-based loans (PBLs), offset to some extent by slower implementation of other parts of the program due to financial constraints on the BMCs concerned as a result of a reordering of priorities associated with the economic downturn.

2.08 Tables 2.3 and 2.4 show a number of *financial aggregates* over the period from the beginning of SDF 6, including loans outstanding, in both nominal terms (Table 2.3) and constant dollars (Table 2.4).

TABLE 2.3: SDF FINANCIAL SUMMARY, 2005-2010

Financial Activity	(USD mn)						
	SDF 6				SDF 7		% change (2010/2005)
	2005	2006	2007	2008	2009	2010	
Loans Outstanding (Net)	352.1	363.3	375.8	380.6	412.9	431.0	22.4%
- Investment Loans	352.1	363.3	370.8	371.6	387.4	389.5	10.6%
- PBLs	0	0	5.0	9.0	25.5	41.5	-
Loan Income	8.1	8.2	8.5	8.7	9.1	9.5	17.3%
Investment Income	1.6	4.6	8.5	9.4	5.1	2.8	75.0%
Administrative Expenses	9.7	9.6	10.0	10.7	11.1	11.6	19.6%
Net Income	0.0	3.1	5.0	7.4	2.8	0.7	-

Source: CDB, Corporate Planning Division (CPD), Jan. 2011 and SDF Annual Reports.

¹⁷ From an annual average of \$19.1 mn over the 5 years of SDF 4.

¹⁸ 1-year only.

2.09 Although overall Loans Outstanding increased over the period by 22.4% in nominal terms and 10% in constant dollars, investment loans outstanding did not increase in constant dollars, i.e. after adjusting for inflation (Table 2.4). In 2005 they stood at \$331.8 mn in terms of constant dollars, and in 2010 at \$329.4 mn. PBLs outstanding increased from zero in 2005 to \$35.1 mn during this period. This reflects a changing composition of the programme, including, at the overall level, the rising share of grants, which reduces the relative share of loans and income generation.

TABLE 2.4: SDF FINANCIAL SUMMARY, 2005-2010
(USD mn, constant dollars)

Financial Activity	SDF 6				SDF 7		Per cent change (2010/2005)
	2005	2006	2007	2008	2009	2010	
Loans Outstanding (Net)	331.8	331.7	333.5	325.3	354.1	364.5	9.9%
- Investment Loans	331.8	331.7	329.1	317.7	332.2	329.4	-0.007%
- PBLs	0.0	0.0	4.4	7.7	21.9	35.1	-
Loan Income	7.6	7.5	7.5	7.4	7.8	8.0	5.3%
Investment Income	1.5	4.2	7.5	8.0	4.4	2.4	60.0%
Administrative Expenses	9.1	8.8	8.9	9.1	9.5	9.8	7.7%
Net Income	0.0	2.8	4.4	6.3	2.4	0.6	-

Net income for 2003 includes a foreign exchange gain of \$3.2 mn. The inflation adjustment uses the U.S. CPI.
Source: CPD, Jan. 2011, SDF Annual Reports.



2.10 SDF Income. Annual SDF income from loans has been relatively stable over the period, particularly in constant dollars, increasing by only 5.7% in the latter terms (Table 2.4). Net income, after administrative expenses, increased in 2008 and then decreased significantly during the past two years, reflecting lower yields on money market investments.

2.11 Administrative expenses. CDB's allocation of administrative expenses to SDF increased over the period from \$9.1 mn to \$9.8 mn in constant dollars, or by 9%.

2.12 SDF (U) in relation to overall CDB operations. As shown in Table 2.5, in 2010 SDF (U) in relation to overall CDB operations represented 27.6% of loans outstanding, and 17.2% of loan income. SDF's attributed share of administrative expenses was 47.5%, and its share of net income was 1.6%.¹⁹

¹⁹ Figures in Table 2.5 are for comparative purposes. SDF resources are held and accounted for separately from OCR.

TABLE 2.5: SDF, OTHER SF AND OCR FINANCIAL SUMMARY, 2009-2010
(USD mn)

Financial Activity	SDF		Other SF		OCR		Totals		% SDF
	2009	2010	2009	2010	2009	2010	2009	2010	2010
Loans Outstanding (Net)	412.9	431.0	129.5	139.5	818.3	993.5	1,360.7	1,564.0	27.56%
- Investment Loans	387.4	389.5	116.5	115.5	754.6	754.9	1,258.5	1,259.9	30.92%
- PBLs	25.5	41.5	13.0	24.0	63.7	238.6	102.2	304.1	13.65%
Loan Income	9.1	9.5	2.6	2.9	45.7	42.7	57.4	55.1	17.24%
Investment Income	5.1	2.8	3.3	5.0	6.2	3.8	14.6	11.6	24.14%
Admin. Expenses	11.1	11.6	2.8	2.6	9.2	10.2	23.1	24.4	47.54%
Net Income	2.8	0.7	2.0	4.6	22.2	41.6	27	46.9	1.56%

Source: CDB Annual Reports. CPD, Jan. 2011.

2.2 RESOURCES AND PROGRAMME LEVELS

2.13 The SDF programme is funded through internally generated resources (loan repayments and income, income from non-loan investments, and net exchange rate adjustment) and, in the case of SDF 7, a transfer from OCR net income. Although there are differences between the financing and programme components of different SDF cycles, Table 2.6 gives an overview of the resource levels available and used during each SDF cycle. In the case of SDF 7, the table shows current projections to the end of the cycle.

TABLE 2.6: SDF RESOURCES AND PROGRAMME LEVELS SDF 1 TO SDF 7
(US \$ mn)

	SDF 1 ²⁰	SDF 2	SDF 3	SDF 4 ²¹	SDF 5	SDF 6	SDF 7*
Resources							
Internally generated ²²	10.9	60.0	28.1	54.8	107.2	120.3	103.9
New contributions	156.0	118.5	123.4	124.8	92.5	156.7	242.2
Transfer from OCR net income	-	-	-	-	-	-	15.0
Less: carryover at end of period	-37.4	-13.6	-38.3	-16.3	-41.4	-19.5	-
Resources available and used	129.5	164.9	113.2	163.3	158.3	257.5	361.1
Programme Levels							
Loans	124.4	154.2	90.1	127.0	113.3	170.0	222.5
BNTF commitments	0	5.0	15.0	18.0	32.0	32.0	46.0
Other Grants	5.1	5.7	8.1	18.3	13.0	55.5 [†]	92.6 [†]
Total programme	129.5	164.9	113.2	163.3	158.3	257.5	361.1

* Projected. † Including \$25 mn for Haiti in SDF 6 and \$46 mn in SDF 7.

2.14 In the case of SDF 7 Contributors approved a base programme level of \$361.1 mn, as shown in the table. There was also a higher target level of \$390.6 mn, dependent on additional resources becoming available.

²⁰ SDF 1 resources and programme level are not directly comparable with later SDF cycles, as they included substantial transfers from previous bilateral special funds already committed.

²¹ SDF 4 covered a five-year period. Other SDF cycles have been for four years.

²² Includes carryover at start of period, loan repayments, net income, and net exchange rate adjustments.

2.3 SDF PROGRAMME AND COUNTRY ALLOCATIONS

2.15 Beginning with SDF 5, there have been two types of resource allocations. The first are “set-asides” for specific purposes, including grant funding. These are shown in Table 2.7. They are subject to adjustment in the light of changing circumstances to best achieve the objectives of the Replenishment, and some subsequent adjustments have been made in the course of previous cycles. Any adjustments, however, require the approval of Contributors.

2.16 The second set of allocations is the indicative country loan allocations, which are determined by SDF’s Resource Allocation Strategy (RAS). These are based on a formula agreed by Contributors that contains both *country need* and *country performance* variables. This is similar to the performance-based resource allocation systems (PBAs) of other MDB concessional funds, but with some elements specific to issues related to CDB’s BMCs, including a CDB-developed measure of *vulnerability*. An initial indicative allocation for individual BMCs is determined at the start of the Replenishment cycle, and this has been revised at the mid-point of the cycle to reflect usage to that date and prospective usage to the end of the cycle, as well as other factors, to ensure effective utilisation of the available resources. A further adjustment may also be made toward the end of the cycle.

2.17 The reason for having a “country performance” factor in the allocation formula is to increase the likelihood of programme effectiveness and provide an incentive for good performance. Factors underlying the country performance rating become part of the policy dialogue between CDB and the BMCs. The RAS is also used to allocate BNTF among the beneficiary BMCs. The country allocations for the three Replenishments for which the RAS has been used are shown in Table 2.8.

	SDF 5 <i>(adjusted)</i>	SDF 6 <i>(adjusted)</i>	SDF 7
1. Base Country Loans			
Country loans using the RAS <i>(minimum programme level)</i>	84,300	115,500	145,450
2. Grant Funding			
BNTF	32,000	32,000	46,000
TA	15,000	16,000	17,500
<i>of which: MDGs/BMC capacity building</i>	<i>12,400</i>	<i>10,000</i>	<i>8,000</i>
<i>CTCS (small-scale private sector)</i>	<i>2,600</i>	<i>4,000</i>	<i>4,500</i>
<i>Project Management Training</i>	-	<i>2,000</i>	<i>5,000</i>
Regional Integration (and RPGs) <i>(grant portion)</i>	4,000	10,000	10,000
Development Effectiveness (MfDR)		4,000	5,000
Immediate Disaster Response <i>(grant portion)</i>	1,000	8,000	6,100
GE <i>(grant portion)</i>	-	-	4,000
Environmental Sustainability and Climate Change <i>(grant portion)</i>	-	-	4,000
3. Other Lending			
Natural Disaster Mitigation and Rehabilitation	26,000	45,000	30,000
BMCs in Fiscal Distress			47,000
4. Allocation for New Members			
Haiti	-	27,000	46,000
Base Programme Level	162,300	231,568	361,050
Structural Gap	23,160 ¹⁷	25,932	29,550
Target Programme Level	185,460²³	257,500	390,600

²³ Adjusted.

2.18 In SDF 7, the provision for country loans using the RAS was initially set at \$175 mn on the basis of the overall target programme level for SDF 7, including an unfunded structural gap of \$19.5 mn. Actual country allocations, however, were based on the assured minimum programme level, which provided \$145.5 mn for country allocations, after allowing for \$215.6 mn in set-aside allocations for specific purposes, as shown in Table 2.7, including up to \$138.6 mn for grant funding.

2.19 As shown in Table 2.7, set-asides included \$30 mn for natural disaster mitigation and rehabilitation, and \$47 mn for BMCs in fiscal distress, in both cases as loans, and grant allocations of \$46 mn for BNTF, \$17.5 mn for TA, \$10 mn for regional integration and RPGs, and \$19.1 mn for other categories, including GE, immediate disaster response, and environmental sustainability and climate change. There was a separate allocation of \$46 mn for Haiti.

2.20 Table 2.8 shows both initial country lending allocations and allocations as adjusted at mid-point or later in the respective cycles to reflect programme circumstances and ensure full use of available resources.

**TABLE 2.8: INDICATIVE COUNTRY LENDING ALLOCATIONS:
SDF 5 TO SDF 7 WITH SDF 7 APPROVALS TO DATE**
(\$'000)

	SDF 5 Initial Allocation	SDF 5 Revised Allocation	SDF 6 Initial Allocation	SDF 6 Revised Allocation	SDF 7 Initial Allocation
<i>(Country Group 1)²⁴</i>					
Bahamas, The	-	-	-	-	-
British Virgin Islands	-	-	-	-	-
Cayman Islands	-	-	-	-	-
<i>(Country Groups 2, 3 and 4)</i>					
Anguilla	5,010	2,742	3,460	4,017	4,925
Antigua and Barbuda	2,480	1,760	2,262	2,613	3,515
Barbados	3,420	1,000	-	-	-
Belize	10,810	6,100	7,256	8,958	17,652
Dominica	5,970	8,760	8,404	9,268	14,203
Grenada	5,610	7,841	5,716	6,399	7,972
Guyana	21,540	25,378	22,906	24,536	36,371
Jamaica	12,300	8,274	13,393	14,509	22,040
Montserrat	3,480	3,480	2,507	1,526	2,251
St. Kitts and Nevis	3,660	7,400	3,562	3,832	5,445
St. Lucia	9,130	10,035	10,841	10,460	16,295
St. Vincent and the Grenadines	7,300	6,500	7,810	8,570	12,923
Turks and Caicos Islands	2,440	1,430	1,451	1,812	1,855
Trinidad and Tobago	3,770	1,000	-	-	-
Total Country Allocations	96,920	91,700	89,568	96,500	145,447

Source: CPD, April 2011.

²⁴ While no BMC is ineligible for SDF lending, countries in Group 1 do not receive a country allocation. They may benefit from regional projects and support for RPGs, and are eligible for highly poverty-focused projects such as a country poverty assessment or preparing a national poverty reduction strategy (NPRS), TA for good governance, and humanitarian assistance in the event of a natural disaster. The amounts will not normally be larger than their own SDF contributions, except for humanitarian assistance.

2.4 SDF IN RELATION TO OVERALL CDB OPERATIONS

Loan Approvals and Disbursements

2.21 From 1984 to 2010, CDB's overall loan approvals totaled \$3,047 mn (Table 2.9). Some \$850 mn (27.9%) of this was from SDF funds. If grants were taken into account, the percentage would be somewhat higher. In the first decade (1984-95), the proportion of SDF loans was significantly higher than in the period since. In terms of disbursements over the period, SDF represented 28.2% of the total, again on a declining trend, except for the most recent two-year period.

TABLE 2.9: TOTAL CDB AND SDF LOAN APPROVALS AND DISBURSEMENTS, 1984-2010
(USD mn)

	SDF 1 1984-87	SDF 2 1988-91	SDF 3 1992-95	SDF 4 1996-00	SDF 5 2001-04	SDF 6 2005-08	SDF 7 2009-10	Total
Loans Approved								
Total Approvals (<i>all sources</i>)	190.6	297.2	236.7	623.5	515.0	761.7	421.8	3,046.5
SDF (U) Approvals	121.7	144.5	90.1	132.1	111.8	170.1	80.0	850.3
% of SDF (U) to Total	63.9	48.6	38.1	21.2	21.7	22.3%	19.0%	27.9%
SDF (U) Cumulative	121.7	266.2	356.3	488.4	600.2	770.3	850.3	-
Loans Amounts Disbursed								
Total Disbursements	151.2	259.5	222.0	425.1	596.4	518.2	179.8	2,352.2
SDF (U) Disbursements	55.3	120.1	70.8	95.7	135.4	105.8	80.17	663.27
% of SDF (U) to Total	36.6	46.3	31.9	22.5	22.7	20.4%	44.6%	28.2%
SDF (U) Cumulative	55.3	175.4	246.2	341.9	477.3	583.1	663.27	-

Source: CPD, Jan. 2011.

Loan Portfolio

2.22 In December 2010, CDB's OCR and Special Fund portfolios of outstanding loans together totaled \$1,552 mn. Of this, 27.8% was represented by the SDF loan portfolio. The SDF portfolio has varied as a proportion of the total, but has generally been roughly one third of all loans outstanding, although declining over the last three SDF replenishment periods (Table 2.10). SDF funds have been an important source of flexibility in CDB operations and have provided significant leverage.

TABLE 2.10: SDF AND TOTAL OCR AND SDF LOAN PORTFOLIOS FOR SELECTED YEARS 1987-2010
(\$ mn)

Loans Outstanding	SDF 1 1987	SDF 2 1991	SDF 3 1995	SDF 4 2000	SDF 5 2004	SDF 6 2008	SDF 7 2009	SDF 7 2010	% Change Dec 2008- Dec 2010
SDF Loans Outstanding	55.5	164.5	207.4	257.6	335.0	380.6	412.9	431.04	13.3%
Total OCR and Special Funds	319.4	496.4	543.0	701.6	1,060.9	1264.3	1348.3	1,551.8	22.7%
% of SDF (U) to Total	17.4%	33.1%	38.2%	36.7%	31.6%	30.1%	30.6%	27.8%	-

Source: CPD Jan. 2011.

2.5 SDF OPERATIONS BY COUNTRY AND CYCLE

2.23 SDF interventions by country are shown in terms of total project approval amounts in Table 2.11. Projects approved since the beginning of SDF have totaled \$1,147.8 mn. SDF loans and grants have been \$899.1 mn and \$248.7 mn, respectively. The largest recipients have been Guyana and Jamaica, followed by Grenada, St. Lucia, Dominica and Belize. All BMCs, however, have received significant support from SDF, with the exception of The Bahamas, Barbados, Cayman Islands and Trinidad and Tobago, and these four countries have also received some assistance according to

circumstances.

2.24 SDF operations by cycle, beginning with SDF 1, broken down between loans and grants, are shown in disbursement terms in Table 2.12. BNTF figures are not included.

TABLE 2.11: SDF PROJECT APPROVALS BY COUNTRY, 1984-2010

(\$ '000)

	Loans	Grants	Total	% of Total
Anguilla	13,337	1,101	14,438	1.3%
Antigua and Barbuda	12,897	1,859	14,756	1.3%
Bahamas, The	2,802	924	3,726	0.3%
Barbados	6,324	1,140	7,464	0.7%
Belize	84,958	15,243	100,201	8.7%
British Virgin Islands	13,051	679	13,730	1.2%
Cayman Islands	5,470	208	5,678	0.5%
Dominica	90,492	10,516	101,008	8.8%
Grenada	108,022	12,120	120,142	10.5%
Guyana	141,079	29,051	170,130	14.8%
Haiti	-	48,654	48,654	4.2%
Jamaica	158,320	10,802	169,122	14.7%
Montserrat	12,826	5,188	18,014	1.6%
St. Kitts and Nevis	65,472	8,086	73,558	6.4%
St. Lucia	91,019	11,961	102,980	9.0%
St. Vincent and the Grenadines	63,033	10,251	73,284	6.4%
Trinidad and Tobago	5,218	592	5,810	0.5%
Turks and Caicos Islands	13,426	2,803	16,229	1.4%
Regional	11,335	77,538	88,873	7.7%
Total	899,081	248,716	1,147,797	100.0%

Source: CPD April 2011.

2.25 Loan disbursements have varied considerably, although on a rising trend, as would be expected, with a particularly significant increase in the first two years of SDF 7. There has also been, as noted above, a substantial increase in grant disbursements, in both absolute and relative terms, rising to 51.5% in the first two years of SDF 7. This reflects an acceleration of disbursements under BNTF and also the start of significant disbursements to Haiti in SDF 7.

TABLE 2.12: SDF LOAN AND GRANT DISBURSEMENTS, 1984-2010*

(\$ mn)

	SDF 1	SDF 2	SDF 3	SDF 4 ²⁵	SDF 5	SDF 6	SDF 7 2009-2010	Total
Loans	55.3	120.1	70.8	95.7	135.4	105.8	80.2	663.3
Grants	7.1	5.2	12.6	33.3	17.4	33.0	44.9	153.5
Total	62.4	125.3	83.4	129.0	152.8	138.8	125.1	816.8
Grants as % of Total	11.3%	4.1%	15.1%	25.8%	11.4%	23.8%	35.9%	18.8%

Source: CPD, Jan. 2011.

* Excluding BNTF prior to SDF 4.

²⁵ Five-years.

2.6 CONTRIBUTIONS TO SDF

2.26 All CDB member countries, regional and non-regional, including BMCs, have contributed to SDF. In dollars or dollar equivalents, the total, including amounts originally attributed to SDF 1 from previous trust funds, is \$1,073.7 mn in terms of amounts paid or pledged (Table 2.13).

2.27 Regional borrowing members have contributed 16.7% of the total, but at a significantly increasing level over the past three replenishments, and with a percentage share as high as 27.4% in SDF 5 (a relatively low replenishment). In SDF 7, BMCs increased their contributions by just over a third, with a share of 19.2%. Regional non-borrowing members have contributed about 6.9% over the period, but with a declining share.

TABLE 2.13: CONTRIBUTIONS TO SDF – SDF 1 TO SDF 7
(\$ mn)

	SDF 1	SDF 2	SDF 3	SDF 4	SDF 5	SDF 6	SDF 7	Total	%
Borrowing Members	10.4	10.4	19.4	19.6	25.4	36.1	49.5	170.8	16.7%
Other Regional Members	10.0	6.7	15.0	9.0	9.6	10.2	10.2	70.7	6.9%
Non-regional Members	145.7	76.0	82.0	89.8	57.5	110.4	173.7	735.1	71.8%
Non-Members	5.0	5.0	7.0	6.3	-	-	8.8	32.1	3.1%
OCR Transfer	-	-	-	-	-	-	15.0	15.0	1.5%
Totals	171.1	98.1	123.4	124.7	92.5	156.7	257.2	1,023.7	100.0%

Source: CPD 2011.

2.28 Non-regional members have contributed 71.8% of the total, and between 62% and 70% of recent replenishments, and 67.5% in SDF 7. There were also contributions from non-members in the early SDF cycles and prospectively in SDF 7.

2.29 The contributions of individual countries to each SDF cycle are shown in Appendix D.

2.9 TERMS OF LENDING AND BLENDED FUNDS

2.30 The terms for SDF loans vary according to country grouping, as shown in Table 2.14. One of the objectives of the differentiation of terms is to strengthen SDF income generation where economic circumstances permit.

TABLE 2.14: LENDING TERMS BY COUNTRY GROUP, WITH ESTIMATED GRANT ELEMENT

Country Group	Interest Rate	Maximums			
		Grace Period	Maturity	Estimated Grant Element SDF 6	Estimated Grant Element SDF 7
Group 1	5.0%	5	10	30.8%	11.4%
Group 2	4.0%	5	25	46.6%	26.7%
Group 3	2.5%	10	30	66.3%	42.7%
Group 4	2.0%	10	30	70.7%	48.1%
Regional	2.5%	7	25	61.3%	37.0%

Source: SDF 6 MTR and CPD Jan. 2011.

2.31 CDB frequently blends ordinary capital funds with SDF funds for a particular project. There are various reasons for blending, including that some project components may be more appropriately financed by OCR and some by SDF, blending lowers the average interest rate for a particular borrower, and available SDF funds may not be sufficient to provide all the financing for a high priority project.²⁶

²⁶ In a Briefing Note on SDF, the Bank has explained the reasons for blending as follows: "... resources of the SDF (U) have been used to fund a substantial proportion of CDB's overall programming even as the relative scarcity of concessional resources has increased....The blending of SDF and OCR resources on both a country and project basis has been a characteristic of CDB's operations since its establishment. Blending at the project level reflects specific project considerations as particular components

The average terms of funds used in blended loans are shown in Table 2.15. The effective interest rate depends on the combination of the resources used for a particular project.

TABLE 2.15: AVERAGE INTEREST RATES OF LOANS BY SOURCE OF FUNDS

Cycle and Year	Source of Funds			
	OCR	SDF (U)	Special Development Funds (Other) [SDF (O)]	Other Special Fund Resources (OSFR)
SDF 7 2009	5.77%	2.30%	2.14%	2.05%
2010	4.72%	2.30%	2.17%	2.17%
SDF 6 2006	6.10%	2.29%	2.40%	1.89%
2005	5.90%	2.37%	2.40%	1.87%
SDF 5 2004	5.60%	2.40%	2.40%	1.75%

Source: CDB Annual Reports and CPD Jan. 2011.

2.32 Over a long period of time, the average proportion of SDF funds has been about 30%. In SDF 6, 2005 and 2006, excluding loans that were entirely SDF financed, the blend of ordinary capital and SDF monies, on average, has been between 45% and 55%. The percentage of loans approved in 2005 or 2006 that had blended financing was 33% by number and 39% by dollar amount.²⁷ In 2009 and 2010, the percentage of loans that had blended financing was 32% by number and 38% by dollar amount. SDF funds made up 43% of the funds provided for blended loans.

may be more suitable for SDF (U) financing (such as with institutional strengthening), the availability of SDF (U) resources, and the desire to spread limited concessional resources over a number of projects (in some cases to broaden CDB's influence on institutional or policy issues). It also reflects the desire to leverage OCR for purposes that might otherwise be entirely eligible for SDF (U) funding." Used in this way "SDF (U) resources have ... allowed CDB to undertake a range of lending and non-reimbursable activities in all BMCs and in sectors where socio-economic returns are assessed to be high, but where direct financial returns are low or difficult to capture and which may require long gestation periods."

²⁷ For loans approved during the period January 2005 to July 2007, excluding loans that were entirely SDF financed, the blend of ordinary capital and SDF monies, on average, was 61% to 39%, and the percentage of loans approved that had blended financing was 32% by number and 34% by dollar amount.

3. SDF 7 OPERATIONAL STRATEGY

3.1 ADDRESSING THE MDGs AND CMDG TARGETS

3.01 Ever since SDF 5, Contributors have placed SDF operations squarely in the context of the Caribbean component of global efforts to reach the MDGs. Since SDF 7 is the last full replenishment cycle before 2015, the target-year for most of the MDGs, Contributors reiterated the critical importance of assisting BMCs to reach their goals and targets. In doing so, they recognised the special circumstances of the Caribbean region and the ongoing development of Caribbean-specific MDG targets (the CMDGs). Contributors endorsed the Caribbean MDG framework as a principal means of targeting objectives, and selecting and designing programmes and projects. While they placed particular importance on MDGs 1 and 2 and related CMDG targets, Contributors also expected programming in SDF 7 to have an impact on MDGs 3, 7 and 8 and the related CMDG targets.²⁸ They endorsed the MDGs and the Caribbean-specific targets and indicators as a framework for monitoring results during SDF 7.

TARGETING MDGs/CMDGs IN SDF 7[†]

MDG 1: Eradicate extreme poverty and hunger
 MDG 2: Achieve universal basic education[‡]
 MDG 3: Promote GE and empower women
 MDG 7: Ensure environmental sustainability
 MDG 8: Develop a global partnership for development

[†] Each of the MDGs has a specific set of CMDG targets.

[‡] In the Caribbean context, the reduction of poverty and vulnerability to poverty requires a basic education that extends from primary through at least secondary education. The CMDG targets are, therefore, formulated in this context.

3.02 The focus of Contributors on the MDGs and CMDGs reflects the reality that poverty remains a serious problem in all but a handful of BMCs. Several decades of economic growth have improved living conditions overall, as well as some social indicators, such as infant mortality and life expectancy. Nevertheless, poverty levels continue to be relatively high across the Caribbean region. With the exception of Antigua and Barbuda, The Bahamas, Barbados, Jamaica, and Trinidad and Tobago, BMC poverty levels generally exceed 20%. In some cases, they are over 30%, and reach 65% in Haiti. It is true that trends had been encouraging, with poverty levels reduced or, at least, not worsening, and extreme poverty or indigence declining in some BMCs²⁹.

3.03 This suggests that policies implemented by BMCs, while achieving results in addressing extreme poverty, have been less effective for other areas of social deprivation. The global financial crisis of 2008 and the resulting slowdown in economic activity (and rise in the prices of oil, food and other essential commodities) have also had an adverse impact on poverty reduction. In some BMCs, some of the achievements of previous years appear have been reversed, while in others, it has required a major effort to preserve gains made earlier. The recent global crisis also highlighted the issue of vulnerability and that many people in BMCs are at risk of falling into poverty in the event of social and economic shocks. Building on previous replenishments, therefore, SDF 7 emphasises the *strengthening of poverty reduction and human development* as a cross-cutting and over-arching strategic theme.

CMDGs and Poverty Assessments

3.04 In the circumstances of the Caribbean, poverty differs in significant respects from the situation in other parts of the world.³⁰ CDB has taken a leading role in inter-agency efforts, together with BMCs, to develop a Caribbean-specific (CMDG) framework. A 2005 CDB/United Nations Development

²⁸ For the related CMDG targets, see *A Partnership for the Millennium Development Goals in the Caribbean: Report of Contributors on SDF 7*, February 2009, Appendix B.

²⁹ In eight BMCs, extreme poverty now falls below 5%.

³⁰ For MDG 1, Caribbean poverty is better captured by CPAs than by the internationally accepted \$1 (purchasing power parity) per day poverty line. Similarly, CMDG 2 was extended to include secondary education.

Programme (UNDP) regional workshop of BMC planners and statisticians was followed by a CDB-supported technical working group of Caribbean statisticians whose recommendations for progress indicators for the CMDGs were approved by CARICOM in November 2008. The emphasis has now shifted to strengthening national data collection systems and supporting BMCs in assessing and attacking poverty, and monitoring progress.

3.05 CDB has, since 1995, also supported a programme to assist BMCs to carry out Country Poverty Assessments (CPAs), design NPRSs, and undertake follow-on poverty assessments. Begun in collaboration with the Canadian International Development Agency (CIDA), Department for International Development of the United Kingdom (DfID) and UNDP, and supported by SDF resources, this programme now covers 13 out of CDB's 18 BMCs. In 2009-2010, three CPAs were completed and five initiated, while three NPRSs were assisted. Over the next two years, a further five CPAs will be undertaken and support provided for nine NPRSs. CDB's active involvement in this exercise has helped to deepen the understanding of poverty in the Caribbean, on the part of both BMCs and their DPs. In addition, it has emphasised the need for strengthening evidence-based approaches in developing social policy and articulating strategic programme responses to poverty reduction and social development

3.06 CPAs have deepened the understanding of the nature and characteristics of poverty in BMCs, contributed to the development of the Bank's PRS, and strengthened the poverty programming of the Bank, other DPs and BMCs themselves. They also provide a key resource to inform the design and preparation of CDB country strategies to assist in effective allocation of resources and identification of targeted interventions. Although informed by the CPAs, however, CSPs to date, with few exceptions, have not explicitly referred to the conclusions in the CPAs. Further comment on this is made in Section 3.2.

3.07 In addition, with funding from the Inter-American Development Bank (IDB), CDB is implementing the bilateral stream of the multi-donor Support to Poverty Assessment and Reduction in the Caribbean (SPARC) programme.³¹ SPARC aims to establish a Caribbean-wide platform for data collection, poverty monitoring, social policy development and strategy formulation. In coordination with the United Nations Economic Commission for Latin America and the Caribbean (UNECLAC) and the Sir Arthur Lewis Institute for Social and Economic Studies (SALISES), CDB is currently helping ensure that the social data now available can be conveniently mined by poverty researchers and scholars.

Poverty Reduction and Human Development

3.08 CDB's own policy development on poverty reduction has been evolving. Having focused on poverty issues since its inception, CDB's 2004 Poverty Reduction Strategy (PRS) reaffirmed this commitment and articulated a more systematic approach based on an analysis of the specific characteristics and multi-dimensional nature of poverty in BMCs. The Strategy envisaged action on three fronts: (i) *capability*

Poverty reduction and human development in SDF 7:

- Promote the economic opportunities and productive capabilities of the poor through measures to improve the livelihood of poor people;
- Target vulnerabilities that affect the poor, or those at risk of becoming poor, resulting from events such as economic shocks and natural disasters;
- Facilitate the development of the private sector by supporting an enabling environment and contributing to financial sector development; and
- Promote good governance, by:
 - improving access to, and delivery of, services that benefit the poor and vulnerable;
 - promoting sound policy and equitable resource allocation, i.e., sound macro-economic management; and
- Encourage increased stakeholder participation in decision-making processes and in policy, programme and project implementation.

³¹ SPARC's regional stream is managed by UNDP Barbados and the Organisation of Eastern Caribbean States (OECS) and implemented by CARICOM.

enhancement, (ii) vulnerability reduction, and (iii) good governance. Under capability enhancement came access to education and skills development. Reducing vulnerability in the Caribbean involved, not just social safety nets but protection from the consequences of natural disasters. Good governance, in this context, meant improving the delivery of public services that matter most to the poor and increasing beneficiary participation. These three “levers” for reducing poverty were not seen as discrete operational categories, but as three critical aspects of programming, with individual projects often contributing to more than one of these objectives.

3.09 In light of the experience gained with this approach during SDF 6 (2005-2008), SDF 7’s strategic theme of poverty reduction and human development envisages actions on a number of fronts, as shown in the sidebar above.

GE

3.10 Mirroring the situation in other developing regions, the position of poor women in the Caribbean merits special attention. They experience all the burdens of poverty that their male counterparts do, and, as elsewhere, face disadvantages of their own. These include shouldering the bulk of the responsibilities of child bearing and rearing, and housework, and exposure to domestic and other violence. A particular concern in the Caribbean is the large number of households headed by single women. Coming on top of their other preoccupations, providing for the family is a substantial burden. MDG 3 thus has particular resonance in the Caribbean, and the related CMDG targets reflect this.

CMDG Targets for MDG 3

- Eliminate gender disparity in primary and secondary education, preferably by 2005, and at all levels of education no later than 2015;
- Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015;
- Reduce by 60% the incidence of physical acts of gender-based violence; and
- Reduce, by 2015, all forms of gender-based violence.

3.11 In its poverty programming in SDF 7, CDB tries to ensure that the need to expand women’s capabilities, welfare and opportunities find a prominent place.

Environmental Sustainability:

3.12 For BMCs, environmental considerations rank high in public policy discussion. For many, small land area makes resource conservation particularly important. In addition, as a region prone to hurricanes and other natural disasters, the Caribbean requires a special focus on disaster management, including measures that mitigate the impact of natural disasters. And looming over all other environmental concerns are the implications for island BMCs of global warming, in particular rising sea levels and changing weather patterns.

3.13 In consequence, helping BMCs attain MDG 7 (ensure environmental sustainability) and the associated CMDG targets is a priority for CDB’s programmes of assistance.

CMDG Targets for MDG 7

- Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources;
- Halve the proportion of people without sustainable access to safe drinking water and proper sanitation by 2015;
- Achieve a significant improvement in the lives of at least 70% of persons living in poor communities by 2020; and
- Construct and implement a vulnerability index for the Caribbean within five years, which is sensitive to economic, social and environmental threats.†

† Pioneering work on a vulnerability index was undertaken by CDB and subsequently updated. UNECLAC has also done significant work on constructing a vulnerability index for the Caribbean, and the desirability of CDB partnering with UNECLAC on this work is referred to in Section 3.2.

A Partnership for Development: RCI

3.14 CDB serves BMCs that are in most cases small island nations sharing similar development situations, challenges and constraints. From the outset, therefore, CDB has sought to complement its assistance to individual BMCs with more regional approaches. Besides being an appropriate response to the situation in BMCs, efforts to develop regional solutions and regional public goods have proven cost-effective and cost-efficient. Indeed, CDB itself can be regarded as a regional platform for development assistance and a RPG, and just as CDB's Governance Strategy helps BMCs improve the quality of their national governance systems to strengthen efforts at poverty reduction, it seeks to strengthen regional governance and promote RCI to the same end.³² As such, CDB's regional initiatives should contribute towards MDG 8 (develop a global partnership for development) and the CMDG targets.

CDB and the CMDG Targets for MDG 8

- Addressing the special needs of least developed and small island BMCs;
- Assisting BMCs with their debt problems with a view to making debt sustainable in the long term; and
- Helping BMCs provide decent and productive work for youth, women and especially vulnerable groups.

3.15 The implementation of these programme objectives is examined in the sections that follow.

3.2 POVERTY REDUCTION AND HUMAN DEVELOPMENT

3.16 Poverty reduction and human development is both a cross-cutting and an over-arching theme for SDF 7.³³ This is consistent with the Bank's current and past Strategic Plans and the thrust of previous SDF cycles. What have been added in recent SDF cycles are a more articulated strategy, drawing on the Bank's experience and the analysis of CPAs, assistance to BMCs in developing NPRSs, and a focus on supporting the MDGs, and CMDG targets.

3.17 As expected, therefore, the largest part of SDF 7 commitments to date has supported, as a principal purpose, poverty reduction and human development and the related objective of inclusive social development and broad-based economic growth.³⁴ On a broad definition, the Bank's classification shows \$105 mn in loan and grant approvals in this category as of December 31, 2010, as compared to total approvals of \$126.3 mn. In a number of cases, these have also supported other objectives, as would be expected for a cross-cutting theme.

3.18 On a more restrictive definition, and separating out policy-based lending as a new and significant category that also supports SDF operational themes and objectives, the trend in SDF 6 – when over 60% of resources were in the poverty reduction category – has been sustained in the first two years of SDF 7. SDF 7 commitments so far, however, also show differences. Table 3.1 compares commitments in the period 2005-2008 with those in 2009-2010 under the SDF 7 operational themes³⁵ and for PBLs.³⁶

³² The governance strategy places strong emphasis on the importance of good governance for poverty reduction and human development. See Section 3.8 below.

³³ *Report of Contributors*, p. 13, para. 3.03.

³⁴ See *ibid*, p. 14, Box 2, for the Bank's (and SDF's) strategic objectives within the over-arching objective of poverty reduction and support for the CMDGs.

³⁵ In relation to the classification used in SDF annual reports, "Inclusive Social Development and Broad-based Economic Growth" comprises commitments for *Capability Enhancement* and *Reduction of Vulnerability* (other than disaster or environment related).

³⁶ Only are macroeconomic PBLs are included in this category. Loans in support of individual sector reforms are included under "Inclusive Social Development and Broad-based Economic Growth."

TABLE 3.1: COMMITMENTS IN SDF 6 AND SDF 7 BY STRATEGIC THEMES

(In USD mn)

	SDF 6 (2005-2008)				SDF 7 (2009 -2010)			
	Loans	Grants	Total	%	Loans	Grants	Total	%
Inclusive Social Development and Broad-based Economic Growth ³⁷	115.9	55.1	171.0	66.5	53.3	20.4	73.7	58.4
- of which, Good Governance	3.7 ³⁸	6.1	9.2	3.6	-	2.5	2.5	2.0
Environmental Sustainability, Climate Change and Disaster Recovery and Preparedness	28.1	1.3	29.4	11.4	5.4	2.9	8.3	6.6
RCI ³⁹	-	31.0	31.0	12.0	-	11.2	11.2	8.9
PBLs/Grants (debt-focused)	26.0	-	26.0	10.1	23.0	10.0	33.0	26.1
TOTAL	170.0	87.4	257.4	100	81.7	44.5	126.2	100

3.19 The spread of commitments across the categories shows some variation between the two periods. *Inclusive Social Development and Broad-based Economic Growth* remained relatively steady, although with some decline, as a proportion of to commitments, as did grants for *Good Governance* as a sub-category. *Environmental Sustainability and Disaster Management* and *RCI*, however, showed a significant decline in relative terms, offset by more than a doubling of the proportion of PBLs to support public finances and debt dynamics, as well as poverty reduction policies, of BMCs hit by the global financial crisis and related difficulties. To some extent, the shifts reflect the variation from year-to-year in commitments for a particular sector or programme area, as would be expected for a period as short as two years, but the extent to which the focus on poverty reduction and human development was sustained, and the degree to which the increase in policy-based lending was offset by a reduction in other programme areas reflects the balance of work programme approvals during the first two years of SDF 7. New initiatives on the environment and regional cooperation are planned for the final two years of the SDF 7 cycle.

3.20 CDB's distinctive instrument for supporting poverty reduction and all three "levers" of the PRS is BNTF. This supports community-level and NGO-based projects and programmes that have a direct impact on the lives of the poor. Allocations to BNTF in SDF 6 amounted to \$32 mn for BNTF 6, and in SDF 7, a substantially increased allocation of \$46 mn has been provided for BNTF 7, expected to start later in the SDF 7 cycle.

3.21 CDB and SDF operations impact poverty in at least three ways. *First*, they help expand economic and social infrastructure, especially in transport, power, and education and training, and create assets to which the poor have access.

3.22 *Second*, since weak governance affects the poor disproportionately, CDB and SDF help improve public service delivery and beneficiary participation. This is promoted through BNTF operations and loans and grants supporting sector reforms.

3.23 *Third*, the ongoing global financial crisis has eroded the debt sustainability of BMCs, jeopardising their ability to maintain public services that benefit the poor. In the latter half of SDF 6 and in SDF 7 to date, CDB/SDF have strengthened government finances through PBLs that link budgetary support to macroeconomic reforms and social reforms.

³⁷ Includes commitments classified as Capability Enhancement and those classified as Vulnerability Reduction but not related to disasters or environment (in the classification used in the SDF Annual Report, 2009).

³⁸ Two sector-focused loans: (i) Belize Customs and Excise Department (\$ 2.5 mn) and (ii) St Kitts and Nevis Electricity Department (\$ 0.6 mn).

³⁹ All regional grants. For purposes of this table, regional grants for social development and broad-based economic growth, and for environmental sustainability, climate change and disaster management, are shown in the regional category.

Education

3.24 SDF commitments across economic and social sectors in 2009-2010 were strategically distributed. Education continued to be of major importance. With all BMCs except Belize and Haiti having achieved universal primary education, the focus has shifted to improving quality, expanding access to secondary education (an integral part of basic education in the Caribbean context), and improving quality in all sub-sectors. Particular emphasis has been placed on improving the learning environment including rehabilitating school buildings damaged by hurricanes, curriculum development, improving teacher training, and supporting gender equity by improving the participation and performance of boys.

3.25 In Dominica, where poverty levels are among the highest in the Caribbean,⁴⁰ quantitative targets for universal primary education have been met, but most heads of households have no more than primary education. The Education Enhancement project (2009) will improve access to and quality of education (see Box 2). It is the Bank's first major involvement in Dominica's education sector, previous support having been restricted to BNTF projects, student loans and human resources components in projects in other sectors.

BOX 2: Education Enhancement in Dominica

Dominica remains one of the poorest countries in the Region, and while universal secondary education was achieved in 2005-2006 and the country has met the interim CMDG targets for education, GE and women's empowerment, the sector continues to face serious constraints, principally on education quality, under-representation of males in tertiary education, and ensuring adequate coverage with the migration of people from rural areas to towns, and from inner towns to suburbs. There are problems of sub-standard learning environments, inadequate curriculum development, lack of facilities for special needs students, poor teacher quality and insufficient student support services.

A \$4 mn loan in 2009 will help put the education sector as a whole on a firm footing. It will improve quality, efficiency and effectiveness in basic education by improving the learning environment at primary and secondary schools, upgrading the sector's institutional framework, and improving teacher quality. In addition to building repairs and a sector maintenance policy and plan, schools will be improved through supply of tools, furniture and equipment, learning materials and computer software. Consulting services will support curriculum implementation and assistance to at-risk students, while short- and long-term training will improve teacher quality. 15,000 primary and secondary school students, including 7,500 girls, will benefit from the upgraded schools, while 63 primary and 14 secondary schools will offer a standard range of subjects needed to meet the demand for skilled human resources in Dominica and the Caribbean. As a result, the project will significantly advance education reform and help establish a more efficient, equitable and relevant education system.

3.26 The Schools Rehabilitation and Reconstruction project (2009) in Grenada will repair the damage inflicted by Hurricane Ivan and also address teacher development and school transformation, while a TA grant to Belize (2010) will help the government draw up a comprehensive road-map for development of the education sector. At the regional level, a grant proposed in 2011 for the Caribbean Examinations Council (CXC) will improve stakeholder access across the region to educational process and performance data, a planning prerequisite for both BMCs and CDB. At the sub-regional level, a grant to OECS will support the strategic development of the education sector in OECS Member Countries by the formulation of a new ten-year OECS Education Sector Strategy.

⁴⁰ 39% of the population below the poverty line and 15% indigent.

Transport

3.27 Roads, whose beneficial impact on the lives of poor people has long been known, have been a particular focus of CDB and SDF, and continue to receive attention in SDF 7. The Guyana Community Roads Improvement project (2010) will serve 10% of that BMC's population, as described in Box 3.

BOX 3: Community Roads Improvement in Guyana

In Guyana, one of the poorest countries in the Region with a high level of indigence, over 90% of transport is by road. The area targeted by a 2010 blended \$16.4 mn loan (including \$10.5 mn from SDF) contains 35 villages (with 10% of the country's population) in 12 neighborhood democratic councils (NDCs) accounting for 20% of such councils. The road network, which evolved from footpaths several decades ago, is in poor condition, lacks adequate drainage and suffers many encroachments such as latrines, animal pens, garages, patios and fences. Many of the roads are unpaved and range from rough and stony to impassable. Access is particularly difficult in the rainy season, when women and children can be seen removing footwear to make their way through mud and water to the main road to school or other social services. The few residents with cars leave them on the main road during the rains. This reflects the generally weak performance of the road sector, characterised by inadequate funding for maintenance, limited institutional capacity, premature pavement failures, road safety concerns and poor maintenance practices.

This situation will be comprehensively rectified by a CDB programme that will rehabilitate 240 roads, approximately 95 kms in length, and associated drainage. Consulting services, in addition to supervising road works and installing a monitoring and evaluation framework, will strengthen the capacity of the 12 NDCs, their associated regional democratic councils and the regional development department of the Ministry of Local Government and Regional Development.

The programme will improve access to schools, health clinics, religious centres, community centres, NDC offices, markets and other commercial areas. Commuting by employees of businesses in the area, including a large number of sugar estate workers, will be greatly facilitated. As a result, new businesses will come up and property values will increase. It will also assist women, whose labour force participation in Guyana is less than half that of men.

3.28 An additional (blended) loan to Dominica (2010) will help complete the Road Improvement and Maintenance (Valley Roads) project.⁴¹ TA to the transport sector has included a loan to St. Vincent and the Grenadines for a Rehabilitation and Upgrade Study for the South Leeward Highway, and a regional road maintenance seminar.

Rural Poverty

3.29 Several interventions focused on rural poverty. In Belize, unlike other BMCs, poverty is mostly rural. The Belize River Valley Rural Water project (2009) will serve an area near Belize City that is sparsely populated and where water distribution and provision of safe drinking water are challenging (see Box 4).

BOX 4: Belize River Valley Rural Water Project

Belize, also one of the poorest countries in the region, is committed to achieving universal water and sewerage access by 2020, including increasing access to potable water supply for rural communities. With an estimated 40% of all households below the national poverty line, those in the Belize River Valley (BRV) are among the poorest in the country. They rely on water from the Belize River, hand dug wells, roof catchments and expensive trucked or bottled water for drinking water. These sources are unreliable, since in the dry season roof catchments and many wells run dry. This presents significant risks of diseases associated with poor sanitation and unsound hygiene. Given its potential for the expansion of agriculture and high quality eco-tourism, BRV is a priority area for piped potable water supply.

A \$3.5 mn loan to Belize in 2009 will help the government meet this objective by laying 60 km of PVC pipe for the primary and secondary water network, constructing four elevated storage tanks, and installing/rehabilitating boreholes and pumping stations. By 2015, approximately 475 households will have access to safe, affordable and reliable piped water. Reliable potable water, in addition to other basic amenities already in place, such as electricity and telephone, will create an enabling environment or act as a driver toward rural development and economic growth. The time saved in water collection by women and households can be used for other productive activities. Equally important, residents will be less susceptible to water and food borne diseases and infections. The project will bolster human and environmental health and reduce morbidity and health care costs.

⁴¹ The original loan was approved in September 2005.

3.30 In Grenada, a blended loan for the Market Access and Rural Enterprise Development project (2010) will help address unemployment among the poor (35% compared with 25% nationally). The project, co-financed with the International Fund for Agricultural Development (IFAD) and beneficiaries, aims to enhance the livelihood of rural communities through establishing rural business clusters, upgrading the skills of rural entrepreneurs, strengthening market linkages and expanding credit facilities. Concomitantly, the project focuses on strengthening social and human capital of vulnerable groups including poor rural women and men, and youth.

Haiti and Debt-focused Policy-based Operations

3.31 Two other features of SDF's poverty-oriented operations relate to Haiti and policy-based operations. In Haiti, beginning with a \$4 mn grant in 2005 for an administrative fund to support CDB operations in this BMC, major grant commitments in SDF 6 included the Education for All project (\$10 mn), Technical and Vocational Education and Training project (\$5 mn) and the Urban Community-driven project (\$4 mn). In SDF 7 so far, Haiti's already difficult situation was – like that in other BMCs – exacerbated by a series of severe external shocks. In response, CDB provided immediate budgetary support through a policy-based grant of \$10 mn in 2009.

3.32 Since December 2006, CDB has had to assist BMCs in dealing with the impact of hurricanes (Grenada and St. Lucia), the international financial crisis, and the food and oil crises. The international financial crisis in particular has hurt growth prospects in several ways. It has reduced remittances from Caribbean nationals working overseas and shrunk tourist arrivals from developed countries. In turn, the fiscal and debt implications of lower revenues have hit spending by governments, the main economic driver in most BMCs. In order to prevent vulnerable populations above the poverty line from slipping below it, and counter loss of traction in progress toward the 2015 CMDG targets, CDB provided budgetary support to the worst-hit BMCs. In SDF 6, debt-focused policy-based lending amounted to \$26 mn (Belize, \$10 mn; St. Kitts and Nevis, \$8 mn; and St. Lucia, \$8 mn).

3.33 This trend continues in SDF 7, with \$23 mn of such PBLs so far (St. Vincent and the Grenadines, \$9 mn; Grenada, \$8 mn; and St. Lucia, an additional \$6 mn).⁴² The loan to St. Vincent and the Grenadines is accompanied by a TA grant to complete a NPRS, while the tranche conditions attached to the Grenada loan require an independent review of social safety nets, preparation of a PRS and action plan, and development of an integrated social policy framework. The original loan to St. Lucia (2008) had been pre-emptive in nature, as implementation of an expanded capital investment programme within the prevailing fiscal policy framework would have placed undue strain on public finances. Unlike the other stabilisation loans, budgetary support to St. Lucia also promoted policy reforms in the tourism sector, and export development. Like the other loans, however, a TA grant supported preparation of a NPRS. (For further discussion of policy-based lending, see Section 3.8 below.)

Next Steps

3.34 With continuing weakness of the recovery after the global financial crisis, it is likely that targeted poverty interventions in BMCs may have to be combined with broader assistance for macroeconomic support. While this may be necessary, the Bank will need to remain as focused as possible on what it does best: designing and implementing investment and TA projects, as well as community development. Given its close proximity to BMCs and intimate understanding of the Caribbean situation, CDB is uniquely placed to provide maximum benefits from this core competency. In doing so, priority will need

⁴² These were blended loans, with OCR commitments of \$16 mn for St. Vincent and the Grenadines, \$4.8 mn for Grenada, and \$9 mn for St. Lucia.

to be given to projects that fill critical gaps in economic and social infrastructure and social development programmes and promise returns that justify loan servicing. Of particular importance will be projects that help BMCs achieve and, where possible, surpass CMDG targets.

3.35 Targeting SDF interventions to be most effective in individual BMCs will also need to be a continuing feature of the country strategy process and, as noted in Sec. 3.1, there is scope for further articulation in CSPs of the relationship between CPA analysis and programme planning.

3.36 As also noted in Section 3.1, CDB should seek to build on its earlier work and role in constructing a vulnerability index by partnering with UNECLAC in further work on this key CMDG target, as understanding and tracking vulnerability can make a significant contribution in supporting and implementing the Bank's and the region's PRSs.

Box 5: Major Gains in Educational Attainment

The Basic Education Project in St. Vincent and the Grenadines included a loan for \$6.1 mn, counterpart funds of \$1.7 mn, and a grant of \$60,000. The project became effective in June 1997 and the final disbursement was in October 2010. A Completion Report produced in 2011 found it highly probable that the development objectives would be achieved and that the education gains would be sustained, although implementation of the project had been unsatisfactory.

The development objectives and achievements were as follows:

- (a) 30% increase in the proportion of students aged 16+ achieving Grade II or better on CXC examinations. At appraisal the proportion was 27.5% and the target was 35.7%. By 2011 the proportion had risen to 68%;
- (b) 30% increase in the proportion of 11+ students passing Common Entrance Examinations by 2011. At appraisal the proportion was 42% and the target was 54.6%. By 2011, the proportion had risen to 57.6%;
- (c) All primary assessed annually. At appraisal, there were no country-wide achievement tests. Testing was by individual teachers. By 2011 a Grade 2 and Grade 4 Minimum Standards Test is conducted annually; and
- (d) Annual collection and analysis of education data. At appraisal, education statistics were limited to basic data on enrolment and examination results in unprocessed form in the Annual Directory of Schools. Sector performance was not monitored in any systematic way to inform operational as well as strategic planning. Fifteen years later, in 2011, the situation is not significantly improved. Production of the Directory of Schools and Colleges continues with substantially the same information. Some important data is not published including drop-outs, school attendance and pupil teacher ratios. The publication is still limited in its scope and breadth of relevant data and is a weak basis for analysis to inform planning and decision-making.

The capacity of the MOE to manage, plan and improve quality was significantly improved. Project outcomes, however, must be interpreted in light of two caveats. *First*, the achievement of the outcomes is being evaluated after a protracted implementation period. Project completion was achieved nine years after the original project completion date. *Second*, the achievement of outcomes cannot be attributed to the project alone. The scope of the project was limited to four rural schools and modest institutional enhancement at the MOE, albeit in important areas. The project undoubtedly made a contribution, but attributing major system-wide gains to the project alone would be unrealistic.

- Based on a Project Completion Report in 2011

3.3 BNTF

3.37 BNTF is the Bank's principal programme for direct poverty reduction, targeted at poor communities to improve basic infrastructure and services and increase the potential for economic activity through skills training and capacity. The programme provides resources for sub-projects, project management and technical services, as well as for capacity building for CBOs in participatory approaches for planning and monitoring of sub-projects. There is also a regional component that provides programme support, coordination and administration.

3.38 BNTF addresses the three elements of the Bank's PRS – *capability enhancement, vulnerability reduction* and *good governance*. It also makes a contribution to meeting the CMDG targets, particularly for MDG 1, but also MDG 3 and MDF 7.

3.39 Begun as the Caribbean Education Development and Basic Human Needs/Employment Sector Programme in 1979 with financing from the United States Agency for International Development (USAID), the programme has evolved through six replenishments or phases, with design changes over time. Recent BNTF phases have used the SDF performance and needs-based RAS for allocating BNTF resources among beneficiary BMCs, with an additional “performance bonus” awarded at mid-term in BNTF 4 and BNTF 5. With the recent addition of Jamaica, there are now 10 beneficiary BMCs.

3.40 SDF funding has been provided for BNTF, beginning with \$5 mn in SDF 2 and \$15 mn in SDF 3, increased to \$18 mn in SDF 4. In each of SDF 5 and SDF 6 the allocation was \$32 mn (for BNTF 5 and BNTF 6), and SDF Contributors increased this to \$46 mn under SDF 7, an amount that will be used for BNTF 7.

3.41 In addition to SDF funding, in 2003 Canada contributed the equivalent of \$25 mn to be administered under the BNTF 5 programme over a six-year period. In 2008, Canada provided a further \$1.8 mn to increase the resources for Jamaica. These additional funds enabled the expansion of BNTF coverage to include Jamaica, and also provided supplementary resources for existing beneficiaries.

3.42 Implementation of BNTF 5 is currently drawing to a close, with resources now fully committed, and a closing date for disbursements of December 31, 2011. BNTF 6 began in 2009, with a planned period for commitment of funds for sub-project implementation up to and including 2011, and final disbursement by December 31, 2012.⁴³ Planning for BNTF 7, for which resources have been provided under SDF 7, is currently programmed for July 2011.

3.43 During 2009 and 2010, over 200 sub-projects were approved under both BNTF 5 and BNTF 6, and disbursements, which had averaged \$3.6 mn per year during the SDF 6 period, increased to an annual average of \$6.5 mn in the first two years of BNTF 7, including \$8.9 mn in 2010.⁴⁴

BNTF 5

3.44 Allocations, approvals and disbursements by country for BNTF 5 are shown in Table 3.2. As of the end of 2010, sub-project approvals were at 99% of the revised country allocations, and disbursements were close to 85% of approvals, with further acceleration of disbursements expected during 2011. The Table also shows both the original country allocations and a ‘performance bonus’ that was awarded after the assessment of a number of performance indicators by the BNTF 5 MTE. An initially unallocated ‘performance incentive’ had been set aside for this purpose.

3.45 By the end of 2010, 741 sub-projects had been approved under BNTF 5, 307 of which were still under implementation. 367 social infrastructure and 67 skills training sub-projects were operational, benefiting 474,000 persons, 339,000 adults (168,000 males and 171,000 females) and 135,000 children and young persons.

3.46 BNTF 5 was originally planned to have an implementation period of six years beginning in 2002, with commitments to be completed in 2006 and disbursements in 2008. A number of factors contributed to delays in implementation, as discussed with SDF Contributors during the SDF 7 negotiations.⁴⁵ Several ambitious changes had been introduced as part of a major redesign, with new concepts and methodologies, application of which presented capacity challenges for both BNTF Offices (BNTFOs) at

⁴³ BD 70/08, *Basic Needs Trust Fund – Sixth Programme*, July 2008, p. 22, para. 3.29.

⁴⁴ See Table 2.2 in Chapter 2.

⁴⁵ This included discussion of the BNTF 5 MTE and the design of BNTF 6.

country level and the regional administration at CDB.

TABLE 3.2: BNTF 5 ALLOCATIONS, APPROVALS AND DISBURSEMENTS 2002-2010*
as of December 31, 2010

	Original Allocation	Performance Bonus	Final Allocation	Approvals	Approved as % of Allocation	Disbursements	Disbursed As % of Approvals
	\$'000	\$'000	\$'000	\$'000	%	\$'000	%
<i>Countries</i>							
Belize	3,254	614	3,868	3,868	100%	3,326	86.0%
Dominica	1,786	528	2,314	2,314	100%	1,720	74.3%
Grenada	1,680	388	2,068	1,998	96.7%	1,702	85.2%
Guyana	6,468	1,616	8,084	8,084	100%	7,655	94.7%
Montserrat	1,050	311	1,361	1,361	100%	1,203	88.4%
St. Kitts and Nevis	1,093	229	1,322	1,282	97.0%	961	75.0%
St. Lucia	2,750	767	3,517	3,458	98.3%	2,530	73.2%
St. Vincent and the Grenadines	2,184	450	2,634	2,593	98.4%	2,110	81.4%
Turks and Caicos Islands	735	97	832	768	92.3%	610	79.4%
Sub Total	21,000	5,000	26,000	25,726	99.0%	21,817	84.8%
Performance Incentive	5,000	-	-	-	-	-	-
Regional Coordination	6,000	-	6,000	3,933	65.6%	3,498	88.9%
Total	32,000	5,000	32,000	29,659	92.7%	25,315	85.4%

Source: CDB BNTF.

* SDF funding for BNTF only.

3.47 Changes in BNTF 5 included a requirement for development of a Poverty Reduction Action Plan (PRAP) by each beneficiary BMC, as a measure for targeting the poorest people and their communities; an increased allocation for small and skills-training sub-projects; active involvement of communities in the identification, proposal and implementation of sub-projects, with initiatives being sponsored by a community, community group or service provider; a tripartite agreement between the beneficiary community, the responsible public agency or civil society entity and the local BNTFO; upgrading of the Community Worker post to a Community Liaison Officer with broader responsibilities for networking and increasing the participation of beneficiary groups; and a requirement that all sub-projects address issues concerning stakeholder participation, preventive maintenance, social development, GE, sound environmental management and sustainability.

3.48 The MTE of BNTF 5 concluded that, while the rationale for the thrust of BNTF 5 was sound, with significant potential benefits, and well accepted among community and government stakeholders, the time and skills required to put into action the redesign had been underestimated.⁴⁶

3.49 The Evaluation made a number of strategic and operational recommendations, which were largely supported by CDB, including the need for increased human resources for management of the programme at the regional (CDB) level and for strengthening of the BNTFOs, including greater provision of technical support.⁴⁷ These were similar to recommendations in the last SDF MTR, when the Bank had agreed with the necessity for an increase in CDB staff assigned to BNTF and for an expansion of the skills mix, and also recognised the need to address the issue of simplifying approval procedures.⁴⁸

3.50 Strengthening of capacity and more experience with BNTF 5 have contributed to improved implementation. The issues have also been addressed in the design of BNTF 6, including an increase in

⁴⁶ MTE of the BNTF 5, Volume 1 (Universalia, March 2008), p. iv.

⁴⁷ CDB Comments on the Recommendations from the MTE, BD 47/08, May 2008, section 4.

⁴⁸ Included in the Bank's Response to and Comments on the Report, December 14, 2007, pp. 7-8, para. 4.03.

the technical services budget to enable procurement of expertise to supplement local capacity and enhance training of country officials, provide for beneficiary assessments and project completion reports (PCRs), and strengthen monitoring and evaluation, among other steps.

BNTF 6

3.51 BNTF 6 country allocations, with approvals and disbursements in the first two years of the programme (2009 and 2010) are shown in Table 3.3. Country allocations were again based on the SDF RAS formula. There was no provision in SDF 6 for an unallocated amount to be awarded at mid-term based on performance. Approvals from the country allocations were at 32% as of December 31, 2010, and some disbursements had begun. Both are expected to accelerate in 2011.

TABLE 3.3: BNTF 6 ALLOCATIONS, APPROVALS AND DISBURSEMENTS
as of December 31, 2010

	Original Allocation	Approvals		Disbursements	Disbursed as % of Approvals
	\$'000	\$'000	%	\$'000	%
<i>Countries</i>					
Belize	3,005	586	19.5%	-	-
Dominica	2,283	950	41.6%	-	-
Grenada	1,770	1,008	56.9%	574	56.9%
Guyana	6,710	1,845	27.5%	-	-
Jamaica	4,778	297	6.2%	986 ⁴⁹	332.0%
Montserrat	1,086	97	8.9%	-	-
St. Kitts and Nevis	864	130	15.0%	-	-
St. Lucia	2,732	2,010	73.6%	-	-
St. Vincent and the Grenadines	1,780	898	50.4%	-	-
Turks and Caicos Islands	317	317	100.0	-	-
Sub Total	25,325	8,138	32.1%	1,560	19.2%
Regional Coordination ⁵⁰	6,675	744	11.1%	183	24.6%
Total	32,000	8,882	27.8%	1,743	19.6%

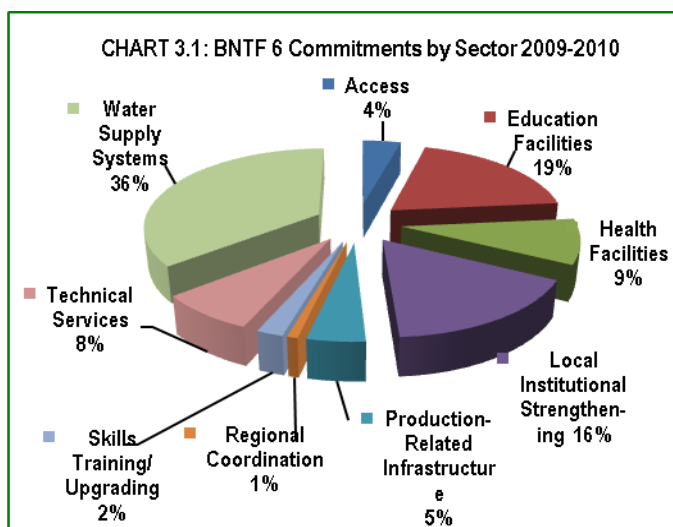
Source: CDB BNTF.

3.52 Chart 3.1 shows BNTF 6 approvals to date by sector. As compared to BNTF 5, there has been a significant increase in the percentage for water and sanitation, and for institutional strengthening, and a smaller percentage for education and for access, as well as for regional coordination. Given that this covers only an initial two-year period, however, it may be too early to draw too much significance from the changes, and there were special factors related to the share for regional coordination, for which other funds were also available.

⁴⁹ This figure represents a cash advance provided to Jamaica.

⁵⁰ Regional Coordination includes programme support, coordination and administration.

3.53 Programme funding for BNTF 6, as in the case of previous phases of BNTF, includes a significant element of counterpart funding by beneficiary BMCs. The 80:20 formula for sub-project costs has been retained, with BMCs meeting 20% of costs. In addition, BMCs cover 20% of the cost of skills training and the full cost of local project management. SDF meets 80% of sub-project and skills training costs, the cost of the regional programme coordination component, and all technical services needed in connection with sub-projects, as well as the local institutional strengthening component.⁵¹



3.54 A number of programme management strengthening activities were undertaken in 2009 and 2010. In 2009, these included revisions to PRAPs and the BNTF Operations Manual, improvements to the Management Information (MIS) reporting system, development of a BNTF results monitoring framework, and MfDR training in participating BMCs. An operations audit of BNTF country offices assessed the adequacy of the institutional framework and processes for managing implementation. A management innovation study of BNTF-funded infrastructure underscored the urgency of strengthening maintenance of community infrastructure and the need to equip communities to deal with preventive maintenance. Five BMCs participated in a joint CDB/World Bank (WB)/IDB workshop on *Mainstreaming Gender in Infrastructure*, at which good practice was shared from BNTF interventions in the rural water sector of Belize and training of women for the construction sector in St. Lucia.

3.55 In 2010, initiatives included the design of a programme-wide system for gathering information on implementation and results. A training programme focused on results-based management principles and tools for monitoring sub-projects, with two regional and ten country workshops; participants included stakeholders from communities, consulting firms, implementing agencies and ministries. Work on the new MIS was well advanced, and will align CDB financial reporting with that of the BNTFOs.

3.56 The annual meeting of BNTF project managers discussed, among other issues, the importance of partnerships with sponsoring ministries to improve the maintenance and sustainability of BNTF interventions. There was also a country-wide training initiative in Guyana where local government bodies and community-based beneficiary groups were trained in preventive, routine and critical maintenance, and a maintenance intervention in St. Kitts and Nevis focused on sanitation.

3.57 Strengthening of M&E activities is intended to facilitate assessment of outcomes and impact at the country and programme levels, with responsibility for evaluation shared by the national project steering committee, the Bank and the Government. A number of tools have been developed at the programme and project levels for this purpose.

3.58 An assessment is being undertaken of the recommendations of the operations audit on streamlining operations of BNTFOs and of the cost effectiveness of arrangements for local project management, and this will be taken into account in developing the design for BNTF 7.

⁵¹ BD 70/08, Appendix 4.2.

GE

3.59 In 2010, gender assessments were conducted on 88 sub-projects in physical infrastructure, skills training and capacity building to promote social inclusion and gender mainstreaming and address gender-related biases. Participatory methods were used at the identification and design stages of sub-projects to broaden the dialogue with men and women on priorities and sustainable benefits. During implementation, different gender interests were acknowledged and women and men were given the opportunity to negotiate roles. Assurances with respect to employment of women and representation on monitoring committees were instituted. In developing gender-responsive, community-based interventions, men were specifically engaged on gender issues.

3.60 Sub-projects in the water sector alleviated the time and health burden for women associated with travelling long distances to collect water. Consideration was given to the reduction of maternal morbidity and mortality for women in rural areas. Physical security and privacy concerns of women and girls were addressed in the design of water and sanitation sub-projects such as public and school bathrooms.

3.61 Footpaths and access roads provided improved links to markets and commercial centres, contributed to enhanced livelihoods in subsistence agriculture and to income-generating opportunities for vendors, most of whom are women. In addressing the accountability that women have for the well-being of vulnerable family members and themselves, these interventions improved links to social services such as health, schools and community activities. Community market interventions have also targeted female vendors for participation in market management, enabling them to have shared access to decision-making in the operations of the commercial facilities.

Environmental Considerations

3.62 Environmental considerations are integrated within the operational and administrative requirements of the programme, with the BNTF regional office providing technical backstopping. Under BNTF 5, resources from CIDA's contribution were used for the design of a specific environmental review framework for the programme, and this includes a suite of checklists, guidance notes and other environmental assessment and management resource tools for each major sub-project group financed under the programme. Explicit EA procedures and reporting requirements have been detailed for the BNTF project cycle and incorporated into the operational manual.

3.63 Under BNTF 6, an environmental sustainability component has been included in the programme to provide funds for heightening community environmental awareness and education, improving BNTF's EA administration and management, and encouraging promotion of community-based environmentally beneficial projects. This component also provides resources for training to strengthen capabilities of project staff on integrating environmentally sustainability considerations in national programmes and sub-project designs.

3.64 All sub-project applications are required to include a completed copy of an Environmental Screening Form.

3.65 In addition, disaster mitigation principles are incorporated into project design, and support is provided for building community resilience to adapt to climate change.

BNTF 6 MTE

3.66 An MTE is again to be undertaken, and is planned to consider effectiveness (country performance in relation to objectives and targets and integration of cross-cutting issues), sub-project quality

(community participation and prospects for maintenance), and efficiency (use of resources in an efficient manner).⁵²

3.67 In addition, it will be important that the evaluation consider the continued relevance of the programme in its current design (as an input for planning for BNTF 7), overall programme effectiveness and efficiency issues, including progress with respect to reducing implementation lags and shortening sub-project approval procedures and the trade-off between “no objection” requirements and progress toward greater delegation at the local level combined with monitoring by the centre. A related issue is whether, if there are significant lags in implementation of a particular BNTF phase, such as were experienced for BNTF 5, there may be options that could be considered, such as closing the period for new commitments according to the original schedule, or after one extension, and transferring uncommitted balances to a subsequent phase of BNTF.

3.68 Another issue that the evaluation might usefully consider, in view of the emphasis placed by SDF Contributors on monitoring results at the outcome as well as output level, is progress with respect to strengthening M&E with a view to being able to identify and report on outcomes of sub-projects, as recommended by the BNTF 5 MTE.⁵³

3.69 It will also be important that the MTE be completed as soon as possible, both to provide insights into possible strengthening of implementation for the balance of BNTF 6 and the design of BNTF 7, and as an input to the consideration of subsequent BNTF funding by SDF Contributors when they next meet in the context of SDF Replenishment.

Next Steps

3.70 Next steps suggested by the MTR review are:

- Early completion of the MTE of BNTF 6, including design and implementation effectiveness issues, as an input to possible further strengthening of implementation for BNTF 6, the design and timing of BNTF 7, and the consideration of future BNTF funding by SDF Contributors.
- Priority for the planning and commencement of BNTF 7 within the period of, and financing provided by, SDF 7.
- Priority for carrying BNTF M&E to the stage where regular reporting on outcomes as well as outputs is possible.

3.4 HAITI

3.71 Haiti formally became a member of CDB in January 2007, and SDF operations began the same year. The Bank’s initial programme planning was based on discussions with the Government and DPs, the country’s priorities as outlined in the Interim Cooperation Framework, and the Bank’s own capacity and areas of strength. Support has been provided from set-aside allocations for Haiti made by SDF Contributors in both SDF 6 and SDF 7.

3.72 The first intervention was the *Education for All* project, co-funded with the WB and Haiti, with \$10 mn from SDF 6. The objective was to improve access to primary education for 135,000 poor children currently out of school and double Grade 1 capacity utilisation at 500 schools. It was also targeted at

⁵² *Ibid.*, p. 30, para. 4.07.

⁵³ *MTE on BNTF 5*, p. viii and p. 48, discussion of Recommendation 6.

enhancing equity, quality and governance of the education sector, and training and deployment of 3,600 new teachers at the primary level.

3.73 Other initial activities and interventions included assessments of training needs in the public sector and of a financial institution for intermediation with small and medium-sized enterprises (SMEs), and participation of Haitian officials in CDB's project management training and in a number of private sector training programmes. This was followed by a technical and vocational education and training project co-financed with IDB to rehabilitate and expand three vocational schools to provide an improved learning environment for 550 students currently enrolled and access for an additional 1,400 students, an urban community-driven development project to improve basic and social infrastructure and services for 650,000 residents of disadvantaged areas, a project cycle training programme for public sector officials in collaboration with the National School of Financial Administration (ENAF), a training programme for SMEs, and emergency relief, as well as preparation of an initial CDB country strategy paper.

3.74 In 2009, SDF support included a \$10 mn policy-based grant as part of a broader support programme by the International Monetary Fund (IMF), WB and IDB after the country had suffered a series of severe shocks. The programme enabled the Government to continue to provide basic services and implement critical infrastructure under the Poverty Reduction and Growth Strategy, as well as post-hurricane infrastructure rehabilitation and recovery.

3.75 After the devastation of the January 2010 earthquake, which killed over 210,000 people and displaced 1.5 mn persons, as well as severely weakening the country's governance and administrative capacity, the Bank and other development agencies provided humanitarian assistance and emergency relief. CDB also discussed with the Government the best form for CDB/SDF assistance during rehabilitation and reconstruction. A planned rural development initiative was put on hold, as the immediate priority was for assistance to urban areas.

3.76 Assistance during 2010 included an emergency grant to assist with providing relief supplies and humanitarian assistance, an immediate response grant to assist in restoring essential government services, a \$1 mn grant in collaboration with CIDA to meet the annual premium payment to CCRIF prior to the 2010 hurricane season, and a grant for restoration of public sector training for ENAF. There also an additional grant of \$5 mn for the Haiti Urban Community-driven Development Project, TA support for strengthening the Government's capacity to lead the implementation of the action plan for national recovery and development, and an additional \$10 mn for the Education for All project to maintain school enrolment and preserve human capital following disruption and dislocation caused by the earthquake.

3.77 Total commitments to Haiti from SDF 6 and SDF 7 as of the end of December 2010 were \$52.8 mn, of which disbursements were \$21.4 mn (see Table 3.4). Commitments from the SDF 6 Haiti allocation were \$ 2 mn less than the allocation because a planned loan to a financial intermediary did not materialise.

TABLE 3.4: HAITI – SDF ALLOCATIONS, APPROVALS AND DISBURSEMENTS
(\$ '000)

	SDF 6			SDF 7 to Dec. 31, 2010		
	2007	2008	Total	2009	2010	Total
<i>Set-aside allocation</i>			27,000			46,000
Approvals	10,000	15,000	25,000*	10,000	17,800	27,800
Disbursements	-	1,000	1,000	14,100	6,300	20,400

Source: CPD.

* Including \$4 mn for initial administrative expenses.

Operational Capacity

3.78 The Bank's planning for an operational capacity to work with its newest and largest member began before Haiti's membership took effect, and has continued over the period since. Initial steps included language training for staff, familiarisation and contact-building missions to Haiti, and visits by Haitian officials to the Bank for familiarisation and training of various types. It has since included development of an initial CSP and more recent work on the development of a revised CSP. It also included initial plans for sharing of a local office capacity with the CARICOM Secretariat (since aborted by damage from the great earthquake). Cooperative arrangements with the WB and IDB have been valuable, and there has been consideration of a Memorandum of Understanding with the WB to formalise the support being provided by that agency.

3.79 The conclusion of the MTR team, however, is that there is still a distance to go, including further consideration of the potentially important benefits from exchanges/secondment of personnel, or hiring of some Haitian staff and posting of a small number of CDB professionals, and a dedicated resident office capacity, probably shared with a partner agency. There are various options for some of these possibilities. All of them need further consideration, and action on some is probably a precondition for the kind of programme that Haiti's participation in the Bank and the important role that CDB plays in the Caribbean justifies. A report on further progress can be made to SDF Contributors as part of the preparation for decisions on future levels and operations of SDF.

Conclusions and Next Steps

3.80 SDF programming in Haiti has reflected both government priorities and CDB comparative advantage and the need to develop CDB's own capacity to apply its strengths and experience in a new environment under difficult operating conditions. Substantial efforts have been made to strengthen CDB capacities and establish working relations with the Government and other institutions in Haiti as well as with DPs. This has been made more difficult by natural disasters on a promethean scale. It is accordingly still a work in progress.

3.81 Continued attention needs to be given to targeting selected priorities based on the Bank's comparative advantages and the SDF 7 policy and operational framework, within the framework of an evolving country strategy and the combined effort of all DPs.

3.82 The next stage of the Bank's relationship with Haiti also needs to build on efforts to date to strengthen CDB's strategic and operational capacity in relation to the special circumstances of the country. This needs to include consideration of further strengthening language capacity, adding a small number of Haitian staff, identifying a small number of CDB staff interested and willing to take on the challenge of an operational posting to Haiti (whether on attachment to another mission or agency, or separately), and revisiting of the previous plan (or an alternative) for establishing or sharing a small resident office. The latter will incur significant effort and cost, but it seems essential for a permanent working relationship under the particular circumstances, and it is possible that some of the security and health issues can be addressed jointly with one or other of the Bank's DPs.

3.5 ENVIRONMENT, CLIMATE CHANGE AND DISASTER MANAGEMENT

3.5.1 Increased Focus on Environment, Climate Change and Disaster Management

3.83 In the Caribbean, the environment, climate change and disaster management are important and related in many ways. There are also important non-climate environmental problems including poor solid waste management, over-building of roads and limited public transportation, and urban sprawl resulting in destruction of natural habitats and loss of terrestrial and marine biodiversity.

3.84 One of the four strategic themes for SDF 7 is *supporting environmental sustainability and advancing the climate change agenda*, and a substantial increase in the share of SDF financing to support environmental sustainability and climate change was set as an objective for SDF 7. The target for 2012 is to increase programming in this area from about 10% to between 15% and 20% of SDF financing. In support of SDF lending in this area, \$4 mn was earmarked for grant financing for such purposes as strengthening the capacity of national and regional institutions with environmental mandates and facilitating initiatives with RPG benefits.

3.85 For *disaster management*, which to a significant extent is responsive to natural disasters, there are no targets, but provision has been made in the SDF 7 allocations for natural disaster mitigation and rehabilitation and immediate disaster response. Strengthening the Bank's operational policy capacity for environmental sustainability, climate change and disaster mitigation and adaptation was also set as a milestone for implementation of SDF 7. The Bank now has three environment professionals, two as Operations Officer (Environment) and the third is a DRM Specialist.

3.86 In both of these areas, new strategies and implementation guidelines have been introduced, and CSPs are expected to address environment, climate change and disaster management issues and identify opportunities for financing and TA interventions. The National Spatial Plan for Jamaica, which was identified during preparation of Jamaica's CSP in 2008, is a good example. A similar need to address environmental and physical planning issues was identified in Anguilla during preparation of its CSP. A TA for this purpose will be submitted to the Board in 2011.

3.87 CDB's project appraisal process, especially in regard to infrastructure projects such as road development considers environmental issues, such as those related to urban growth and development. A good example is the North Coast Highway Improvement Project in Jamaica. Another important environmental concern relates to sewage collection and treatment because of the negative impacts of marine pollution and degradation of coastal resources. Examples of capacity building on environment and climate change are the TA for an Information Clearing House for the Caribbean Community Climate Change Centre (CCCCC), and a project under preparation to establish a national meteorological database at the Caribbean Institute for Meteorology and Hydrology.

3.88 The Bank is also developing partnerships in this sector, and the most recent DiMSOG emphasise the importance of partnerships with other development institutions through the Enhanced Caribbean Disaster Management Strategy Framework. The CDM strategy was developed in consultation with all the bilateral and multilateral agencies working in this area in the Caribbean. CDB was an active participant in the process and has designed its own policy and operational guidelines in keeping with the CDM strategy, recognising that there are many areas for collaboration and partnership with other development institutions.

3.89 The Bank is a contributor and trustee to the CCRIF, which provides short-term liquidity after a catastrophic hurricane or earthquake. CDB also participates in the governance arrangements of the *CARICOM Comprehensive Disaster Management Strategy*, which seeks to strengthen regional, national and community capacity for the mitigation, management and coordinated response to natural and other hazards, and the effects of climate change.

3.5.2 Programming to Date in SDF 7

3.90 In 2009, SDF assisted Anguilla, Antigua & Barbuda, Dominica, Grenada, St. Kitts and Nevis and Turks and Caicos Islands to meet their commitments to the CCRIF for insurance coverage prior to the

2009 hurricane season.⁵⁴ An immediate response grant and loan was provided to Anguilla for clearing and cleaning after Hurricane Omar, as well as a TA loan to Grenada for the design of a programme of works to mitigate the impact of flooding of the St. Johns River. There were initiatives at the regional level to increase understanding of the impact of climate change on development and improve capacity to design and implement appropriate responses, and a joint project with IDB and the OECS Secretariat to support mainstreaming of DRM in OECS countries and enhance disaster resilience in vulnerable, low-income communities. The Caribbean Disaster Emergency Management Agency was helped in conducting training sessions for small and medium-size businesses on business continuity planning (BCP), and funding was provided for a BCP Toolkit tailored to the needs of MSMEs.

3.91 In 2010, the Caribbean suffered the effects of a massive earthquake in Haiti and 11 hurricanes, which required an increased disaster response. Interventions during the year included two grants to Haiti to support emergency relief efforts after the January 2010 earthquake and to restore essential government services, as well as a further grant to help Haiti meet its commitments to the CCRIF. Emergency relief grants were also provided to Belize (Hurricane Richard), Jamaica (Tropical Storm Nicole), St. Lucia (Hurricane Tomas), St. Vincent and the Grenadines (Hurricane Tomas); and immediate response loans for St. Lucia, St. Vincent and the Grenadines, Belize and Jamaica. Other interventions included a loan to finance a major upgrade of the Nevis water supply network; and grant assistance to Grenada, St. Lucia and St. Vincent and the Grenadines to participate in a Regional Pilot Programme for Climate Resilience.

3.92 Regional level initiatives have included a survey, in collaboration with the Science Research Council, the Caribbean Energy Information System and UNDP. The purpose was to assess the impact of energy interventions over a ten-year period and assist in the formulation of strategies and programmes for advancing energy security and sustainability; development of an energy efficiency strategy for the OECS to enable more efficient and sustainable production and use of energy; promoting energy efficiency

BOX 6: Caribbean Community Climate Change Center

CCCCC is the official archive and clearing house for regional climate change data in the Caribbean. The Climate Change Centre collects information on climate change as it may affect the Caribbean. The Centre is an agency of CARICOM. The member states of CARICOM identified climate change as the first of fourteen priorities to be addressed under the 1994 Barbados Programme of Action. A proposal for the establishment of a Regional Climate Change Centre was developed and approved by the Council of Ministers of Trade and Economic Development (COTED), and in 2002, CARICOM Heads of Government approved the establishment of the Centre, but without mandatory contributions by member states. The Centre has been operational in Belize, the host country since 2004 and among other tasks has undertaken work on climate change modeling in the Caribbean.

In 2008, the Bank made a grant to the Centre of \$617,300 to establish an information clearing house to support the scientific research component of the Centre's work. The funds were expended over two years to support employment of an Information Technology (IT) Specialist/Project Manager and an Information Specialist/Archivist and to improve the website. See www.caribbeanclimate.bz

CDB proposes also to assist the Caribbean Institute for Meteorology and Hydrology to rescue historic climate and hydrological data from BMCs that are at risk of being irretrievably lost because they are stored on paper medium. This will contribute to an improved and wider climate observational platform. The data will be used to improve calibration of regional climate models as well as to support the analytical work that must be done using downscaled models maintained by the CCCCC.

management through participation of 17 BMCs in an UNECLAC Energy Efficiency Conference; increasing capacity to develop and implement risk mitigation mechanisms targeting the agriculture sector;

⁵⁴ It might be noted that Turks and Caicos Islands received \$6 mn from the CCRIF in 2009 as compensation for hurricane damage. In 2010, Haiti received \$7.75 mn in respect of the earthquake, Anguilla \$4.8 mn for Hurricane Earl, and Barbados \$500,000, St. Lucia \$3.24 mn and St. Vincent \$1.1 mn in respect of Hurricane Tomas.

enhancing the capacities of 19 national water utility agencies to plan for drought and manage water supplies under drought conditions; and further training in BCP for MSMEs and government officials.

3.93 SDF commitments to environmental initiatives in the first two years of SDF 7 totalled \$10.5 mn. This is, however, well short of what would be needed to meet the Bank’s ambitious objectives in this sector, and additional programming efforts are underway.

3.94 Given the perception that many BMCs may not give environmental matters a high enough priority, it will be important, if programme objectives are to be met, for the Bank to engage proactively in activities that generate demand for loans and grants in this sector. These include needs analysis, technical studies, policy dialogue, training programmes, country conversations, design of strategic interventions, and interaction with potential partners for joint efforts. The Bank will also help promote policies, tools, and instruments that encourage BMCs to demand more climate change resilient or climate change adaptation interventions. Special trust funds for feasibility studies to design environmental projects are one possible instrument.

3.5.3 Environmental and Climate Change Policy and Strategy

In May 2008, CDB produced a position paper on “Responding to Climate Change in the Caribbean”.⁵⁵ This described the potential effects of climate change and made a commitment to produce a climate risk management strategy, develop climate risk tools for project appraisal, and achieve carbon neutrality in the Bank’s own operations. It committed CDB to supporting climate risk management in BMCs, development and use of renewable energy sources, energy conservation and efficiency measures, and building community resilience to climate change.

3.95 Also in 2008, CDB presented a paper to SDF Contributors reviewing the role of SDF within the “environmental sustainability and climate change agenda” of the Bank.⁵⁶ It proposed the following priorities:

- Protected areas management;
- Improved water, sanitation and solid waste management systems;⁵⁷
- DRM; and
- The climate change agenda, especially mitigation and adaptation.

The strategy proposed for achieving this is shown in the sidebar.

“The most vulnerable group likely to be impacted by climate change are the poor, thus targeted measures that help to build community resilience to climate change will be implemented, together with BNTF and other programmes. Support will be provided to regional institutions ... BMCs will also be assisted in accessing innovative climate change funding mechanisms.”⁵⁸

SDF 7 strategy on environmental sustainability and climate change

- Environmental degradation cannot be adequately tackled without also addressing poverty;
- Mainstreaming environmental considerations in economic development policies and programmes should be addressed urgently;
- More effort should be placed on environmental capacity building;
- Urgent attention should be given to improving the regulatory and governance frameworks and foster more inclusive and participatory approaches;
- Building partnerships and alliances with other international DPs is critical; and
- Innovative approaches are required to financial environment and sustainability initiatives.

⁵⁵ BD 33/08.

⁵⁶ “Environmental Sustainability and the Climate Change Agenda,” July 2008.

⁵⁷ For example, OECS Solid Waste Management Project – Grenada (Dec. 2008, BD 59/95) and TA Solid Waste Management Programme – Turks and Caicos Islands (BD 37/04).

⁵⁸ *Ibid*, p. ii.

3.96 In December 2009, the Bank adopted a new *Environmental Sustainability Policy and Environmental and Social Review Procedures*, with an implementation plan. The Policy concludes that “The BMCs have a formidable challenge to stem degradation of their natural resources, develop and implement appropriate adaptation strategies for climate change and disaster risk reduction and at the same time reduce the poverty of large segments of the population.” The Policy Paper states that 14% of CDB lending between 1994 and 2009 was broadly environmental, and that 61% of the environmental interventions were associated with reconstruction and rehabilitation efforts.

3.97 The Bank proposes to focus its operational strategy for environmental sustainability in four areas:

- Water and sanitation;
- Renewable energy;⁵⁹
- Disaster risk reduction; and
- Climate change mitigation and adaptation.

3.98 The Policy paper also discusses strengthening regional and national capacity building and institutional strengthening, and mainstreaming environmental sustainability in the Bank’s operations.

3.99 An evaluation of CDB’s *Environmental Review Guidelines* had been previously undertaken in 2006. The evaluation found that CDB’s procedures were aligned with those of other MDBs, but environmental concerns were “compartmentalised” within the Bank. The evaluation team conducted a survey of CDB clients and found a relatively low level of knowledge of CDB’s environmental work. Participation in environmental training, advice and joint work was minimal. Much has changed since then, as noted in section 3.5.1, and the revised Environmental Review Guidelines, which were presented as draft Environmental and Social Review Procedures in 2008, take into account recommendations of the evaluation.

3.5.4 Disaster Risk Management

3.100 In 2009, CDB commissioned an assessment of its natural disaster risk management assistance to BMCs (1998-2006),⁶⁰ and adopted new *DiMSOG*. CDB’s new DRM strategy has three themes:

- Proactive assistance to reduce risk;
- An holistic approach to multiple hazards; and
- Collaborative and harmonised interventions jointly with partners.

3.101 The Guidelines specify certain levels of assistance available to BMCs in specified circumstances, as concessional loans or grants, and include a results framework.

Revised *Environment and Social Review Procedures (ERSWP)* were also discussed with SDF Contributors. The programme areas, in the framework of proposed activities, verifiable indicators and intended outcomes, are:

- Support of improvements to increase access and coverage of water and sanitation in BMCs;
- Sustainable livelihoods, biodiversity protection and improved environment and natural resources management;
- Enhanced capacity for disaster risk reduction and management;
- Improved climate change responses to reduce vulnerability, promote adaptation and increase resilience;
- Supporting institutional capacity building and institutional strengthening initiatives at the regional, sub-regional and national levels; and
- Mainstreaming environmental sustainability in CDB operations.

⁵⁹ CDB’s strategy for renewable energy is covered in its operational strategy for Energy.

⁶⁰ *Assessment of the Caribbean Development Bank’s Natural DRM Assistance for its Borrowing Member Countries, 1998-2006* (Le Groupe-conseil Baastel Ltee (Canada) and Environmental Solutions Ltd. (Jamaica), April 2009).

3.5.5 Next Steps

3.102 The next steps suggested as a result of this MTR are:

- The Bank needs to continue and strengthen its mainstreaming of environmental considerations at all levels including in country strategies, programme strategies and projects in other relevant sectors.
- Priorities need to continue to be defined for strategy and programming in the two related areas, and not only in infrastructure lending:
 - those primarily related to natural disasters, including adverse climate change; and
 - those that are substantially driven by other factors, including problems of pollution, urban sprawl and loss of land to urban and transport uses, deforestation, collapse of sugar-based and bananas-based ecologies as farmland reverts or changes its use in response to tariff changes, deforestation and soil erosion, industrial pollution, and marine and terrestrial habitat destruction through various causes.
- In each of the Bank's country strategies, in addition to mainstreaming environmental issues, specific areas of programming in the environment, climate change and disaster management sector need to be selected, and proactive activities should be identified to develop the demand for projects in these areas.
- The Bank should build stronger partnerships with other organisations with environmental programmes in the Region.
- The next evaluation of CDB work on the environment should assess the extent to which main-streaming has been fully effective, and whether further steps could usefully be taken.

Box 7: Housing sites and services in safer areas after Hurricane Ivan devastates Grenada

Hurricane Ivan hit Grenada on September 7, 2004 causing extensive damage. Approximately 90% of the housing stock of about 31,100 houses was damaged, and 30% of the stock required complete replacement. Prior to Ivan, the high cost of serviced land and the unavailability of land suitable for building, (particularly for low-income households) had resulted in a proliferation of illegal housing settlements - often on hazardous lands. In an attempt to provide shelter for their families after the passage of Hurricane Ivan, those households continued to rebuild on steep slopes, beachfronts and gully embankments.

CDB's loan for sites and services (number 3232) in 2006 was part of Grenada's housing recovery programme. 116 serviced plots were to be made available for house construction by April 2007. Other outputs included 661 meters (m) of roads in Soubise (494.3 m of roads were completed) and 870 m of roads in Mount Gay (774 m of roads at Mount Gay were completed). A bridge on the Grand E'tang Main Road near Mount Gay was reconstructed. 180 serviced plots made available for house construction a year after target, by June 2008. The number of serviced plots was increased to accommodate higher density. This required re-design of the lot/site layouts and services and caused some delay in construction. The People's Republic of China agreed to provide the required housing units by late 2009.

The executing agency, Agency for Reconstruction and Development Inc. (ARD) was dissolved in November 2007 and no formal replacement project management structure was designated. Therefore, handover of project management responsibilities to responsible parties in either the Ministry of Works (where the technical expertise may have resided) or Housing (the Implementing Agency) did not occur. The subsequent lack of dedicated project management contributed to implementation delays.

The long delay in providing alternative housing (householders were to have been relocated once the sites and services project and attendant housing were completed) saw the reconstruction of informal housing in hazardous areas along the coast. In addition, it is not clear whether social issues related to the use of high density housing were adequately addressed, as the original project had not envisaged this type of development. Also, at the time of CDB's PCR in 2010 it was unclear whether the design capacity of the sewer system would be adequate to accommodate the increased housing density at the sites. If not it may constitute an environmental hazard. Nevertheless, on balance the Completion Report judged it highly probable that the development objectives would be achieved, that implementation had been satisfactory, and that sustainability was probable.

- Based on a Project Completion Report ion 2010

3.6 REGIONAL CO-OPERATION AND INTEGRATION

3.103 Support for RCI is a principal strategic theme for SDF 7. It is also one of the overall objectives in the Bank's Strategic Plan 2010-2014.⁶¹ SDF Contributors recognised that BMCs had entered a critical phase of the integration process and endorsed support for regional integration as a key priority for the Bank, with a potential lead role in selected areas. They also welcomed the Bank's further work towards defining a more targeted role for both SDF and the Bank, and encouraged CDB to play an important convening role as a coordinator, bringing together different actors and partners in the Region.⁶²

3.104 The focus of the Bank's interventions was expected to be on developing common structures and processes in BMCs, based on best practice. Support for RPGs, including trans-national public goods (TPGs), were also cited as the core priority for CDB support for RCI.

3.105 *RPGs* are a sub-set of global public goods where the benefits are shared by countries in a region or sub-region, or a neighbouring group of countries. They are generally considered to be "non-rival", in that the benefits gained by one country do not subtract from those available for other countries, and "non-excludable", in that no country in the Region or grouping can be excluded from benefiting, except at considerable cost. Benefits are not necessarily, however, distributed symmetrically across countries, and participating countries may not be equally endowed with the financial and human resources needed to achieve the benefits.

3.106 *TPGs* are cases where the benefits seem more feasible to pursue on a more limited geographic scale, involving two or more countries.

3.107 Contributors and the Bank agreed that an operational programme specifically for regional interventions should be developed within the framework that had been discussed and agreed, and that this was likely to be primarily in areas where TA should be focused, although there might be complementary capital investment opportunities, particularly for RPGs, as in the case of the environment.

3.108 Contributors endorsed the importance of providing a focal point within the Bank to develop and coordinate a specifically regional programme and undertake further work in areas such as RPGs. The objective was to develop a more strategic and coherent programme at the regional and sub-regional level. Establishment of such a focal point for regional programme design and coordination is accordingly one of the key milestones in the SDF 7 Implementation Plan and is highlighted in the Bank's Strategic Plan 2010-2014. The Bank has since given consideration to different approaches for creating the focal point, and this is expected to be determined shortly.

3.109 In the meantime, a TA operations officer was assigned to coordinate regional programming, although this officer has since March 2009 been reassigned to administer the DFID-financed regional Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFUND).

3.110 Many of the regional TA interventions since the start of SDF 7 also respond to and support the other SDF 7 strategic operational themes, poverty reduction and human development, and environmental sustainability and the climate change agenda, as well as development effectiveness and good governance. This to be expected, as these strategic themes and objectives are essentially cross-cutting, and individual projects or interventions can be expected to contribute to more than one theme or objective. In some of the Bank's published statistics on SDF, therefore, many of these interventions are classified as poverty reduction and human development, environmental sustainability, good governance or development effectiveness.

⁶¹ *Strategic Plan 2010-2014*, pp. 22-23 and 27-28.

⁶² *Report of Contributors*, pp.17-18 sec. 3.4.

3.111 In total, 63 grant TA interventions for regional projects were approved in the two years 2009 and 2010, for just over \$11 mn, all of which was financed from SDF 7. The one regional loan was for an enhancement project for the University of the West Indies (UWI), for \$8.25 mn, and was financed from OCR. In addition, the CARTFUND, with £10 mn provided by the United Kingdom in two tranches in 2009 and 2010 and administered by CDB, has provided support for regional objectives complementary to SDF, specifically to generate momentum on the implementation of the Caribbean Single Market and Economy (CSME) and on the EPA agreement between CARIFORUM and the Caribbean countries.

3.112 CDB has also contributed to development of a CARICOM-led strategic policy document on regional development, and has been engaged in discussions with the European Union (EU) and CARICOM on a range of aid for trade initiatives to improve the competitiveness of the private sector.

3.113 SDF interventions have covered a considerable range of activities, including some very specific aspects of regional dialogue and cooperation, but many have been directed to broader aspects of regional or sub-regional cooperation and integration, including particularly in areas that can be classified as RPGs.

3.114 Among other interventions, support has been given for the development of a new sub-regional education sector strategy for the OECS countries (a \$490,000 TA). This is a part of a larger human resource development strategy for the OECS and is in accord with the recently formalised OECS Economic Union Treaty, which seeks to provide fair and equitable access to education and training for OECS citizens through the harmonisation and standardisation of school processes and practices within a common policy framework. It is also part of what has been a long-term OECS Education Reform Strategy.

3.115 The largest TA grant during the period (\$2.5 mn) has been for the E-Government for Regional Integration Project (EGRIP), also for the OECS. This \$13.4 mn project is being financed jointly by the WB and SDF, together with the participating countries. The project is complementary to regional interventions on public sector modernisation and public financial management being undertaken by other donor agencies, including the EU, CIDA, UNDP, Caribbean Centre for Development Administration and Caribbean Technical Assistance Centre (CARTAC). Outcomes are expected to include reducing the cost of doing business in the public sector; improving public sector efficiency, transparency and accountability; improving the delivery of public sector services; and strengthening harmonisation and integration among governments.

3.116 The second largest TA grant was for the Sustainable Energy for a Competitive OECS project. This was to develop a sub-regional energy efficiency strategy for the OECS, together with national energy efficiency strategies and associated action plans, a legal framework for energy management in the context of the OECS Economic Union, and a public education and awareness component. Of a total project cost of \$2.1 mn, SDF is to provide approximately \$1.6 mn. The objective is to provide the guiding framework and enabling environment to support the efficient and sustainable production and use of energy and improve the capability of the member countries to employ holistic approaches to energy management as they move toward integration of their economies and harmonisation of policies.

3.117 A \$150,000 TA was provided for institutional strengthening of the recently established CARICOM Development Fund (CDF), which was set up to provide technical and financial resources to disadvantaged countries, regions and sectors within CSME. The objective of the TA was to assist in the development of best practice procedures manuals, guidelines and strategies for the financial and administrative management of the capital fund and its earnings, including training materials to enhance the institution's governance structure. This has assisted in providing the basis for the subsequent operationalisation of the CDF as an instrument to support regional integration.

3.118 CDB's largest regional TA during the period has been the UWI Enhancement Project approved in 2009. This is a \$19.2 mn project, with a \$8.25 mn loan from the Bank's OCR and a \$500,000 grant from SDF, with the balance from UWI. The overall objective is to enhance the university's strategic management capacity and its ability to respond to regional imperatives, and to contribute to UWI's long-term goal of propelling the economic, social, political and cultural development of the West Indies. The project will enhance the productivity of the Vice Chancellery and its physical plant as well as develop and implement a number of elements of institutional strengthening, including human resource management, communications strategy, risk management, student and financial records management, a research and innovation action plan, and a maintenance policy and plan.

3.119 Two TAs have supported the work of the Caribbean Institute in Gender and Development Studies at UWI. The first of these was for the 2009 session of an intensive training programme offering participants a comprehensive overview and understanding of how the social relations of gender intersect with, and impact on, Caribbean development, including economic, social, cultural and political issues. The second TA financed a regional workshop to disseminate and discuss the findings of research that CDB had previously supported on gender differentials in enrolment and performance in Caribbean education systems, and to formulate appropriate policy recommendations for CDB's BMCs. The objective was to reach agreement on a draft Regional Policy Framework on Gender Differentials in Caribbean Education. The Policy Framework was then adopted the CARICOM Council on Human and Social Development (COHSOD), the region's senior intergovernmental body in the field. CDB will be supporting development of national policy frameworks and their implementation through its projects.

3.120 A cluster of several fairly small TA interventions at the regional level have related to the road transport sector, including performance-based road maintenance contracting, a conference on bridge engineering, and vehicle weight legislation and enforcement.

3.121 Among a cluster of TAs related to the financial sector was one to assess the solvency of indigenous (locally based) banks in the Eastern Caribbean Currency Union (ECCU). There are 14 such banks in the ECCU, which hold almost 50% of banking assets and play a significant role in many sectors. The financial sector has been adversely affected by the global economic and financial crisis, and the challenges are particularly pronounced for the indigenous banks, many of which have non-performing loans above the prudential limit of 5% and have a higher exposure to the public sector and relatively illiquid assets such as mortgages than their foreign counterparts. The TA was aimed at assessing the financial condition of these banks, the adequacy of their governance and management structures, policies and practices, the regulatory and legislative framework, and the commonality of challenges. The objective was to identify and prioritise the principal areas requiring intervention and to design an effective resolution to the challenges facing the sub-sector.

3.122 Other TAs in this cluster related to capacity/building on factoring/receivable discounting, and credit rating of national development finance institutions.

3.123 A further regional TA project has been for mainstreaming DRM in OECS countries. Eastern Caribbean countries are among the most vulnerable in the world to natural disasters, compounded by population growth in high risk areas, relatively high levels of poverty, poor land use planning and environmental management, and limited capacity to cope with disaster losses. The project supports the Enhanced Comprehensive Disaster Management Strategy adopted by Caribbean countries, including the OECS, for the period 2007-2012. The \$536,000 project is being financed jointly by IDB and CDB, with \$90,000 from SDF and \$36,000 from CDB's administrative budget and in-kind. CDB is the executing agency, responsible for project implementation. The objective is to strengthen the institutional capacity of OECS Member Countries and the Secretariat in community-based DRM and to enhance disaster resilience in vulnerable, low-income communities.

3.124 Other TA projects have covered a number of areas of regional dialogue and cooperation, including the CDB/IDB dialogue with civil society, the Eastern Caribbean Halls of Justice project, a feasibility study for a possible CARICOM agriculture modernisation fund, a workshop on the investment of pension fund assets, a workshop on energy efficiency in water and wastewater utilities, the CARICOM Youth Forum, project management training for the environment, a regional agricultural risk management symposium, gender assessments of BMCs, promoting energy efficiency in the Caribbean, drought management, a Caribbean Growth and Development Strategy Conference, the CARICOM Agri-Business Investment Forum, Policies and Strategies to Face the Global Downturn, policy dialogue on literacy and numeracy, and regional capacity building in ICT training.

Next Steps

3.125 The establishment of a dedicated focal point for regional programming and dialogue and analysis on regional issues was a key element of the regional strategy proposed by the Bank and endorsed by Contributors. This was based on an assessment of the experience of other regional development banks and policy papers submitted to Contributors. Although the assignment of a dedicated TA operations officer to this work was intended to help to strengthen the tracking and analysis of regional TA interventions, this officer has since had to be reassigned to administer the DFID-funded regional CARTFUND, and the establishment of a more structured focal point remains the key next step in the Bank's regional strategy agenda.

3.126 Closely related was the decision to develop a more coherent and strategic regional programme based on the elements of the strategy considered by SDF Contributors, including TA, possible complementary capital projects, and selected research in areas such as RPGs, and including also participation in joint research with the other regional MDBs. The regional TA programme in SDF 7 to date has included some significant regional interventions, including some that follow from past interventions and therefore have a degree of continuity and potentially increased impact. In most cases, however, these have been responsive to opportunities and requests. A more strategic programme can best be the first assignment for the strengthened regional programme focal point when it is established.

3.7 GENDER EQUALITY

3.7.1 Policy and Operational Framework

3.127 SDF Contributors and the Bank agreed that improving GE would be a major cross-cutting issue for SDF 7.⁶³ It stood on its own merits as a development objective and addressed MDG 3 and the corresponding CMDG Targets.⁶⁴ The link between gender inequality and poverty was a key rationale for addressing GE in CDB's programming. Contributors welcomed the commitment to develop and institutionalise explicit gender policies, strategies and action plans.

⁶³ *Report of Contributors*, pp. 18-19, sec. 3.5.

⁶⁴ MDG 3 is: *Promote GE and empower women*, and the CMDG Targets are: Target 6: *Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015*; Target 7: *Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015*; Target 8: *Reduce by 60%, the incidence of physical acts of gender-based violence*; and Target 9: *Reduce, by 2015, all forms of gender-based violence*. Although this is a focus of the Bank's GE strategy, gender concerns are not solely related to women. For example, young Caribbean males have a high and increasing dropout rate and decreasing representation (presently about 30%) in Caribbean university enrolment. The growing differential in male/female educational attainment seems to some extent to be class-based and not endemic to all young males. Nevertheless the number of male dropouts from the education system is growing, with adverse consequences for education outcomes, human capital development and social stability. Gender (male roles) appears to be a factor but other factors (drugs, crime, economic dislocations) also appear to be influential.

3.128 This commitment parallels the Bank's Strategic Plan 2010-2014, which sets GE as a theme cutting across all strategic priorities and sector interventions, and is essential to broadening the positive impact on poverty of the Bank's work.⁶⁵

3.129 The Bank's *GE Policy* was approved by the Board of Directors (BOD) in December 2008. It included an operational strategy and an indicative timetable and milestones for implementation.⁶⁶ Its formal title is *GEPOS*, and it has been posted to the Bank's website. The formulation of GEPOS was informed by a study entitled *Status of Gender and Development in CDB and the Caribbean, the Way Forward and CDB's Role*. This study presented several important findings on gender and development issues in the Caribbean, which contributed to the Bank's GE policy and strategy.

3.130 GEPOS is complemented by a GE policy and strategy for the Bank's own operations to ensure that the gender equity perspective is fully mainstreamed in the Bank's internal organisational processes and relationships.⁶⁷

3.131 The GEPOS objectives, which parallel the three levers of the Bank's PRS, are to:

- reduce economic and social *vulnerability* by empowering women and men to build and protect their assets. These include their livelihoods and savings, and are a primary means of building sustainable, equitable communities;
- strengthen the *capacity* of all women and men, girls and boys, to acquire education, skills, and self-confidence in order to access economic opportunities, increase livelihood options and improve their quality of life in the changing global economy; and
- support *governance* processes in which women and men have equal access to power and authority in society, and that enable them to influence policies and when necessary advocate their rights.

3.132 Key components of the GE Operational Strategy are:

- Building commitment/support for GE;
- Allocating resources to achieve GE results;
- Developing capacity and skills for CDB staff and stakeholders;
- Accountability for GE results; and
- Monitoring implementation of the Strategy.

3.7.2 Operationalising GEPOS

3.133 Following approval of the GE Policy, the Bank has strengthened its commitment to mainstreaming GE throughout its operations. As part of this process, additional financial, human and technical resources have been allocated for the purpose.

3.134 In December 2009, CDB filled two positions, one new. These were Operations Officer (Gender) in the Project Services Division (PRSD) and Gender Specialist for BNTF. The PRSD officer addresses GE in projects and operations. She has also revised GE guidelines for CSPs, CPAs and the Bank's PRS. The officer is a member of CSP teams and participates in missions and in policy dialogue with BMC governments.

⁶⁵ *Strategic Plan 2010-2014*, pp. 22-23 and 30-31.

⁶⁶ BD 72/08 Add. 1, and BOD's Decision, December 10, 2008, item 234.12.

⁶⁷ *Internal GE Policy*, BD 39/10, Human Resource Annual Update – 2010, page 2 and Appendix III.

3.135 The BNTF GE officer has two main functions: to support the management implementation and monitoring of BNTFOs at the project and sub-project level, to ensure that gender issues are adequately addressed, and to support planning, design, and monitoring with respect to gender considerations in BNTF. The gender expert is tasked with producing a BNTF gender strategy, as well as a work plan, semi-annual reports, and annual reviews of the status and impact of BNTF on gender equity.

3.136 The Bank has considered appointing a senior GE Adviser on a fixed term appointment, in addition to the two gender officers. The GE Adviser would be responsible for overall management and implementation of the Bank's GEPOS during the initial period, and would be accountable to the Vice-President (Operations), who is responsible for providing leadership on gender mainstreaming. The intention was that assistance would be requested from bilateral DPs in identifying and recruiting the Adviser. The issue is currently under consideration.

3.137 In October 2010, the Bank approved funds for gender assessments in ten BMCs.⁶⁸ This important initiative will provide much better information about gender relations in these countries as they impinge on development objectives. The first three gender assessments are at the stage of contract award. All assessments are expected to be completed during SDF 7.

3.138 It is essential for implementation of GEPOS that the Bank clearly signals its ownership at the highest levels. Different development agencies have found that a combination of seniority and expertise is needed to effect change.⁶⁹ Experience with gender mainstreaming and gender integration processes in other institutions has also shown that GE Champions can play a critical role in promoting organisational change and building support among stakeholders. The Bank's Senior Management Group (SMG) has agreed that all members of SMG will act as the Bank's GE Champion, including in policy dialogue with senior representatives from BMCs, other stakeholders, donors and partners, and in actively promoting gender integration in all CDB activities. Overall leadership will be provided by the President.

3.139 CDB intends in 2011 and 2012 to undertake eight components of the GEPOS programme, in addition to gender assessments. These include the GE Advisor, training CDB staff, gender inputs to revision of CDB's PRS, training BMC officials, capacity building workshops in BMCs, equipment support for Gender Offices in BMCs, country pilot projects, and an evaluation of GEPOS integration in the work of the Bank.

⁶⁸ BD 82/10, "TA – Gender Assessment of Borrowing Member Countries for Gender Mainstreaming". October 2010. This fulfills a commitment by CDB in both SDF 6 and SDF 7.

⁶⁹ In cases where the gender responsibility has been put into professional services or experts departments, as CIDA did in 1986, the gender role has tended to move from managing institutional results to advocacy on a project-by-project level, with a decline in effectiveness. This suggests that gender needs only to be "opportunistic" – implement gender analysis and strategies where there is a willing counterpart. The implication of a supply-driven advocacy role is that staff attitudes need changing. The advocacy role, then, can detract from the recognition that addressing GE is a professional responsibility for all development practitioners and that adverse impact for the most part is not a matter of intentional bias but rather a result of systemic biases that grow up without thought over time. It also puts the gender specialist in a role that cannot do justice to the wide variety of development instruments that require rethinking. She or he is also put in the position of having to sell personal value shifts rather than creating a demand through corporate incentives and support for officers to achieve GE outcomes in the investments and other interventions that they manage and monitor. CIDA returned the Gender Director to its corporate role in Policy Branch in the early 1990s, and in the late '90s the WB moved its Gender Director into the influential Poverty Reduction and Economics Management Network (PREM) reporting to the Chief Economist.

3.7.3 GE Mainstreaming

3.140 CDB has made a commitment to mainstream GE in all its operations. This means that gender considerations need to be integrated into CPAs, CSPs and project designs, and opportunities to advance GE should be identified for each stage and each component of operations.

3.141 This is a considerable task, and is still a work in progress. To assess progress, the MTR team examined the mainstreaming of GE in a sample of CSPs. The sample of CSPs completed over the past three years was compared with a similar sample reviewed at the time of the SDF 6 MTR. Although recent CSPs included some gender analysis, overall progress appeared to be limited, and specific strategies or actions for addressing GE opportunities were not identified.⁷⁰ Consideration of GE was not so much mainstreamed as included as a separate section that was not fully integrated with other aspects of the strategy. There is a need for a better integration of gender analysis in future CSPs. Opportunities to advance GE should be considered in regard to every major topic of the country strategy.

Monitoring Gender Mainstreaming

3.142 In the Bank's Strategic Plan 2010-2014, GE is now a cross-cutting theme across all strategic priorities and sector interventions. Specific Expected Outcomes related to GE are part of the RBM framework within which the Bank's work programme is implemented. Further strengthening of the mainstreaming objective by adjusting or adding an appropriate Expected Outcome might be considered, particularly for purposes of subsequent evaluation.

3.143 IDB, ADB and African Development Bank have gender policies and action plans that include monitoring systems. One of the features of the ADB's approach to mainstreaming is that it monitors all of its projects by "gender category" and, in 2002, declared a target that 40% of all projects would be Category 1 or 2 in the gender and development (GAD) hierarchy. In 2009, the Bank's Evaluation Department found⁷¹ that the gender mainstreaming target was achieved in 2003, but performance had declined substantially in 2008. The evaluation concluded that gender had not been successfully mainstreamed by ADB, for a number of specific reasons.⁷² This experience shows that even with a clear monitoring system it is easy for attention to gender mainstreaming to trail off over time, given the press of other issues. Without a monitoring system, the risk is even greater.

3.7.4 CDB's Anti-Discrimination Commitment

3.144 The background study that helped to inform the preparation of GEPOS included major findings on gender and development issues in the Region, among which were issues of domestic and social violence, underperformance and unemployment of youth, a rapid increase in HIV/AIDS, and increasing levels of poverty and other social challenges faced by elderly men and women. The country gender assessments that are being undertaken will put gender inequalities in the context of all economically and

⁷⁰ The CSPs in the sample were for Anguilla, Dominica and Barbados from 2010, Antigua and Barbuda, Grenada and Haiti from 2009 and St. Vincent and the Grenadines from 2009. Those in the previous sample were for Guyana, St. Lucia, Belize and St. Kitts and Nevis, mostly from 2005/2006. Only in the earlier case of St. Kitts and Nevis was there a sub-goal that specified a GE outcome.

⁷¹ ADB, IED, December 2009. *The Asian Development Bank's Support to Gender and Development. Phase 1: Relevance, Responsiveness and Results to Date.*

⁷² The reasons were that staff had inadequate GAD skills, programming and partnership strategies had not incorporated gender issues sufficiently, ADB had shifted towards major infrastructure projects without adequate consideration of women's participation and benefits, and there had been an "absence of incentives and champions". It concluded that ADB should recommit itself to serious attention to gender equity as a driver of change, improve the clarity of its GAD objectives, provide adequate human and financial resource to implement the policy, provide incentives and encourage GAD champions, and improve the outcome orientation of monitoring and evaluation. Mainstreaming of GE should be better monitored, with sex-disaggregated data collected at all levels.

socially disadvantaged persons in the Caribbean.⁷³ Since racial, ethnic and communal discrimination is not unknown in the Caribbean, and since these factors often interact with gender inequalities to create barriers to development, the evolution of CDB GE policy may be to consider these factors together.

3.7.5 Results Orientation

3.145 GEPOS provides a framework of steps and milestones, which the Bank intends to monitor. The Policy also sets as a priority the development of a GE Results Framework. This will have practical application in all CDB projects and activities and should help staff implement the Policy.

3.146 A sample model for such a Framework is included in GEPOS, but this will need to be clearly focused on the Bank's GE objectives and operational strategy and measurable indicators to assess progress on GE need to be developed.

3.7.6 Internal Gender Policy within the Bank

3.147 The Bank has taken steps to complement its commitment to mainstream GE in its operations with an internal gender policy and strategy for its staff. The goal is to "ensure that the gender equity perspective gains full expression in the Bank's internal organisational processes and strategy." A GE review has been undertaken and an *Internal GE Policy* was submitted to the BOD as part of the annual Human Resources Update in December 2010.⁷⁴

3.148 The objectives include ensuring equal opportunities for women and men to be represented in decision-making at all levels of the organisation, including in management and senior management, and instituting policies and practices in employment equity, pay equity, harassment and work-life balance that provide opportunities for all employees, men and women, to reach their full potential and to contribute fully to achieving the Bank's mission. Seven areas for improvement are identified, with specific steps and targets. Among these are reaching or maintaining the targets set for the percentage of women in professional positions and women in management and senior management.

3.149 The document reports that the Bank is on target with respect to representation of women in professional staff and middle and senior management positions, although the small denominator makes the percentage volatile. From a base of 37.5% for representation of women in professional staff in 2008, the percentage in 2010 was at the target level of 40%. For women in middle and senior management positions, against a base of 43.8% in 2008, the percentage in 2010 was at 45%, which is also the target level for 2012. These targets do not yet require equal representation of men and women but they are close. As a practical matter, "equality" of women and men in this context means that they are both represented at all levels, especially senior levels, within a band that straddles 50% and allows normal flexibility to accommodate random variations that are inevitable from year to year. CDB is close to attaining this outcome.

3.7.7 Overview of CDB's GE Achievements

3.150 In summary, CDB's recent achievements in regard to GE are:

- Completion of a diagnostic study of gender and development in the Caribbean, *Status of Gender and Development in the CDB and in the Caribbean, the Way Forward and CDB's Role*. This included a review of CDB's approach and achievements in GE compared with other organisations in the Caribbean and more broadly internationally.

⁷³ "The assessments will also benefit the economically and socially disadvantaged in BMCs, particularly those with unequal access to resources and the benefits of development initiatives because of gender inequalities." (p.4)

⁷⁴ *Internal GE Policy*, Human Resource Annual Update – 2010, Appendix III.

- Formulation and Board approval of a detailed *GE Policy and Operational Strategy*, with assignment of staff accountability at all levels of the Bank, and a structured timetable and milestones for implementation of the strategy.
- Support for the development of a Regional Policy Framework on Gender Differentials in Caribbean Education, adopted by COHSOD.
- Approval of a major TA project to undertake gender assessments in ten BMCs.
- Engagement of two gender specialists.
- Improvement of the approach to gender analysis by integrating gender considerations in the *Guidelines for Social Analysis of Development Projects*, and formulating *Gender Analysis Guidelines* for projects in the BNTF programme.
- Providing for a section on gender in all CPAs and CSPs.
- Funding for ten country gender assessments. Three are at the recommendation for award stage (as of April 2011).

3.7.8 Next Steps

3.151 On the basis of this MTR, the next steps that may be appropriate include:

- Implementation of the components of GEPOS planned for 2011 and 2012, including engagement of the Gender Policy Adviser to strengthen implementation of the GE Operational Strategy and support the work of SMG as GE Champion for the Bank.
- Undertaking as planned the programme of country gender assessments for ten countries.
- Strengthening the analysis and integration of gender issues in CSPs.
- Possible strengthening of the Bank's RBM framework on gender issues at the expected outcome level.
- Development of the planned GE Results Framework to define and track results, with a strong linkage to GE objectives and with measurable indicators to assess progress. This can be assisted by refining the operational strategy in terms of priorities for gender-related development results and specific activities that have a good probability of achieving those results.
- Implementation of the Bank's Internal GE Policy, with an annual progress report to the BOD.
- Commissioning an independent evaluation of the results of the GE strategy at regular intervals, with the first evaluation in 2012 or 2013 as proposed in GEPOS, preferably after completion of several of the country gender assessments. The evaluation should assess the effectiveness of GE mainstreaming in the work of the Bank and include a

consideration of lessons learned from the gender assessments, as well as addressing the request of SDF Contributors that CDB work collaboratively with partners on GE matters.

- If the gender assessments find that only limited sex-disaggregated data is available, CDB should commit resources to generate reliable social and gender statistics, as proposed in the Report of Contributors on SDF 7.
- After each evaluation, review and, as appropriate, revise the GE operational strategy for the next time period.
- In the first such review, consider separating the operational strategy from the core policy document, as is being done with the new TA policy and strategy, to facilitate more frequent updating of the operational strategy while retaining the stability of a long-term policy commitment to the principles of the GE Policy.
- In the gender assessments and related reviews, consider other factors that interact with gender to create discriminatory barriers to development in the Caribbean.
- Institute a monitoring system that measures and records the degree to which gender concerns are mainstreamed in each CDB loan and grant.
- Consider including GE as a component of the “governance score” that CDB uses in part to allocate SDF resources to BMCs, as recommended in GEPOS.⁷⁵

3.8 GOOD GOVERNANCE AND CAPACITY DEVELOPMENT

3.152 Capacity development and good governance have been a focus of the development community and aid agencies for nearly two decades. This is because economic and social development at the country level is sub-optimal in environments of weak capacity or poor governance. In such situations, absorptive capacity is reduced and development assistance can be ineffective or actually make the situation worse. As the role that institutions play in socio-economic development has become clearer, so has the recognition of the importance of effective capacity and good governance.

3.153 Attention to governance issues, however, can be controversial, as recipient governments sometimes fear political interference. Multilateral agencies such as CDB, therefore, tread a cautious path, emphasising the need for governments to have the capacity to manage their economic responsibilities and implement plans and programmes; in short, to improve development effectiveness. Along with other DPs, CDB tries to ensure that its operations improve accountability (of institutions), transparency (of processes) and participation (of citizens), while largely staying clear of the political dimensions of governance issues.

⁷⁵ Page 6, Table 2.1 under SDF Allocations.

CDB's Governance Strategy

3.154 CDB was a relatively early adopter, approving a formal Strategy on Governance and Institutional Development in 2003.⁷⁶ The analytical framework set out in the Strategy focused on six elements:

- (a) an effective and accountable public sector for service delivery;
- (b) capacity development for macroeconomic management and policy coordination;
- (c) wider participation by civil society in national consensus-building and in local development planning;
- (d) regulatory systems for environmental and social protection and private sector development;
- (e) regional governance and national capacities for implementing regional and international agreements; and
- (f) mainstreaming governance considerations in CDB's operations.

3.155 Conscious of CDB's limitations in terms of human and financial resources, however, the Strategy was modest in its ambitions. It proposed concentrating on only a few of these elements, determined on the basis of CDB's core competencies and its areas of influence.

3.156 The interventions suggested by CDB's core competencies of institutional development and capacity building were strengthening: (a) tax administration and revenue collection; (b) policy management and coordination; (c) implementation (particularly of service delivery); (d) accountability in the public sector and in regional institutions; and (e) legal and regulatory frameworks (especially for private sector development).

3.157 Based on areas of influence, CDB would focus on (a) transparency; (b) information and communications technology (ICT) for knowledge management, institutional learning and eventual delivery of government services; (c) civil society participation in development planning and the functioning of public services; and (d) regional integration and cooperation for joint action.

3.158 The Governance Strategy was strengthened in 2004 with a paper that translated it into practical steps that could be taken in the context of CDB's operations. Analytical toolkits for staff use followed, as well as training seminars for operational staff on use of the toolkits. Good governance was also incorporated as a thematic priority for SDF operations.

Governance Programming in SDF 6

3.159 SDF 6 was the first replenishment after adoption of CDB's Governance Strategy, and programming reflected this new priority. Two-thirds of the grant financing for good governance in 2005-2008 related to an administrative fund for CDB's operations in Haiti and preparation of a CSP for that BMC. The remaining third, however, covered a range of issues, including a Development Planning Framework for Jamaica; an institutional framework for macroeconomic management in Belize; and institutional strengthening of (a) the Statistics Division in Antigua and Barbuda, (b) the Ministry of Finance, Industry and Planning in Dominica, (c) the Ministry of Communications in Grenada, and (d) the

⁷⁶ *Strategy on Governance and Institutional Development*, October 2003.

National Environmental Planning Agency in Jamaica; as well as local government reform in Dominica, and corporatisation of the Electricity Department in St. Kitts and Nevis.

3.160 The latter grant accompanied a loan to reform the power sector by facilitating corporatisation and providing scope for liberalisation of the power generation department. Another loan promoted the modernization of the Customs and Excise Department in Belize by automating customs data systems, procuring information technology and conducting a post-implementation audit of the new systems.

Governance Programming in SDF 7

3.161 In 2009-2010, the annual volume of grant financing for good governance has remained roughly the same as in SDF 6 (around \$1.5 mn).⁷⁷ These grants have supported, among other things, preparation of a National Spatial Plan for Jamaica, establishment of a Land Sales and Development Agency in St. Kitts and Nevis, a programme management information system in the Ministry of Economic Development and Trade in Montserrat, and formulation of master plans for water supply for Petit Martinique (Grenada) and sustainable tourism (Anguilla).

3.162 In addition to CDB's loans and grants that directly promote good governance, BNTF operations encourage stakeholder participation in decision-making processes and in programme and project implementation. By involving beneficiaries in the design of projects and in their implementation (e.g., in public service delivery) and monitoring, the Bank helps governments – especially local governments – provide citizens with a role in efforts to improve their quality of life. In the process, citizens gain a better understanding of the challenges and opportunities facing governments, and governments acquire the habit of engaging them constructively for development purposes. The Bank thus contributes to a more informed and capable citizenry and to better governance at the local level (see Sec. 3.3).

BOX 8: Sustainable Tourism in Anguilla

A \$150,000 TA grant to Anguilla is helping the government prepare a master plan for sustainable tourism. Tourism has been a mainstay of the economy since the early 1980s. Anguilla has a small but high-end tourism sector, with some of the region's highest growth rates.

The tourism sector has attracted foreign direct investment, with several large projects contributing to a significant growth in tourism room stock. This rapid growth resulted in labour market shortages and rising wage inflation, forcing the government to establish "work camps" for imported labour to meet the needs of two large residential resort projects. In view of these signs of over-heating of the Anguilla economy, and other issues concerning land use, immigration, social services, safety and security, the government launched the Tourism Sector Development Project (TSDP) in 2008. The first phase, completed in early 2009, confirmed the socio-economic strain threatened by tourism projects, as well as the positive attitude of Anguillians towards tourism and tourists.

In the second phase, the SDF grant will finance preparation of a sustainable tourism master plan (STMP) for the period 2010-2020. STMP will (a) review the local tourism sector, (b) analyse competing destinations, (c) identify sites with tourism potential, (d) determine infrastructure priorities, (e) establish guidelines for addressing likely impacts on the environment, (f) generate an investment programme, and (g) recommend an institutional framework to support implementation. STMP will combine elements of industry regulation, environmental sustainability, inter-sectoral linkages, human resource development and sector planning. It will help Anguilla (a) develop a diversified and competitive tourist product, (b) enhance its capacity to manage the sector, and (c) strengthen its presence in target tourism markets. The master plan process also incorporates strong civil society engagement, with the government being required to hold, and report on, a series of stakeholder forums at each stage.

⁷⁷ This does not include a \$10 mn policy-based grant to Haiti (2009), which was primarily debt-focused.

3.163 Support for capacity development and good governance is also provided under *Pillar 1* of the

BOX 9: A Programme MIS in Montserrat

Montserrat's Ministry of Economic Development and Trade (MOED&T) formulates, evaluates, coordinates and monitors all development plans. It is the government's principal link with external donors and the lead player in aid and project cycle management. MOED&T includes a recently established Project Implementation Unit (PIU), reporting to the Permanent Secretary, to address major challenges with respect to timely and cost-effective implementation and management of major capital projects.

MOED&T had a CDB-assisted Economic Management Database that included a project management information system. Set up in 1994, the system was DOS-based and, hence, obsolete. With an increasing number of projects in the government's Public Sector Investment Programme (PSIP) and the lack of a modern and integrated programme management system, accurate up-to-date status reports were not available as needed. Additionally, delay in analysis of the status of the project portfolio and the implementation of corrective actions often resulted in missed opportunities to address challenges in the project implementation process. This resulted in avoidable project delays and unnecessary cost overruns.

A \$116,000 TA grant (2009) will help the government to (a) review existing management procedures and information flows, (b) determine an optimal PSIP management/ monitoring information system, (c) provide detailed cost estimates of each feasible option, and (d) develop/acquire, install and operationalise the most appropriate Project Cycle/PMIS, which will facilitate the effective monitoring and management of PSIP, and promote efficiency and accountability in the use of public resources.

Bank's MfDR Agenda. This covers support at the country and regional level for increased development effectiveness through strengthening MfDR and progress towards the CMDGs, and includes efforts to build a community of practice on MfDR and strengthening results management capacity. It also includes areas such as CPAs and NPRSs. BMC Contributors laid particular emphasis on the importance of this type of TA.⁷⁸

3.164 It should also be noted that, in the Caribbean context, an important part of CDB's support for good governance relates to regional initiatives and falls under support for RCI. This is the case, for example, with the grant to the Caribbean Congress of Labour to expand capacity to implement the Decent Work Agenda of ECOSOC and ILO, support to the OECS EGRIP to promote the efficiency, quality and transparency of public services through the delivery of regionally integrated e-Government applications, and a grant for credit ratings of national development finance institutions in BMCs to strengthen their financial management and improve their access to funding from a

variety of sources.

Next Steps

3.165 While the pace and momentum of the Bank's capacity development and good governance programming has remained steady in SDF 7 so far, these interventions – while valuable – have tended to be responsive and random in nature rather than strategic.⁷⁹ An effort is needed to identify critical capacity and governance weaknesses during preparation of CSPs.

3.166 CSPs provide a macro perspective of the manner in which institutions function in the national economy and, as such, are a useful venue for judgements on key improvements required in capacity and governance. Although CDB's guidelines on governance mandate CSPs to assess governance issues, this has not always been the case. The Barbados CSP contains a short section on Governance and Institutional Issues, and the Grenada CSP includes coverage of Public Sector Administration. CSPs for Haiti, Anguilla and Dominica, however, have been silent on the subject. A more consistent approach will need to be taken if efforts to improve governance in BMCs are to have maximum effect.

⁷⁸ *Report of Contributors on SDF 7*, p. 21, para. 4.09.

⁷⁹ With the exception of TAs associated with PBLs.

3.167 It would also be useful, given the period since the last training was provided to staff in implementation of the Bank's good governance guidelines, for further training to be provided for staff in operationalising the Governance Strategy and use of the toolkits. This would also help to expand in-house capacity for institutional assessments and analysis, and political risk assessments. Provision has been made for this in the 2011 work plan.

3.168 Learning from experience is an important element in any capacity-building programme. It will be useful, therefore, to periodically evaluate the Bank's capacity development and good governance interventions to confirm whether all the pillars of the Governance Strategy are being addressed, and whether intended outcomes are being achieved. This should include an annual review of a sample of good governance TAs, loan projects and PBLs to monitor the Bank's (and SDF's) contributions to improved capacity and governance in BMCs. Provision has been made for this in the 2011 work plan.

3.169 Civil society participation can be further strengthened in the programming of CDB's interventions in BMCs in two ways:

- (a) building capacity (training, systems and processes) within NGOs/CBOs at the national and regional levels; and
- (b) stipulating participatory engagement in as many of CDB-financed projects as possible (e.g. targeted stakeholder fora to complement the project launch, use of stakeholder focus groups for airing out the likely impact or reception of recommended initiatives).

BOX 10: Good Governance and Capacity Building in the OECS

Improving public sector investment programmes (PSIPs) is an important part of CDB's efforts to promote good governance in BMCs. In turn, PSIPs constitute a major element of government efforts to achieve development goals. They comprise a set of investment projects that can be implemented within a specific timeframe, taking into consideration financial, human, institutional and other constraints on public expenditure. Well-functioning PSIPs help governments to (a) identify investment priorities, (b) monitor implementation, (c) improve accountability of line ministries and agencies, and (d) plan and manage external donor financing.

St. Lucia's PSIP is intended to support its 2007 National Vision Plan. However, capacity limitations and financial constraints have prevented the government from strengthening its PSIP framework and management. As a result, undue subjectivity in project selection, poor quality and tardiness of information received from supporting ministries, and protracted restructuring of the Ministry of Finance, Economic Affairs and National Development have contributed to adverse outcomes. This should change with a \$64,600 TA (2010) that will critically evaluate the existing PSIP framework and management, pinpoint strengths and weaknesses, and make recommendations to improve effectiveness and efficiency of the system. The recommendations will take into account international best practice and the constraints of a small open economy.

The extremely negative impact of the global financial crisis on Caribbean economies over the last two years has underscored the importance of sound PSIP management. Hence, the Eight Point Stabilisation and Growth Programme adopted by the ECCU as a response to the crisis recognized implementation of appropriate PSIPs as critical. Unfortunately, despite a long record of TA on PSIP and related areas from CDB and other donors, PSIP management remains particularly weak in ECCU member states. The situation is not dissimilar in other BMCs. In response to a request from the Eastern Caribbean Central Bank (ECCB), therefore, a \$60,000 TA (2011) supported a PSIP workshop in St. Kitts for senior planning officials from all BMCs. In addition to strengthening PSIPs in the Region, the workshop provided early feedback on capacity building needs in the broader area of planning and policy development. This should help CDB design a long-term support programme, similar to the Project Cycle Management programme.

3.9 POLICY-BASED LOANS

3.9.1 Overview of PBLs

3.170 PBLs have become a significant element in the Bank's operations in the past three years (2008 to 2010). In total, PBLs were \$330 mn during the period, with \$31 mn provided by SDF, and the SDF share was slightly higher during the first two years of SDF 7 (see below).

3.171 A PBL is not linked to a particular investment. Such a loan is provided as either general budget support or sector budget support. PBLs have been provided to countries that are seeking to enhance macroeconomic management and are faced with limited fiscal space, exacerbated in the majority of cases by the effects of the global financial and economic crisis.

3.172 Budget support has been provided to governments that are experiencing financial difficulties because of unsustainable debts, or debts that threaten to become unsustainable. These loans are often intended to do two things – *first*, help stabilise and restructure debt repayments by replacing expensive debt obligations with less onerous debt and/or by extending the average term of the public debt so the government can better manage current repayment obligations (although this is sometimes at the expense of increasing total debt); and, *second*, to support financial and economic reforms to aid economic growth and help create conditions for an eventual reduction in poverty.

3.173 Sector budget support is generally less linked to debt management and more linked with broad initiatives and reforms in a particular sector that the government might not otherwise have had the fiscal resources to implement. For example, the second PBL for St. Vincent and the Grenadines was intended to assist in restructuring the financial sector through divestment of the government-owned commercial bank and to support improved financial sector regulation.

3.174 As part of the PBL agreement, the borrowing government undertakes to complete certain actions before each “tranche” of the loan is paid. The Bank's BOD requires that a country strategy be in place before it will approve a PBL, and CDB's tranche release conditions can be linked to that strategy.

3.175 Several lenders may pool their funds to provide a PBL and will agree jointly on conditions. Some of CDB's PBLs have been joint with another lender, such as the WB and/or the IDB, and in one case, the PBL was tied to reaching an agreement with the IMF. In the case of Anguilla, which is not a member of any MDB other than CDB, the Bank was the only lender and was responsible with the borrowing government for developing the PBL, including the results-based framework matrix and the policy matrix.⁸⁰ In another case, Jamaica, the impact of the reform programme was assessed by CDB and shared with the WB and IDB, and formed the basis for identifying the impact of the PBL operations on debt dynamics and the evolution of the debt-to-GDP ratio.

3.176 The extent to which this type of loan has become a prominent part of CDB and SDF approvals in recent years, in response to the circumstances of the period, is shown in Table 3.2.⁸¹ During the first two years of SDF 7, PBLs comprised \$199.8 mn (Table 3.5) out of overall CDB loan approvals of \$421.8 mn (Table 2.9). That is, PBLs made up 47% of loan approvals in 2009 and 2010, with \$23 mn or 11.5% from SDF 7 (Table 3.5). There was also a \$10 mn policy-based grant provided by SDF in 2009.

⁸⁰ The Anguilla PBL was financed from OCR, but is a particular example of the Bank's role.

⁸¹ Before 2006 CDB occasionally used PBLs but they were not a large part of its portfolio. In the 20 years from December 1984 to October 2004, CDB made six PBLs totaling \$86 mn. From 2004 to 2006 there were no PBLs. After 2006, such lending became more significant. From December 2006 to December 2010, there were eleven PBLs and one Policy-Based grant totaling \$384.8 mn. The total for loans of all types approved in that period was \$1,037.3 mn. The PBL component of loan approvals was, therefore, 36% of the total.

TABLE 3.5: POLICY-BASED LENDING

(\$ mn)

Date	BMC	Approvals				Disbursements				Undisbursed Balances
		OCR	SDFU	OSF	Total	OCR	SDFU	OSF	Total	
Policy-Based Loans										
Total 2010		126.0	6.0	-	132.0	117.0	-	-	117.0	15.0
Oct-10	Barbados	25.0	-	-	25.0	25.0	-	-	25.0	0
Jul-10	St. Vincent and the Grenadines	37.0	-	-	37.0	37.0	-	-	37.0	0
Jul-10	Anguilla	55.0	-	-	55.0	55.0	-	-	55.0	0.0
May-10	St. Lucia	9.0	6.0	-	15.0	-	-	-	-	15.0
Total 2009		50.8	17.0	-	67.8	29.9	15.5	-	45.4	22.4
Dec-09	Antigua and Barbuda	30.0	-	-	30.0	10.0	-	-	10.0	20.0
Oct-09	Grenada	4.8	8.0	-	12.8	3.9	6.5	-	10.4	2.4
May-09	St. Vincent and the Grenadines	16.0	9.0	-	25.0	16.0	9.0	-	25.0	0.0
2009-2010 (SDF 7)	Total	176.8	23.0	-	199.8	146.9	15.5	-	162.4	37.4
Total 2008		88.0	8.0	34.0	130.0	64.7	8.0	24.0	96.7	33.3
Dec-08	Jamaica	70.0	-	30.0	100.0	46.7	-	20.0	66.7	33.3
Jul-08	St. Lucia	18.0	8.0	4.0	30.0	18.0	8.0	4.0	30.0	0.0
Total 2007		-	-	-	-	-	-	-	-	0.0
Total 2006		27.0	18.0	-	45.0	27.0	18.0	-	45.0	0.0
Dec-06	St. Kitts and Nevis	12.0	8.0	-	20.0	12.0	8.0	-	20.0	0.0
Dec-06	Belize	15.0	10.0	-	25.0	15.0	10.0	-	25.0	0.0
2006-2010	Total	291.8	49.0	34.0	374.8	238.6	41.5	24.0	304.1	70.7
Policy-Based Grants										
Jul-09	Haiti	-	10.0	-	10.0	-	10.0	-	10.0	-
Overall Totals		291.8	59.0	34.0	384.8	237.1	51.5	24.0	314.1	70.7

Source: CDB Finance Dept. January 2011.

3.177 The table covers the period since the BOD approved a policy paper in December 2005, setting out the conditions and limits on PBLs by CDB.⁸² Not more than 20% of CDB's outstanding loans at any time can be PBLs. CDB is currently at that that limit.⁸³ The amount of SDF funds that can be used for an individual PBL is limited by (a) the SDF 7 set-aside for loans to countries in fiscal distress; and (b) the unused portion of the country's allocation.

PBL Approvals and Disbursements

3.178 From 2006 to 2010 CDB approved PBLs totalling \$374.81 mn, of which \$70.7 mn was undisbursed as of December 2010. At the end of December, PBL disbursements accounted for 19.6% of total loans outstanding. CDB intends to review the current policy limit of 20% of total loans outstanding, taking into account the experiences and practices of other MDBs.

⁸² *A Framework for Policy-Based Lending*. Policy Paper BD 72/05 Add. 1, December 2005.

⁸³ The outstanding amount of all CDB loans at December 31, 2010 was \$1,551.8 mn; and the outstanding amount of PBLs was \$304.1 mn (19.6%).

Results from PBLs

3.179 A review of CDB's recent PBLs (2006-2009) showed that results were mixed.⁸⁴ With some exceptions, governments were able to meet the conditions for the release of the first tranche of funding, sometimes because the action required had already been completed when the PBL was agreed, and since 2009 the conditions for first tranche disbursement have been linked to policy reforms already undertaken or expected to be completed shortly after loan approval.⁸⁵ Second tranche conditions tended to be more difficult to meet.⁸⁶ In response, the Bank has used single-tranche loans in some cases.

3.180 Four examples of PBLs are discussed in more detail in Appendix C.

3.9.2 Next Steps

3.181 CDB intends to undertake a full evaluation of one example of a Policy-Based Loan in 2011. In the meantime, the consultant who reviewed CDB's PBLs in 2010 made the following recommendations:

- CDB should make PBLs in clearly defined areas of public sector reform or social sector priorities that are not already covered by PBLs from other MDBs.
- CDB should specify the objectives of PBLs more clearly and explain how they will be achieved.
- Analytical work that can support improved programme design and conditionality should be pursued. The focus should be on public finances, fiscal policy and the public enterprise sector.
- Conditionality should be more parsimonious, flexible, and wary of requiring legislation, implementation by agencies other than the coordinating agency, or TA by providers other than CDB.
- CDB should develop specific guidelines for supervising and monitoring PBL performance, and analyse and report performance periodically to the BOD.

⁸⁴ *Policy-Based Loans by the Caribbean Development Bank 2006-2009: An Assessment*, M. DaCosta, March 2010.

⁸⁵ Belize, Grenada and St. Vincent and the Grenadines met the conditions for release of first tranche funding from their PBL loans and were able to draw down on first tranche disbursements within about two months of the loan agreement. Disbursement of Jamaica's first tranche was also rapid but required adjustments to the original policy matrix, in part to ensure consistency with conditions under the WB's Development Policy Loan. First disbursement to St. Lucia was accomplished only after the Bank agreed to re-programme some conditions to the list of second tranche conditions. Changes in ministerial responsibilities and the reconfiguration of the Ministry of Economic Affairs, Economic Planning and National Development and the Ministry of Finance were major causes for the delays in satisfying loan conditions. (*PBL – St. Lucia, Revision in Scope and Additional Financing Paper* BD 51/08 Add. 1, May 2010). First disbursement to St. Kitts and Nevis was delayed by more than a year and required a waiver of one of the conditions.

⁸⁶ In 2010, St. Lucia did not meet the second tranche conditions and requested a revision in the scope of those conditions to add a third tranche and an additional loan of \$15 mn. CDB also approved revisions in scope of the tranche release conditions for Antigua and Barbuda, Grenada, and St. Vincent and the Grenadines. It was argued that meeting the agreed conditions was not possible because progress had been adversely affected by delays in funding approval by other creditors, human resource shortages in government, inadequate engagement of stakeholders whose interests were affected by the proposed reforms; cash flow difficulties for some governments; and the higher than expected cost of some policy reforms.

3.10 SECTOR SPECIALISATION

3.10.1 The Concept of “Specialisation”

3.182 The *Contributors’ Report on SDF 7* laid emphasis on the importance of SDF (and by implication CDB as a whole) focusing on selected priorities and sectors.⁸⁷ CDB’s *Strategic Plan 2010-2014*, including the Bank’s *Operational Framework*, also addresses selectivity and focus. The Contributors’ Report contains different conceptual schemas that relate to this issue. This section considers specialisation by sector, including *core sectors*, *collaborative sectors* and *exit sectors*.⁸⁸

3.183 The WB has recently rated development institutions by criteria that include “specialisation”, contributing to our understanding of what dimensions of specialisation may be important.⁸⁹ This section considers only one of those dimensions, *specialisation by sector*, because it was prominent in the SDF 7 Contributors’ Report. The next section (Section 3.11) considers other dimensions of selectivity and focus, particularly selectivity that emphasises country performance or policy, and poverty-focused selectivity.

3.10.2 The Evolution of Specialised vs. Holistic Development Institutions

3.184 The Paris Declaration noted that development aid has been fragmented by the growth in the number of donors and by the dispersion of donor activities across many countries, sectors and projects. This was considered to impose costs on recipient governments and waste resources through duplication. There are, however, different perspectives on this issue as it relates to particular institutions. A contrasting view is more market oriented and values diversity and competition. There is also the consideration of the needs of the countries on which a particular agency focuses, i.e. the issue of specialisation by country.

3.185 The Contributors’ Report, however, lays emphasis on sector specialisation as a measure of selectivity and focus, and this section considers the degree to which CDB is already specialised by sector, both in absolute terms and relative to other development institutions. It also raises some questions that could benefit from more analysis, but are beyond the scope of this MTR.

3.186 Over the past two decades there has been a proliferation of narrowly focused ‘vertical’ agencies, either with a single purpose (such as GAVI) or a small set of foci (such as the Global Fund for AIDS, TB and Malaria). Such funds have proliferated both under the UN umbrella and as non-governmental organisations. Their extent is illustrated by the fact that the WB now manages more than 125 global funds on behalf of multiple donors.

3.187 There has not been a similar increase in development organisations that take a holistic view of a country’s development needs and develop a comprehensive country strategy. The number of such institutions has remained relatively stable. In the multilateral sphere, the three largest MDBs have become even more dominant as a result of large general capital increases after the financial crisis of 2007-08. Among non-government organisations, the Bill and Melinda Gates Foundation stands out for its size.

⁸⁷ *Contributors Report*, p. 14. The wording reflects that in the Report.

⁸⁸ *Ibid.*, p.14, Box 3: Selectivity and Operational Sectors.

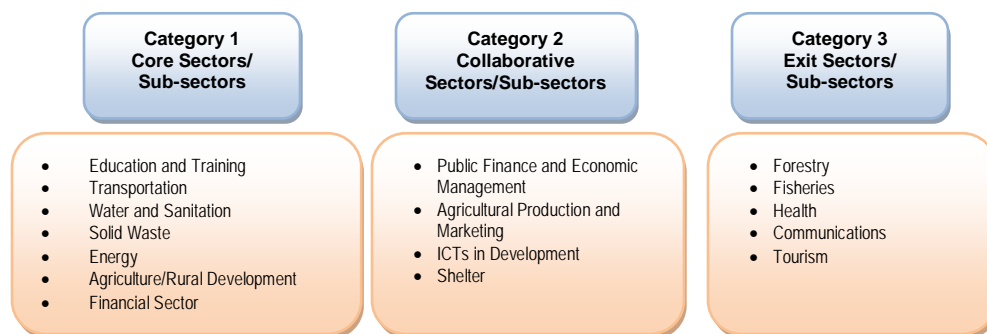
⁸⁹ The WB Development Research Group recently published a working paper (2010) that ranked 38 aid donors on 18 indicators of “aid quality”, largely based on OECD-DAC monitoring of Paris Declaration commitments. The indicators were in four groups but the 18 were equally weighted. The groups were selectivity, alignment, harmonisation (in country) and specialisation. The main sources of data were the OECD-DAC Survey on Monitoring the Paris Declaration (2008), the AidData database produced by researchers at the College of William and Mary and Brigham Young University, and databases maintained by the WB.

3.188 During replenishment negotiations, Contributors have generally encouraged the multilateral institutions to narrow their scope to fewer sectors and countries and to think harder about their relative advantages. However, there are limits to this process. An MDB cannot easily at the same time be holistic in its country strategies and narrow in its project support.

3.10.3 SDF 7 and Sector Specialisation

3.189 SDF 7 donors encouraged CDB and SDF to focus and specialise to a greater extent, in particular *specialisation by sector*. The Contributors' Report identifies seven *core sectors* in which the Bank should concentrate. These are shown in Figure 3.9. CDB's *Strategic Plan 2010-2014* includes a similar designation of core sectors but including "private sector development" rather than the "financial sector" among the core sectors.⁹⁰ Contributors underlined the importance of focusing SDF on core priorities within the new strategic framework, consistent with the Bank's comparative advantage, resources and capacity.⁹¹

Box 11: Core, Collaborative and Exit Sectors



Source: Contributors' Report on SDF 7, Box 3.

3.190 The Report also listed four *collaborative sectors* where CDB/SDF would generally work with other development agencies, either to support a single voice on policy matters, or to field joint expertise. Contributors also recognised that the Bank had experience and expertise in certain other sectors, such as shelter, where it would not seek to be a leading provider of assistance but, depending on country or regional circumstances, it might engage in a collaborative effort.⁹²

3.191 Also listed were five "*exit sectors*" where CDB would largely withdraw. These are sectors where the Bank would not expect to develop or maintain capacity, and where it would disengage. They are forestry, fisheries, health, communications, and tourism, all of which are important to BMCs, but are areas where other agencies have the necessary capability and experience.⁹³ In the case of tourism, the intention was with reference to direct investment in such facilities as resorts and hotels, where the private sector might be relied on, with CDB/SDF being selective in the types of investments that it supports financially – generally infrastructure support and the overall environment for tourism.

⁹⁰ *Strategic Plan 2010-2014*, p. 13.

⁹¹ Contributors' Report, p. (ii), para 8.

⁹² *Ibid.*, p. 14, para. 3.13.

⁹³ Contributors' Report, p. 30.

3.10.4 Activity by Sector

3.192 This section examines the Bank's project approvals by sector as a basis for assessing the degree of sector specialisation.

Overview of Project Approvals

3.193 The first two years of SDF 7 (2009-2010) is too short a time period on which to base observations about sector specialisation for several reasons. First, considerable variation in lending by sector from year to year is normal for a multilateral development bank. Second, it takes considerable time to develop a pipeline of project proposals, so the sectoral composition of project approvals may change slowly when different priorities are established or priorities articulated more precisely. Third, the sector priorities stated in the SDF 7 Contributors' Report were not a radical departure from then current CDB practice.

3.194 The analysis below uses a three-year time period (2008-2010) in looking at the sector composition of loan and grant approvals, as well as, for comparative purposes, the preceding three-year period. The analysis includes CDB as a whole, in addition to SDF, as sector specialisation can best be assessed at that level as well. It is worth noting, however, that care should be taken not to over-interpret the data at this stage.

3.195 In 2008-2010, total CDB project approvals were \$819.7 mn, as compared to \$490.3 mn in 2005-2007. Excluding PBLs, the figures are \$479.9 mn and \$445.3 mn for the two time periods, reflecting a much smaller increase in direct investment. For the same periods, SDF loan and grant approvals were \$262.6 mn compared to \$112.9 mn, an increase of 132%. Use of Other Special Funds Resources declined marginally.

Specialisation by Sector

Exit Sectors

3.196 Since 2005, as shown in Table 3.9, there has been only limited or no activity, in terms of project approvals, in the exit sectors, forestry, fisheries, health, communications and tourism, although there has been investment in integrated tourism facilities (\$14.2 mn and \$17.2 mn in the two time periods). Most of these sectors, therefore, have been relatively inactive in terms of new project activity.

Collaborative Sectors

3.197 There was a large increase in activity in collaborative sectors, if these are defined to include policy-based loans jointly supported with other development agencies. These were mostly in the form of general budget support and focused on public finance and economic development, rather than sector budget support (see Section 3.9). There was little activity in two other sectors designated as collaborative (agricultural production and marketing, and ICTs in development. There was, however, significant support for housing, particularly in the most recent period, which was largely financed from CDB's OCR.⁹⁴

⁹⁴ There are types of collaboration other than that indicated by project approvals, e.g. use of staff time in collaborative work, but for purposes of the above analysis, project approvals are taken as a proxy for collaborative activity.

Core Sectors

3.198 In both time periods, the sectors in which CDB concentrated most, in terms of project approvals, were road and air transport, followed by education and training. These two sectors received \$93.4 mn and \$73.7 mn respectively in 2008-2010 and \$126.9 mn and \$58.1 mn in 2005-2007. Close behind in level of approvals was “Multi-sector – Other”, which includes CDB’s direct poverty reduction programme, BNTF, and its specialised TA programme for SMEs, CTCS. This category rose to \$107.8 mn in 2008-2010.

TABLE 3.6: LOAN AND GRANT APPROVALS BY SECTOR AND SOURCE, 2005-2007 2008-2010
(‘000)

Sector	2005-2007				2008-2010			
	OCR	SDF	Other Special Funds	Total	OCR	SDF	Other Special Funds	Total
Total All Sectors	332,003	112,945	45,361	490,309	514,738	262,550	42,418	819,706
Agriculture, Forestry and Fishing	-	50	-	50	1,030	2,288	77	3,395
Crop Farming	-	50	-	50	-	198	58	256
Drainage and Irrigation	-	-	-	-	-	-	-	-
Feeder Roads	-	-	-	-	-	-	-	-
Mixed Farming	-	-	-	-	-	-	-	-
Land Settlement and Rural Development	-	-	-	-	1,030	2,090	19	3,139
Tourism	16,866	63	248	17,177	12,850	300	1,010	14,160
Integrated Tourism Facilities	16,866	63	248	17,177	12,850	300	1,010	14,160
Power, Energy and Water	22,772	1,056	-	23,828	8,079	7,515	-	15,594
Electric Power	14,522	600	-	15,122	-	1,658	-	1,658
Water, Sanitation and Solid Waste	-	456	-	456	8,079	5,857	-	13,936
Alternative Energy	8,250	-	-	8,250	-	-	-	-
Transportation, Communication and Sea Defense	165,011	7,286	26,300	198,597	74,128	19,724	-	93,852
Transport:								
Road Transport	109,011	6,786	11,000	126,797	65,128	19,293	-	84,421
Water Transport	-	-	150	150	-	431	-	431
Air Transport	56,000	500	15,150	71,650	9,000	-	-	9,000
Sea Defence	-	-	-	-	-	-	-	-
Communication	-	-	-	-	-	-	-	-
Social Services	32,544	25,012	4,198	61,754	59,791	50,064	-	109,855
Housing	-	1,683	1,927	3,610	36,000	-	-	36,000
Health	-	30	-	30	-	145	-	145
Education	32,544	23,299	2,271	58,114	23,791	49,919	-	73,710
Multi-Sector and Other	45,610	76,663	4,486	126,759	315,360	157,543	41,331	514,234
Urban Development	3,580	10,000	-	13,580	-	9,000	-	9,000
Disaster Rehabilitation	8,000	21,903	3,368	33,271	18,560	39,056	-	57,616
Distributive Trade	3,530	7,501	-	11,031	-	-	-	-
PBLs	27,000	18,000	-	45,000	264,800	41,000	34,000	339,800
Other (incl. BNTF and CTCS)	3,500	19,259	1,118	23,877	32,000	68,487	7,331	107,818
Financing and Distribution	49,200	2,815	10,129	62,144	43,500	25,116	-	68,616
Agriculture	14,400	-	-	14,400	19,000	7,800	-	26,800
Industry and Tourism	19,400	15	10,129	29,544	-	-	-	-
Medium and Small-Scale Enterprises	-	-	-	-	1,000	816	-	1,816
Housing	13,600	2,000	-	15,600	3,500	-	-	3,500
Education	1,800	800	-	2,600	20,000	16,500	-	36,500

Source: CPD April 2011.

3.199 Support for agriculture was through financial intermediaries (\$26.8 mn and \$14.4 mn in the two time periods). There was also support for land settlement and rural development in 2008-2010 (\$3.1 mn) and for the water, sanitation and solid waste sector (\$13.9 mn in 2008-2010 and \$0.5 mn in 2005-2007). There were also projects approved in electric power (\$1.7 mn and \$15.1 mn), alternative energy (\$8.3 mn in 2005-2007), urban development (not specified as a core sector) (\$9 mn and \$13.6 mn), and medium and small-scale enterprises (\$1.8 mn in 2008-2010).

3.200 Outside of the classification of sectors, there was also a continuing significant response to disasters, at \$57.6 mn and \$33.3 mn in the two time periods, as well as the important share for PBLs, as already noted.

Changes in Project Approvals by Sector

3.201 The dollar amounts typically approved by CDB in each sector are often relatively small and can vary significantly between time periods because of the relatively small numbers of BMCs, and the effect that a single new loan can have, so too much should not be read into changes in sector composition over relatively short periods.⁹⁵ Nevertheless, some of the changes from 2005-07 to 2008-10 are significant. The principal sector that increased its share was social services (education and training as well as housing), from \$61.8 mn (13.9% of approvals in the investment sectors, not counting PBLs) to \$109.9 mn (22.9% of approvals). The increase for “multi-sector and other” was largely PBLs.

3.202 The principal sector with a decreased share over the two time periods was transportation, from \$198.6 mn (a 44.6% share of investment sector approvals) to \$93.9 mn (a 19.6% share).

**TABLE 3.7: PERCENTAGE OF APPROVALS BY SECTOR
WITH AND WITHOUT PBLs 2005-07 AND 2008-2010**

	2005-07 with PBLs		2005-07 without PBLs		2008-10 with PBLs		2008-10 without PBLs	
	Total (\$ '000)	% of Total	Total (\$ '000)	% of Total	Total (\$ '000)	% of Total	Total (\$ '000)	% of Total
Total All Sectors	490,309	100.0%	445,309	100.0%	819,706	100.0%	479,906	100.0%
Agriculture, Forestry and Fishing	50	0.0%	50	0.0%	3,395	0.4%	3,395	0.7%
Tourism	17,177	3.5%	17,177	3.9%	14,160	1.7%	14,160	3.0%
Power, Energy and Water	23,828	4.9%	23,828	5.4%	15,594	1.9%	15,594	3.2%
Transportation, Communication and Sea Defence	198,597	40.5%	198,597	44.6%	93,852	11.4%	93,852	19.6%
Social Services	61,754	12.6%	61,754	13.9%	109,855	13.4%	109,855	22.9%
Multi-Sector and Other	126,759	25.9%	81,759	18.4%	514,234	62.7%	174,434	36.3%
Financing and Distribution	62,144	12.7%	62,144	14.0%	68,616	8.4%	68,616	14.3%

Source: CPD April 2011.

3.10.5 Sector Specialisation: A Comparison

3.203 A comparison with other institutions can provide perspective on CDB's degree of specialisation by sector. The ADB was ranked first in the WB study as the most highly specialised international development donor agency of those examined, and is, therefore, a useful point of comparison.

⁹⁵ This is the “lumpiness” issue, which can also be characteristic of the programmes of much larger development assistance agencies.

3.204 The ADB also monitors its sector specialisation as part of regular MTRs of ADF. ADB's approach, articulated in *Strategy 2020*, is to focus its efforts in five core areas of operations and on five drivers of change.⁹⁶ The WB study ranked ADB first among a long list of international development donors on specialisation and second on selectivity and alignment.⁹⁷ Specialisation was assessed on five dimensions: average number of sectors per recipient, sector concentration, number of borrowing members (loan and grant recipients), geographic concentration, and average project size. These ratings are fairly reliable, although the data has some limitations.⁹⁸ In ADF X (to 2010 Q1), 54% of approvals were in the three largest sectors, compared to 51% in 2002 and 52% in 2006.

3.205 The WB study rated ADB first among donors on the basis of 'average number of sectors per recipient country' and 'portfolio concentration by sector'. It ranked fifth in regard to 'number of recipient countries' and 'geographic concentration', and twelfth in terms of average project size. Therefore, although the ADB portfolio was not highly concentrated in absolute terms, it was more concentrated than the portfolios of most other donors both multilateral and bilateral.

3.206 Although ADB is rated high for sector specialisation, its portfolio over the past decade has been relatively balanced across the ten sectors that were monitored. From 2006 to 2010, there was a modest but significant trend towards being more concentrated by sector, but the sectors that increased their share were not necessarily the core areas of operations as defined in *Strategy 2020*. For example, the share of education approvals halved over the decade. The main sectors were: agriculture and natural resources, transport and ICT, and water supply and other municipal infrastructure and services.

3.207 A comparison between CDB and ADB shows that CDB's sector concentration is much greater than that of the ADB, which means that it is probably the most specialised by sector of any of the MDBs.

⁹⁶ Projects approved in ADF VIII, IX and X (to 2010 Q1) totaled \$16.9 billion (bn) in loans and grants in ten sectors. At the end of the first quarter 2010, the outstanding portfolio was \$5.7 billion. The portfolio was more concentrated in certain sectors than were approvals, indicating that some sectors were longer term and/or slower to disburse. The largest sectors were transport and ICT (26.7%), water supply, municipal infrastructure and services (19.1%), agriculture and natural resources (17.1%), education (11%) and energy (8.1%).

⁹⁷ ADB scored consistently high on all categories of performance with the exception of "harmonisation". This is borne out by the fact that ADB's "average rank difference of sub-indexes" is a modest -6.5, where 14 other donors had average differences greater than 10.0. The five donors that ranked highest were ADB, WB, DANIDA, Irish Aid and the GAVI alliance. (WB Policy Research Working Paper 5290 (2010), Table 3).

⁹⁸ The donor rating and ranking system used by the WB has certain characteristics that should be kept in mind. *Unrepresentative Data*. The Aid Alignment and Aid Harmonisation sub-indexes draw on data from the OECD-DAC Survey on Monitoring the Paris Declaration. A limitation of this data from ADB's point of view was that less than a third of its borrowing members responded to that survey. *Choice of criteria*. The criteria of "quality" are based on processes, not outcomes or even outputs; and, although there is a broad consensus that selectivity, alignment, harmonisation and specialisation are desirable processes, the empirical evidence linking them to development outcomes and impact is far from definitive. They are probably influential but it is not known how much of the variance in donor effectiveness they explain. For example, the quality of TA is not given much weight. This is true in other similar indexes. *Importance of weights*. The 18 criteria are equally weighted. In effect this means that "specialisation", a category that contains seven of the eighteen quality criteria, is implicitly given a lot of weight. Without adjustment, this could favour single-purpose funds like the GAVI Alliance and perhaps small agencies that work in a limited number of areas. *Data transformation*. To make some of the criteria more fair the WB analysts transform the data in a number of ways, adjusting for factors that they take to be outside of the donor's control, including controlling for the size of the donor (both budget and number of member countries). Similarly, they adjust for the average sector dispersal of donor activity in a country on the grounds that some countries require or encourage more varied sector activity from its donors and donors don't all work in the same countries. Some of the adjustments are clear improvements on earlier index methodologies. For example "poverty selectivity" was influenced in earlier studies by scoring a donor performance as zero in countries where it did not work (rather than as not applicable). These transformations and controls to the data make sense when trying to obtain an objective measure of how well a donor performs given its constraints. On the other hand, governments that are deciding how to channel their aid money are interested in a more absolute measure of performance – that is they want the "no excuses" best channel for their aid money. The WB team provides guidance on this by calculating an "allocation index" that does not adjust scores to eliminate the influence of size and mandate constraints. The WB ranks first on this index and the ADB second. In fact four of the top five donors are the same as in the controlled index. The only change in the top five is that IFAD jumps from 7th to 4th place, and the GAVI Alliance falls from 5th to 8th place.

One measure of the degree of sector concentration is an index often used for this purpose based on a standardised measure of the number of loans in each sector. This is the Hirschmann-Herfindahl Index, which, when computed for CDB, shows that CDB is *almost twice as concentrated as the ADB*.⁹⁹ Or to make the comparison in another way – considering only investment sectors, putting aside PBLs, during 2005-2007 (a relevant reference period for the SDF 7 *Contributors Report*, in that this was the most up-to-date data available at the time) then nearly 45% of CDB activity was in transportation (roads and, to a lesser extent, air transport). In the more recent period, 2008-2010, CDB has moved towards more balanced sector shares, with the top three sectors having about a fifth of loan and grant activity each (not counting PBLs). This pattern in SDF 7 is more like the pattern of the ADB, although CDB still remains more concentrated.

3.10.6 Some Observations

3.208 The analysis of CDB project approvals by sector does not seem to support the conclusion that CDB has too little sector specialisation and should concentrate on fewer sectors, although there are other factors that need to be considered, including staff capabilities. In fact, CDB has been one of the most specialised development agencies (single-purpose funds aside), and its holistic mission to address economic growth and poverty reduction in its BMCs, particularly small BMCs where it is a major partner, may not be well served by a greater degree of concentration. The trend towards greater balance in approval amounts among the core sectors in 2008-2010 seems a healthy change.

3.209 The idea that CDB should specialise more narrowly by sector may need reassessment. Some pertinent questions include the following:

- (a) If sector specialisation is intended to help the Bank achieve critical mass in its work, the overall level of total loans and grants may be more relevant than sector specialisation. SDF's investment lending (policy-based lending aside), in constant dollars (after price inflation), has not increased significantly over recent years (see Chapter 2, Table 2.3). The SDF 6 MTR report suggested that CDB would benefit from scaling up investment operations to be more sustainable as an enterprise, and to meet Contributors' expectations for results, and for the maintenance of systems and practices typical of larger institutions. The SDF 7 Replenishment and the recent GCI help move CDB in this direction, but questions of the appropriate scale of CDB/SDF activity remain.
- (b) Assuming greater sector specialisation is strategically beneficial (a case that is not yet fully made) the question remains whether CDB/SDF has specialised in sectors that are likely to be the most effective in terms of its poverty-reduction and CMDG mission. In this regard, the shift towards more emphasis on investment in education, for example, may be appropriate.
- (c) The emphasis on seven core sectors will also require CDB to be proactive in building a pipeline of projects in those sectors.

⁹⁹ The Hirschmann-Herfindahl Index is a useful measure of the degree of sector concentration. The formula is $\sum(n/p)^2$ where n is the number of loans and p is the total number of loans. To obtain a measure of sector concentration, one sums the squares of n/p for all sectors. The closer the result is to 1.0 the higher the degree of concentration. This comparison is subject to a few caveats. First, the ADB concentration index is calculated using data for the numbers of projects in each sector; and, for greater accuracy, the analysis above has used the dollar value of loans and grants in each sector (for investment sectors only, not policy-based loans). Second, the ADB index numbers were calculated on the basis of portfolio figures, while the CDB index number was calculated on the basis of approval. If approvals are considered over a sufficient period of time these two data sets should give the same result; and we believe that 2005-2010 approvals are equivalent to portfolio figures for this purpose. This said, CDB is clearly much more concentrated by sector, with an index score of 0.245 compared with ADB scores of 0.126 to 0.138 (depending on the time period) on an equivalent index.

- (d) Assessing and comparing sector specialisation as part of future reporting to Contributors would benefit from further analysis of the portfolio from this perspective. This should be facilitated by steps currently underway to adopt the standard CRS coding used by the OECD and DAC, which will support harmonised reporting and comparisons with partner agencies.

3.11 SELECTIVITY

3.210 There are various definitions of “selectivity” used in the development literature. Most, however, agree that selectivity refers mainly to the allocation of resources to countries with the greatest need (“poverty selectivity”) and to countries that are capable of using aid well (“policy selectivity”). “Aid selectivity” is a composite of the two.¹⁰⁰

3.11.1 Policy (Performance) Selectivity¹⁰¹

3.211 If rated using the approach adopted by the WB, CDB would rank well on policy selectivity because its concessional SDF resources are allocated substantially in accordance with the same country performance index as the WB. CDB has harmonised its SDF PBA system with that of the WB/IDA, by adopting a parallel allocation formula and the IDA country performance questionnaire. CDB also observes the WB’s country performance benchmarking exercise and uses the benchmarked Caribbean states as a guide to its own scoring of performance. (See Section 6.4. Resource Allocation Strategy).

3.212 The conclusion is that CDB ranks high on policy selectivity by any measure. The main qualification is that CDB has a relatively high proportion of its SDF set-asides for special purposes, which in some cases may increase policy selectivity and in others may not. There is a fixed set-aside for Haiti, for example, as a transitional measure. If Haiti were included in the formula-based allocation system, then it would be more “policy selective” as a whole. This does not necessarily mean that Haiti would receive more funds, given its weak policy and governance performance in the past. The net effects would have to be estimated by the usual analysis of CDB’s RAS.

¹⁰⁰ The WB (Policy Working Paper 5290, 2010, S. Knack et al, *Aid Quality and Donor Rankings*) computes measures of *policy and poverty selectivity* using the method of D. Dollar and V. Levin (2006) in “The Increasing Selectivity of Foreign Aid, 1984-2003.” *World Development* 34 12: 2034-46. The method is to regress the log of aid from donor *i* to recipient *j* on three variables for the recipient *j*: the log of its population, its GDP per capita (adjusted for purchasing power parity), and its overall score on the WB’s annual “Country Policy and Institutional Assessment” (CPIA). The CPIA consists of 16 indicators “representing the different policy and institutional dimensions of an effective poverty reduction and growth strategy.” These 16 indicators, formulated by Bank staff with input from an external panel of development specialists, are grouped into 4 “clusters”: macro and fiscal policy, structural policies, social policies, and public sector management (including corruption). The CPIA ratings are produced for the purpose of allocating the WB’s concessional (IDA) lending. This selectivity regression is run separately for each donor. Policy selectivity is measured simply by the partial regression coefficient on the CPIA score, while poverty selectivity is measured by the partial regression coefficient for per capita income (multiplied by -1 so that more positive values indicate better targeting of aid to low-income recipients). The most recent aid disbursements used in these regressions are for 2007, and the three independent variables are measured with a one-year lag, to reflect more accurately the information donors possess when they make their allocations. For most donors, the sample of recipients used in the WB’s regressions includes 125 countries. For multilaterals with region-specific mandates, Knack restricts the sample to eligible countries. The WB method follows Dollar and Levin (2006) in computing an *Aid Selectivity Sub-Index* by equally weighting the policy and poverty elasticity estimates for each country, after standardizing them to mean 0 and standard deviation equal to 1. The level of multicollinearity is quite high, as demonstrated by the correlation between policy and poverty selectivity which was found to be 0.53, indicating that donors that are selective on one dimension are generally selective on the other.

¹⁰¹ MDBs have “performance-based” resource allocation systems – but “country performance” is not measured directly, rather it is judged by the quality of policies and institutions. This is because the measures of economic performance that are available are influenced by many factors, some within the control of the country’s government and some not.

3.11.2 Poverty Selectivity

3.213 Poverty reduction is CDB's overarching mission. It is the first of the three operational strategic themes in the SDF 7 Contributors Report and is the overarching theme, as it is in CDB's overall Strategic Plan. It is also the first of the MDGs, and the corresponding set of CMDG Targets. (See Chapter 1 and Sections 3.1 and 3.2). Poverty selectivity is an important matter for the Bank.

3.214 In SDF 5, the Bank developed the concept of the "poverty prism" which was intended as a lens through which each project would be viewed and assessed at project identification and selection, project design and implementation, and M&E. Toolkits were developed to assist staff in this process, and the concept continues to be applied.

3.215 In SDF 6, CDB developed an additional way to focus on poverty reduction. This is by assessing proposed projects partly against traditional financial and economic criteria (net economic value, income distribution effects) and partly against ten performance criteria that are based on the OECD/DAC project performance criteria – with the difference that CDB is more specific than the OECD/DAC about the poverty reduction criterion. The Bank distinguishes between two aspects of "relevance" – "strategic relevance" and "poverty relevance". The intention is to rate each proposed project against these criteria before approval, using the Project Performance Management System, but there have been problems with the system's use, which are now being addressed. Nevertheless, significant progress has been made in keeping the poverty reduction mission at the forefront of the project assessment and implementation process.

3.216 Like other development banks, CDB seeks to deal with the key issue of how to reach large numbers of poor and indigent people in countries that are, on average, lower middle income. The ADB has termed this issue *a crisis of relevance*.¹⁰² It is not really satisfactory to judge "poverty relevance" mainly on the basis of whether the countries that are on average poorer receive more funds. At an earlier time it might have been a rough but functional rule of thumb, but it has become increasingly inadequate as many countries reach the lower-middle-income threshold while still having large sub-populations of very poor people. The key is to reach poor people, not people who happen to reside in "poor" countries. This is an essential part of addressing the MDG and, in the case of the Caribbean, the CMDG Targets for MDG 1. It is a very important question for development banks, which requires nothing short of a paradigm shift in approach.¹⁰³

3.217 No development institution at present is using a particularly sophisticated or precise measure of poverty selectivity. Other MDBs estimate "poverty selectivity" by comparing their disbursements with the average per capita income in each recipient country.

3.218 Comparing poverty selectivity across development institutions also raises the question of how to deal with the fact that, for example, the regional banks have different mixes of countries among their borrowers. Some have more poor countries in their constituency than others, generally those operating in Africa. Therefore, the WB uses relative measures for the amount of poverty – that is, poverty selectivity is judged by whether a donor moves resources towards the relatively poorer countries in its own set of borrowing members (the comparison is not made necessarily for all developing countries worldwide). In technical terms, this can be estimated by the correlation between CDB disbursements and relative GDP per capita among its BMCs (that is, against standardised measures of GDP/pc such as Z scores).

3.219 Haiti is a special case, and the calculation is best made for CDB's borrowers excluding Haiti until such time as Haiti is fully integrated into CDB's resource allocation and lending/granting system.

¹⁰² *Mid-Term Review of the Asian Development Fund*, ADB, 2010.

¹⁰³ Development should not mean a transfer from poor people in rich countries to rich people in poor countries. See "Rich Countries, Poor People?", J. Stiglitz, *New Perspectives Quarterly*, 2007, 24: 7–9.

Nevertheless, poverty selectivity requires the Bank to be active in Haiti, as well as its other low-income borrowers such as Belize and Guyana.

3.220 Finally, CDB has met the challenge of reaching poor people partly through its poverty-targeted BNTF, and similar SIFs such as that for Belize and Jamaica, are directed to poor communities within BMCs and have their own eligibility requirements. They are an important part of the Bank's response to poverty in the Caribbean, although analysis in earlier sections indicates that a very large share of SDF resources has as a principal purpose poverty reduction and human development.

Box 12: Belize Social Investment Fund (BSIF)

BSIF was established in 1996 to provide, appraise, finance and supervise sub-projects in poor communities throughout Belize. In March 2002, management of the CDB-funded BNTF for Belize was transferred to BSIF. Under BNTF 5, CDB approved grants totaling \$6.4 mn, including \$1.1 mn under a performance incentive allocation in 2001-2008. An additional \$2.8 mn was approved in July 2008 under BNTF 6. CDB also approved two loans to BSIF - BSIF 1 for \$7.1 mn in 2003 and BSIF 2 for \$ 15.0 mn in 2010. Since then, BSIF has expanded its role to become Belize's main instrument for poverty reduction and the key agency for providing basic infrastructure and social services in poor and vulnerable communities. With funding provided by CDB and other DPs as well as by the Government, BSIF has completed 550 sub-projects, directly and indirectly benefiting about 300,000 persons. Social infrastructure, primarily water and sanitation and education and health, accounts for 86% of investments to date, while economic infrastructure, mainly drainage works, accounts for approximately 5%.

A review of the BSIF 1 and BNTF interventions, as well as findings from two CDB-funded consultancies to assess operational effectiveness and impact of BSIF's interventions, concluded that BSIF has satisfactorily fulfilled its objectives in terms of targeting rural and urban poverty. Its main strength has been the capacity to implement small sub-projects in poor urban and rural communities throughout Belize. Other key findings include:

- BSIF 1 facilitated the implementation of 64 sub-projects with social infrastructure accounting for 66% of the portfolio. This portfolio distribution was attributed to the Government's target of 100% potable water coverage by 2014-15 and to lack of maintenance of critical social infrastructure.
- Investments reflected priorities identified by communities. Approximately 100,000 persons, including children at risk, youth and women, benefitted from the various interventions. Impacts were strongest in education, health, and water and sanitation, particularly, primary schools, rural health centres and rural water facilities. Approximately 70% of the beneficiaries were in quartiles 3 and 4 (moderate to high poverty). Over 80% of the sub-projects implemented in Toledo, the poorest district, were located in communities with the highest incidence of poverty.
- Significant gains were made in community development initiatives through the construction and rehabilitation of resource centres, which are also being used for educational and skills training programmes, community functions, sports and youth-oriented events.
- Through its involvement in all stages of sub-projects, BSIF has been able to build strong strategic alliances, establish networks at local level and earn a reputation among stakeholders for efficiency and effectiveness of service delivery.
- Communities were involved in all stages of the sub-projects, and residents benefited from short-term employment estimated at \$6.5 mn.
- Quality of infrastructure was sound. However, there is a risk of the unsustainability of some sub-projects, particularly water systems managed by Village Water Boards, where frequent changes in Board membership, inability to collect tariffs, and poor financial management are major constraints.
- Significant gains were made in community development initiatives through construction and rehabilitation of resource centres. These facilities are also being used for educational and skills training programmes, community functions, sports and youth-oriented events.
- The number of capacity-building sub-projects, including skills training, was below target. Such projects tend to be more complex and require longer processing and implementation periods than other projects.

4. DEVELOPMENT EFFECTIVENESS

4.1 THE MfDR AGENDA

4.01 Beginning with SDF 6, the Bank has worked with an MfDR or Results Agenda as a framework for its response to the internationally agreed objective of MfDR, as a key contribution to increasing development effectiveness. This has been structured in terms of three “pillars” – MfDR at *the country or regional level*, MfDR at *the institutional or corporate level*, and *MfDR through partnerships, harmonisation and alignment*. The agenda is similar to that of other MDBs, but also reflects priorities and issues specific to CDB and BMCs.

4.02 For SDF 7, the Bank indicated its intention to continue and build on the three pillars, with additions and a sharpening of focus, particularly in results-orientation and incentives for management by results, and to ensure appropriate integration of work in the three areas. Contributors and the Bank recognised in particular that further progress needed to be made to embed a “results culture” in the operations of the Bank.¹⁰⁴

Pillar 1: Country and Regional Level

4.03 The results agenda at the country and regional level is focused on support for BMCs in strengthening MfDR and accelerating progress towards the CMDG targets. Particular emphasis is laid on capacity-building TA, as requested by BMC Contributors. This includes a number of areas, including poverty reduction, such as on CPAs and PRSs; education and training; environmental sustainability and climate change; good governance; and developing a community of practice on MfDR to assist in building results management capacity in BMCs.

4.04 A total of \$4.9 mn in TA has been provided in the first two years of SDF 7 in a number of areas, including to Belize for the preparation of a medium-term development strategy and for formulation of a policy and strategic framework for education, Jamaica for a national spatial plan to chart a more sustainable development path for the country, Guyana for development of an M&E framework for community roads improvement, Haiti for implementation of an action plan for national recovery and development, St. Lucia for improving public financial management, Anguilla for preparation of a sustainable tourism master plan, St. Kitts and Nevis for enhancing the legislative and institutional framework for management of water resources and conducting a water audit to establish baseline efficiency data, and a number of other BMCs for various elements of capacity building. Some of these are discussed in more detail in Section 3.8 on *Good Governance and Capacity Building*.

4.05 Regional TAs have included initiation of a series of comprehensive gender assessments in ten BMCs to assist in enhancing country strategies and PRSs with gender mainstreaming, strengthening project design and management capacities of environmental professionals to assist in mainstreaming environmental concerns, and a regional workshop on gender differentials in education to assist in identifying solutions to the re-engagement of males and continued participation of females in formal education at secondary and tertiary levels.

Pillar 2: Institutional and Operational Level

4.06 Contributors recognised that the Bank had made significant progress in applying MfDR at the institutional level, including results-based strategic planning and the work programme and budget framework. It was agreed, however, that there was a need to consolidate and carry forward achievements to date.

¹⁰⁴ *Contributors Report, p.21, paras. 4.07-4.08.*

4.07 Issues specifically identified as SDF 7 priorities included a strengthening and acceleration of the country strategy process as the principal means of targeting and focusing programme interventions, ensuring that a results framework is incorporated in all country strategies and projects, and having PCRs prepared systematically and report on project-level results.

4.08 Also identified were an improvement in the quality of key documentation at each stage of the project cycle in order to strengthen project quality and results achievement, development of a new strategic plan for the period beginning in 2010, further strengthening of project and programme evaluation to support institutional learning, and further development of staff capacities.

4.09 Progress in each of these areas has been achieved or is underway, and is reported on separately in the sub-sections of Section 4.2 below. A common thread through this part of the results agenda has been a strengthening of the results culture in the Bank and in all of its operations.

4.10 Selected performance indicators on strengthening operational and organisational effectiveness are set out in Level 3 of the SDF 7 RMF in Section 4.3.3.

Pillar 3: Partnerships, Harmonisation and Alignment

4.11 The purpose of Pillar 3 is to ensure effective implementation of the common objectives and joint commitments of the international development community under the Paris Declaration and the Accra Agenda for Action. These represent a consensus on important steps that can increase the effectiveness of the development efforts of both donor agencies and developing countries. This includes strengthening the Bank's participation and, as appropriate, leadership, in building development partnerships, better alignment of donor assistance with BMC strategies and systems, and greater harmonisation of the activities of donor agencies.

4.12 Included in implementing these objectives are strengthening country ownership of operational poverty reduction and development strategies, identifying good practices on donor division of labour, strengthening of country systems, applying lessons learned in capacity development to improve the results of TA, and assessing the experience of collaborative assistance strategies.

4.13 The Bank's efforts to strengthen country ownership have included broadening country-level dialogue on development, enhancing BMCs' capacity to lead and manage development, and working together with other DPs to make capacity development support more effective. CDB's programme of assistance to each BMC is also increasingly informed by that country's poverty assessment, PRS, medium-term development plan and other available sector or thematic plans. The process for developing CDB's country strategies requires its alignment with the country's strategic priorities and strengthened country-level collaboration with DPs.

4.14 Partnerships and harmonisation have become increasingly important in increasing development effectiveness and development results. The Bank has developed partnerships with a range of development agencies, both multilateral and bilateral, the private sector, NGOs and CBOs, and continues to explore means for deepening these partnerships, including strengthening on on-the-ground capabilities in some BMCs.¹⁰⁵ Frequent use is made of activities such as joint country and analytical studies, such as CPAs, PRS papers and programme reviews, and of loan and TA co-financing. An increased use of programme-based modalities is also advocated as a way to facilitate harmonisation and alignment.

4.15 Harmonised approaches have been adopted on concessional resource allocation, DRM, environmental protection, and social protection, and harmonised criteria are used in CDB's evaluation work.

¹⁰⁵ *Strategic Plan 2010-2014*, p. 14, para. 3.08.

4.16 CDB staff participates in IMF Article IV missions and Poverty Reduction and Growth Facility Review visits. These joint missions, in addition to enhancing collaboration, provide information-sharing and joint consultation and policy dialogue with BMCs.

4.17 The Bank supports the strengthening of statistical systems for poverty monitoring and formulation of social policy in the Region through a multi-agency coordinated programme, *SPARC*. The Bank has also entered into an agreement with IDB for the conduct of training in the collection, analysis and dissemination of social and poverty data by BMCs.

4.18 Capacity development support is also provided through joint coordinated mechanisms with other DPs, such as the CARTAC for the design and management of economic and fiscal programmes in BMC, and the Office for Regional Negotiation in the CARICOM Secretariat¹⁰⁶ for building consensus on trade issues and training in negotiation techniques.

4.19 Selected performance indicators that the Bank is monitoring with respect to Pillar 3 are set out in Level 4 of the RMF, as presented in Section 4.3.4 below.

4.2 INSTITUTIONAL CAPACITY AND REFORM

4.2.1 CDB's Strategic Plan 2010-2014 and the Internal Reform Agenda

4.20 CDB's Strategic Plan 2010-2014 was approved by the BOD in May 2010. In setting a course for the five-year period, the Plan draws on and reflects the Bank's evolving strategic directions, including strengthening development effectiveness and managing for results, together with the strategic and operational framework established by SDF Contributors for SDF 7. There is, therefore, a high degree of coherence, including operational priorities and management tools, between the Bank's overall strategic framework and SDF 7. This reflects the intent at the time SDF 7 was designed and structured, and it has been carried through in the development of the Strategic Plan. There is some adjustment and broadening of focus to reflect CDB's overall operations, but the tight integration and consistency of objectives and priorities is maintained.

4.21 The Strategic Plan was developed against the background of slow and variable economic growth and persistence of unacceptable levels of poverty, indigence and inequality in most BMCs, as well as the constraint on economic performance for many BMCs of high levels of debt and debt service. It also reflects the fact that prospects for sustainable development are threatened by the extremely high vulnerability of BMCs to external economic shocks and often devastating natural hazards. In addition, it seeks to address the concern that some of the social gains to date will be lost as a result of the recent and still continuing global economic and financial crisis.

4.22 The Plan seeks to position the Bank to play an increasing role in economic adjustment, RCI, good governance and environmental sustainability. It also seeks to strengthen the internal reform agenda and the results culture within the Bank, and extends the RMF adopted for SDF 7 to cover the overall operations of the Bank as a basis for tracking progress on implementation of the Plan and reporting on results.

4.23 The analysis covers the *role and relevance of CDB* in the regional aid architecture and its special position as a major regional development institution, as well as the *development challenges faced by BMCs*, including poverty and inequality, strengthening economic growth, fiscal and debt sustainability, environmental sustainability, climate change and natural disasters, RCI and implementation of the Single Market and Economy, and GE as a key issue in reducing poverty and vulnerability.

¹⁰⁶ Formerly the Caribbean Regional Negotiating Machinery.

4.24 The overarching goal in the Bank's *strategic focus* remains the reduction of poverty, and the strategic objectives to address this goal over the five-year period are:

- Promoting broad-based economic growth and inclusive social development;
- Supporting environmental sustainability and DRM;
- Promoting good governance;
- Fostering RCI; and
- Enhancing organisational effectiveness and efficiency.

GE is a theme cutting across all sector interventions.

4.25 The Plan also sets out *operating principles* that will guide the design and implementation of the Bank's programmes, its delivery of development assistance, and efforts to strengthen effectiveness. These are consistent with the MfDR agenda that has been adopted by the international community in a series of High Level Fora on aid effectiveness, and parallel some of the core approaches for SDF 7. They are:

- *Selectivity and focus*, with an emphasis on a limited number of core operational sectors where CDB has, and continues to build up, a critical mass of expertise and can act as a leading provider of assistance in collaboration with other DPs;¹⁰⁷
- *Country ownership*, to be strengthened by broadening country-level dialogue on development, enhancing BMCs' capacity to lead and manage development, and working with DPs to promote operational changes to make capacity development more effective.
- *Partnership and harmonisation*, including engagement with a wider range of development agencies; joint country and policy analysis; co-financing and increased use of modalities such as Programme-Based Approaches (PBAs) and Sector-Wide Approaches (SWAs); and harmonised approaches in areas such allocation of concessional resources, disaster risk reduction and environmental protection; and
- *Managing for results and development effectiveness*.

The Internal Reform Agenda

4.26 Increasing development effectiveness includes the Bank's continuing review and strengthening of the way it does business, referred to in the SDF 7 Contributors Report as the internal reform agenda. This includes institutional reform to realign organisational structure, business processes and human resources in order to respond in a more timely and relevant way to client needs; a shift to greater client and country-focus in operations; greater use of ICTs to drive internal efficiency; and promoting a learning organisation and internal learning processes.

4.27 The Strategic Plan highlights the re-engineering of business processes that has been underway to strengthen efficiency and allow a more effective deployment of staff resources. As a result, over the period 2009-2010, 15 positions have been eliminated from the corporate services departments, permitting both a redeployment of some of these positions to project-focused operational tasks and a strengthening of the ratio of management and professional staff to support staff, as well as a reduction in the number of

¹⁰⁷ The Bank's core operational sectors are *education and training, transportation, water and sanitation, solid waste management, energy, agriculture and rural development, and private sector development*. Together with other elements of the Bank's strategic focus – *environmental sustainability and DRM, good governance, and RCI* – these parallel the strategic objectives and core priorities of SDF 7 (*SDF 7 Contributors' Report*, p. 14, Box 2).

establishment positions. Other elements of the human resource strategy include strengthened professional development, competency based recruitment and performance management, an internal gender policy, and a new knowledge management framework.

4.28 Improved quality management is another aspect of the reform agenda, focused on improving the quality of project design, appraisal and supervision, and promoting a results culture within the organisation. Several elements of this agenda are discussed separately in other sections below.

4.29 The focus on becoming a learning organisation includes both the development of a knowledge management strategy and an increased emphasis on the strategic role of the evaluation function. A final report on a five-year Knowledge Management Strategy and Implementation Plan was submitted in March 2011 for Management consideration. This is a comprehensive plan intended to position CDB as a knowledge institution, looking both inward to meet the Bank's evolving needs and outward as a resource hub for countries in the Region. It encourages an open approach that will build on the approved Information Disclosure Policy. Also included are principles for evaluating results in terms of progress against objectives.

4.30 This focus on CDB as a learning organisation includes a strengthening of the system of independent evaluation and an increase in the volume and quality of self and independent evaluation work including the work of EOv, strengthening of mechanisms to absorb evaluation lessons and recommendations, and communicating lessons learned more effectively to the Bank's stakeholders and partners. Sector and thematic studies are also being prioritised for conducting policy dialogue with BMCs.

4.31 A Results Committee with representation from all departments has been established, and among its tasks has been to review the RMF developed for SDF 7 and develop adjustments to fine-tune it for use in relation to the Strategic Plan. An initial proposal for an adjusted RMF was presented to the BOD in December 2010, and further improvements are under consideration to take into account comments from Members of the Board. The use of a consolidated RMF for the Bank as a whole, based on that adopted for SDF 7, will facilitate and improve the Bank's monitoring and reporting on results.

4.32 From *the perspective of SDF*, the Strategic Plan parallels and reinforces the core themes and strategic objectives of the SDF 7 Replenishment, ensuring consistency between the strategic focus of SDF 7 and the strategic focus of the Bank as a whole. It includes emphasis on the same operating principles as in SDF 7, as well as on an RMF as a principal tool for monitoring implementation of the Plan. The Plan also elaborates and develops the internal reform agenda that was similarly given emphasis in the SDF 7 Agreement.

Next Steps

4.33 Implementation and monitoring of the Strategic Plan 2010-2014 remains an important priority of the Bank and a core element in focusing the Bank's work on strategic objectives and results. This needs to remain at the centre of the Bank's efforts to strengthen development effectiveness in terms of both efficiency and results.

4.34 Implementation of the Strategic Plan, including the internal reform agenda, needs to remain a continuing process, including learning from experience and results along the way, as in any capacity strengthening exercise. Key elements of that agenda, as outlined in the Plan, include a continuation of the re-engineering of business processes, the human resource strategy, improving quality management at key stages in the operational project cycle, the knowledge management strategy, and a further strengthening

of the critically important evaluation function, together with an internalisation of lessons learned. The work of the Results Committee needs to be an important part of this process.

4.2.2 CSPs

4.35 CSPs have been highlighted by the Bank and by SDF Contributors as a key element in strengthening the Bank's programming, including that of SDF, in terms of its focus and ability to address the priority issues for SDF 7. Different aspects of this objective are referred to in the Report of Contributors, both in the text and in the SDF 7 Implementation Plan¹⁰⁸ and RMF Level 2.¹⁰⁹

4.36 The Bank has made substantial progress on CSPs over the past four years. At the time of the last SDF MTR there were three CSPs that were current.¹¹⁰ The Bank subsequently made a commitment to keep CSPs current and to upgrade their quality.¹¹¹ Since that time, CDB has produced eight CSPs, and the quality of the CSPs has been strengthened.

Results Frameworks

4.37 All eight recent CSPs contain a results framework. This is an important step.¹¹² The results frameworks have several strengths. The Results Framework matrix is organised by outcomes that are, in the sample examined for this MTR, a good fit with CDB's strategic objectives as described in the text of the CSP. As well, CDB's "areas of intervention/assistance" are logically related to the target outcomes, and the output indicators are clear. The "sector outcome indicators" provide a good basis for an MTR of the country strategy, although it may be difficult to measure all of the indicators that are listed. Fewer indicators, each with a strategic point, and with a commitment to measure and monitor those indicators, may be preferable.

Analysis of Previous Results

4.38 The recent CSPs that were examined contain a good discussion of the Bank's previous experience in the particular country. To consider one case, the Barbados CSP for 2010-2013 describes the distribution of CDB's interventions by sector, the disbursement performance, and the portfolio performance ratings (with a comparison with all BMCs). There is a useful and frank discussion of the constraints that the Bank has encountered, and a list of lessons learned and "needs that require critical

¹⁰⁸ Milestone 2.2.

¹⁰⁹ Level 2, Indicator 7.

¹¹⁰ The MTR report noted that three CSPs approved since 2005 contained deeper analysis of country conditions and other donor programmes than did previous CSPs. The Belize CSP, for example, provided a thorough analysis of current economic and social challenges and an in-depth report on IDB, DFID, other donors' and CDB's assistance relative to these challenges. It provided valuable information for development practitioners, as did the St. Lucia and the St. Kitts and Nevis CSPs. The Belize CSP set forth a *modus operandi* for CDB's programming based on the Paris Declaration principles, and described objectives in these terms. The CSPs for St. Lucia and St. Kitts and Nevis had strategic objectives that focused on development results. All three CSPs put emphasis on explaining the government's direction and attempted to align the CDB pipeline to support the government's development objectives. Nevertheless, the results frameworks in all three CSPs needed rethinking to move from a project-by-project orientation to a more general framework of results targets. (SDF 6 MTR, 2006).

¹¹¹ The SDF 6 MTR stated that "CDB should give high priority to producing excellent country strategies by cross-department interdisciplinary teams, working within the framework of CDB's Strategic Plan, making clear commitments to specific results, clarifying accountability for country strategy implementation (country focus), and evaluating performance against those strategies and reporting to the Board on a regular basis." The MTR report noted that CDB had made progress in developing country strategies, but still slowly. Three country strategies had been approved since 2005, and the first of a new generation of CSPs (for St. Lucia) had been completed. Several CSPs, however, had been in draft for a considerable time, some awaiting concurrence by the BMC government. Seven were planned for 2007 and seven for 2008. The St. Lucia CSP was scheduled for revision in 2009.

¹¹² The SDF 6 MTR noted that, at that time, CSPs typically did not have a results framework that aligned the current and planned portfolio with intended outcomes, although alignment was sometimes mentioned in the text.

attention”. However, there is not a strong link between those lessons, which mainly point out institutional and capacity constraints, and the Results Framework.¹¹³

Strategy to Help to Meet the Caribbean MDGs

4.39 There is a section on the Caribbean-specific framework for the MDGs (the CMDGs) in each of the recent CSPs. With some exceptions, however, such as the St. Lucia CSP, the discussion is short and does not present specific quantitative information about the country situation vis-à-vis the CMDGs nor describe a strategy for avoiding a shortfall on specific targets. Many of the same subjects that are addressed by the CMDGs are, of course, discussed in other sections of the CSP, but these sections may not explicitly mention the CMDGs. Similarly, the CMDGs are not identified as drivers of the results framework or the operational strategy; there was no instance in the sample of CSPs where a potential shortfall against a CMDG target was identified and a strategy suggested to help the country meet the target.¹¹⁴

4.40 More explicit integration between the findings of the CSP and the conclusions of CPAs supported by CDB would be desirable.

TA

4.41 The BMCs’ needs for TA, and the Bank’s strategy for providing it, are often but not always discussed in the strategy paper. Where TA is discussed, especially in relation to governance priorities, strategic aspects might be developed more fully. Several CSPs have been prepared at the same time as CDB was developing a PBL for that country (the Board has made a current CSP a pre-requisite for a PBL). In those cases, the PBL documents may treat related TA needs more fully than the CSP. These matters, however, need to be incorporated into the country strategy itself.

A Strategy for Supporting Regional and Multi-country Public Goods

4.42 None of the CSPs reviewed contained a strategy for supporting regional or multi-country public goods, an issue that was discussed by SDF Contributors. There is mention in some cases of communicable diseases (HIV/AIDS in particular), and/or a section on climate change adaptation, but adaptation is largely treated as a national rather than a regional topic. The regional and international trading environment is sometimes mentioned as context. In general, there is not yet an explicit analysis of the regional and RPG dimension in CSPs that is integrated with the overall CSP analysis.

Alignment, Harmonisation and Partnership

4.43 Most of the recent CSPs contain a donor matrix as an appendix (e.g. Dominica and Barbados) or a discussion of other donors’ activities in the text (e.g. Anguilla, in regard to other donor TA). There is little discussion, however, of a strategy for alignment and harmonisation, and generally limited discussion of joint approaches with other donors, although CDB does share and discuss its CSP with donor partners before the CSP is finalised, and CSPs for OECS countries are used by the ECCB for discussion of country development strategies.¹¹⁵

Producing CSPs

4.44 The production schedule for CSPs has been adjusted frequently. As of the preparation of this report, the schedule was as follows:

¹¹³ The Results Matrix does have a section on institutional strengthening that mentions TA to assist in improving project management practices. The only outcome indicator, however, is a “higher disbursement rate”.

¹¹⁴ The Economics Department notes that “A thorough treatment of this issue (CMDGs) is precluded by the paucity of data. Much of the information available is dated and the BMCs themselves do not have explicit strategies for achieving the MDGs.”

¹¹⁵ The CSPs for Antigua and Barbuda and for Grenada also focused on stabilisation and envisaged close alignment with IMF actions and requirements. Similarly, ECCB participated in CDB’s missions to OECS countries to develop the country strategies.

TABLE 4.1: CURRENT TIMING OF CSPs

BMC	Current CSP (at Feb. 2011)	Next Action	Next CSP
Anguilla	2010-12	CSP Review December 2011	2013-15
Antigua and Barbuda	2009-11	CSP Review July 2011	2013-15
Bahamas, The	None	Approve First CSP	2011-13
Barbados	2010-13	Mid-Term Review 2012	2014-16
Belize	2007-09	Approve CSP 2011-13, MTR 2012	2011-13
British Virgin Islands	None	Approve first CSP July 2011	2012-14
Cayman Islands	None	Approve first CSP Oct. 2011	2012-14
Dominica	2010-12	Mid-Term Review July 2012	2012-14
Grenada	2009-11	Mid-Term Review December 2011	2012-14
Guyana	None	Approve first CSP 2011, MTR 2012	2012-14
Haiti	2009-11	CSP Update on hold pending discussion with Haitian authorities on priorities (as of Feb. 2011)	2012-14 (?)
Jamaica	2009-11	Mid-Term Review 2011	2012-14
Montserrat	None	Approve first CSP July 2011	2011-13
St. Kitts and Nevis	2006-08	Approve new CSP July 2011	2011-13
St. Vincent and the Grenadines	2008-11	Approve new CSP December 2011	2012-14
St. Lucia	2005-08	Approve new CSP May 2011	2011-13
Trinidad and Tobago	None	Approve first CSP May 2011	2011-14
Turks and Caicos	None	On hold	

Source: CDB Economics Department, February 2011.

4.45 The development of each CSP is led by the Economics Department. The previous MTR noted that the CSPs were “not yet the product of a fully engaged cross-CDB team, despite the fact that a focus on desired outcomes usually requires a multi-sector and multi-disciplinary approach.” This is no longer the case. There is a detailed process for convening inter-disciplinary teams and different levels of CDB management to produce a CSP.

4.46 More integration of the various parts of the CSP, however, may be useful. At the moment, the texts are often presented as a compilation of different inputs rather than a single integrated strategy. The Bank’s specialists, such as on gender and environment, contribute to the CSPs, but their contributions tend to stand alone, rather than being integrated in various sectors. If gender and environment are to be fully mainstreamed, they will need to be discussed in most major sections of the document.

4.47 Each CSP is approved after concurrence by the BMC government. In some cases, this can be slow. The CDB Board’s decision that no programme-based policy loan can be approved in the absence of a country strategy paper has been helpful in some cases in obtaining concurrence.

Summing Up Action on CSP Commitments

4.48 The Report of Contributors reflected and supported the Bank’s intention to further strengthen and focus CSPs, and identified a number of areas that would need to be covered in each new CSP. These included the following:

- Results Framework
 - Status: Done.
- A strategy for CDB support for each BMC to help in meeting the CMDGs
 - Status: Not yet done.

- Governance priorities, including regional and, where appropriate, sub-regional priorities, as one basis for CDB's TA programme (the other being in direct support of loans and potential loans)
 - Status: Partly done.
- A strategy for supporting regional and multi-country public goods
 - Status: Not yet done.
- An analysis of alignment, harmonisation and partnership with the BMC government and with other international development organisations operating in the country.
 - Status: Partly done.

4.49 Next Steps: Country Strategies

- ***Integration of all sections of the CSP into a coherent strategy.*** Topics of special interest are still often touched upon in the CSP in a descriptive way, in their own section, without drawing out their implications for CDB's strategy and without much integration with other topics within the country strategy. There are constraints on how this can best be addressed, but the future direction of development of CSPs should be towards full integration and synthesis of all topics important to the strategy, rather than what may appear to the reader to be a compilation of separately prepared sections. Topics that are to be mainstreamed should be discussed in major sections of the document.
- ***Joint strategies.*** The international community has been experimenting with moving beyond individual country strategies developed by each international institution towards a cooperative effort with a single harmonised development strategy and results framework for each country and sector, which could be used by all DPs, and this was one of the proposals that came out of the Paris Declaration. CDB does not at present undertake joint strategies with other donors. It does circulate a draft of the strategy for comment and discussion, and tries to avoid duplication of effort. A possibility that might be explored is that of collaborating with other donors on joint country strategies and results frameworks (with separate operational plans for each donor).
- ***Sequencing of CPAs, gender assessments and CSPs.*** Ideally, CPAs and gender assessments supported by CDB should immediately precede its development of a CSP. There are often difficulties in arranging this, but it would be a useful development, particularly important in countries where poverty remains very high, such as Haiti and Belize.
- ***A staggered schedule of CSP development.*** Partly because many CSPs have been completed in the past three years to meet the commitment made to SDF Contributors or to have a CSP in place for a PBL, many of them cover the same time period. For the future, it may be possible to use CDB resources more efficiently by scheduling a set proportion to be undertaken each year on a firm, but perhaps somewhat longer, schedule, e.g. 20% of BMCs each year on a five-year timetable. There may be cases where circumstances pre-empt such a schedule, but in general a more systematic scheduling would now be preferable. The availability of an up-to-date medium term plan, of course, cannot be taken for granted, and this has been a constraint in regard to producing some CSPs in the past.

- **Availability and accessibility of CSPs.** CDB intends to make its CSPs available on its website in 2011 as part of its knowledge management system. This is an important step. Also, at present CSPs, including the Haiti CSP, are available only in English. In future, the objective, if possible, should be to have at least the executive summaries of CSPs available on the CDB website in English, French and Spanish, and for Haiti a full country strategy in French would be desirable.

4.2.3 Evaluation and Oversight: Role, Strategy and Programme

4.50 The Evaluation and Oversight Division (EOV) is an important instrument of the Bank's results focus. It is guided by CDB's Evaluation Policy and Guidelines, the MfDR, and the Bank's *Results-Based Management Framework (RBM)*.¹¹⁶ Its mission statement states that "*EOV will support and enhance the effectiveness and efficiency of the Bank by providing independent assurance and consulting activity designed to add value and improve CDB's operations, as well as promote the core value of the Bank within its work environment.*"

4.51 The Division was established in 2003 to manage the evaluation and performance audit functions that now include sector and thematic evaluations, and will soon include country strategy evaluations. In addition to evaluation studies and performance audits, EOV monitors and validates portfolio performance and PCRs to provide quality assurance. It is also charged with harmonisation of CDB's evaluation practices with those of other MDBs, and is moving from a focus on ex-post project evaluations towards strategic thematic evaluations to support broader learning and accountability in an MfDR context.

4.52 EOV has a Deputy Director, three professional staff and three support staff. Its annual discretionary budget in 2011 is \$296,000, including \$230,000 earmarked for engaging evaluation consultants. The Deputy Director reports to the President.

4.53 As in the SDF 6 period,¹¹⁷ CDB has had an active evaluation programme in SDF 7 to date. In 2009 and 2010 EOV managed the following evaluations and reports:

- Support to the Basic Education Sector 2000-2010 (in draft);
- Roads infrastructure interventions- building blocks to an evaluation of the sector;
- Natural Disaster thematic evaluation;
- Assessment of Policy-Based lending;
- Power sector interventions;
- Annual Portfolio Performance Review;
- Update of CDB's Evaluation Policy and Guidelines/Methodologies;
- Assessment of the Quality of Project Supervision; and
- Operational Audit of Human Resources.

¹¹⁶ EOV provides oversight and support for enhancement of the effectiveness and efficiency of all Bank activities. EOV verifies, selectively validates inputs to PPMS, evaluates the quality of the Bank's loan portfolio under implementation, and submits recommendations to the Bank's Management on actions to be taken to improve reporting, monitoring and portfolio quality. The Division monitors and reports on the response to evaluation and oversight recommendations. It provides oversight and support for enhancement of the inputs to PPMS, evaluates the quality of the CDB's loan effectiveness and the efficiency of all Bank activities.

¹¹⁷ During SDF 6, CDB evaluated its TA operations overall, evaluated the CTCS programme, and led an SDF multi-cycle evaluation.

4.54 Next Steps: Evaluation and Oversight

- ***Evaluations and Performance Audits.*** In 2011 and 2012, EOV intends to complete the following evaluations:
 - Effectiveness of CDB's PRS (reporting in 2011);
 - Shelter interventions;
 - Road infrastructure interventions;
 - One example of a Country Strategy (first formal evaluation of a CDB country strategy);
 - One example of a programme-based policy loan (a full evaluation, as distinct from the overview assessment of the PBL instrument undertaken in 2009-2010);¹¹⁸
 - Mortgage Finance Lines of Credit;
 - Agricultural and Industrial Lines of Credit;
 - Operational Audit of IT Department; and
 - Annual Portfolio Performance Reviews, 2010 and 2011;

as well as a review and updating of policy, guidelines and methodologies used in evaluations for CDB.

- ***Validation of Completion Reports.*** When Projects Department has produced PCRs, as it is presently doing, EOV will review and prepare a *Project Performance Audit Report*, initially for each Completion Report, and in the longer term for a sample of Completion Reports.
- ***Consideration of the Governance of Evaluation in CDB.*** EOV is managing a review of the independence of the evaluation and performance-audit function in the Bank in accordance with Terms of Reference prepared by the Office of the President.

CDB's EOV is not yet a member of the Evaluation Cooperation Group (ECG), which involves all of the MDBs apart from CDB. CDB/EOV should consider joining that Group. Among other useful functions, the ECG undertakes peer reviews of its member evaluation offices. Either before or after its membership of the ECG is concluded, CDB should consider inviting such a peer review of its Evaluation and Oversight Division. A peer review by persons familiar with best evaluation practices among the MDBs would be an opportunity to consider the evaluation function within CDB, including such matters as its reporting relationships to the President and the Board, the tenure of the head of evaluation, the relationship of evaluation to performance-based audit (and the desirability of internal audit undertaking performance audits as well as financial audits and compliance audits), the adequacy of resources devoted to evaluation and oversight, the quality of its products and the nature and quality of the evaluation work plan.¹¹⁹

- ***Transparency.*** As is the practice at other MDBs, CDB should consider making all evaluation reports available on its website.

¹¹⁸ *Policy-Based Loans by the Caribbean Development Bank 2006-2009: An Assessment*, March 2010.

¹¹⁹ In 2011, IDB has commissioned an Independent Panel to review its evaluation function. There may be advantages for CDB to undergo such a review at the same time.

4.2.4 Project and Portfolio Performance Monitoring

4.55 CDB monitors the performance of its loans projects and enters the data into a Project Performance Monitoring System (PPMS). The performance of TA projects is not rated. The performance scores, and the systems and procedures for scoring and reporting are described in the Project Performance Evaluation System (PPES). There are six project performance criteria, similar to those listed by the OECD/DAC criteria. These are strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact, and sustainability. After an assessment of the system currently being undertaken, the Bank is considering using only one “relevance” criterion, rather than two. PPES includes criteria relating to the scoring of project performance and changes in scores to identify projects “at risk”. This is not a performance measure, but a “red flag” to draw attention to projects experiencing difficulties.

TABLE 4.2: PORTFOLIO PERFORMANCE SCORES, LOANS, 2004-2008 and 2009

Country	All active loans 2004-2008			Active Loans 2009	
	Average No. of Active Loans	Average Performance Score (0-10)		No. of Active Loans	Average Performance Score (0-10)
Anguilla	2.2	6.4		1	6.6
Antigua and Barbuda	2.0	4.5		3	5.5
Bahamas, The	3.8	3.7		-	-
British Virgin Islands	5.0	5.8		1	6.1
Cayman Islands	0.8	3.2		-	-
Montserrat	4.8	3.9		-	-
Trinidad and Tobago	-	-		-	-
Turks and Caicos Islands	2.4	5.4		3	5.5
Regional	-	-		-	-
Barbados	0.2	1.1		1	5.6
Belize	2.4	4.4		6	6.0
Dominica	2.6	2.4		7	6.1
Grenada	9.0	6.1		12	5.9
Guyana	8.8	6.3		5	6.4
Jamaica	8.6	6.4		13	6.5
St. Kitts and Nevis	2.6	2.3		5	5.2
St. Lucia	8.6	5.9		9	6.1
St. Vincent and the Grenadines	9.2	6.4		6	6.6
Total	73	6.1		72	6.2

Source: CDB EO, February 2011

4.56 The final performance scores for each project are intended to be reported in the PCR; and although there have been problems in producing completion reports in the past, these are now being addressed in the Quality Assurance initiative (See Section 4.2.5) and as part of the SDF 7 implementation plan.

4.57 The Bank intends that this performance data be used in two ways – *first* to enable managers to monitor project performance during implementation, and make adjustments when needed; and, *second*, the loan performance scores are aggregated in an annual report to the Board describing the performance of the portfolio of CDB’s loans - the *Annual Review of Portfolio Performance (ARPP)*.

4.58 In principle, the performance scores are updated each time a Project Supervision Report (PSR) is prepared; and a PSR is expected to be submitted within two weeks of a project supervisor returning from

a field visit. In practice, PSRs have been written less frequently.¹²⁰ CDB is currently in the early stages of contracting for a new computerised project management system, which is expected to facilitate more timely reporting. Some earlier reviews of SDF, however, have indicated that the computer system may not be the only problem,¹²¹ and this is receiving further attention under the Quality Assurance initiative.

4.59 The ARPP is an important reporting tool for management, but it has been generally produced with a considerable lag. The ARPP for 2009 was submitted to the Board in December 2010. Ideally, portfolio performance data should be available in ‘real time’ – essentially up to date at all times. The previous SDF MTR assessment recommended that CDB should achieve up-to-date status on its current project records in PPMS every six months, i.e., data should be up-to-date at mid-year and end-of-year. Perhaps more practically, the Board should receive the ARPP at its May meeting (up-to-date to the end of the previous December).

4.60 More important than timely reporting is timely information for management. The Projects Department takes a risk-based approach to monitoring projects, whereby projects-at-risk receive more attention. To facilitate this, all projects should be processed within PPMS, and performance data in PPMS should be kept up-to-date, and the project-at-risk red flags should be monitored. Without detracting from the importance of good project data for management, it is worth noting that CDB is a small institution compared with the larger MDBs and much can be done orally and face-to-face, in addition to the use of formal systems.

4.61 The process of upgrading the PPMS software is currently in train, with several alternative solutions being considered. Two vendors have been selected for further investigation and “proofs of concept” are being undertaken, which should facilitate selection of the most appropriate option. Implementation of the new PPMS application is expected to improve project information from the processing stage to post-evaluation.

4.62 **Next Steps: Project and Portfolio Monitoring**

- Project officers need to be supported and encouraged to keep the records for their projects up-to-date. To do this, some procedures may have to be simplified. It may be possible to provide more mobile technology to the operations officers so they can enter information in the field. Light notebook computers (or docking computers), web-based access to PPMS forms, and voice-recognition software for hand-held recorders are possibilities. Computer-based tools, however, have not fully succeeded in the past for a routinely up-to-date project performance monitoring system, and other options could be considered. One possibility might be a paper-based form for supervision reports by the project officer, with checklists as far as possible, as well as sections for blocks of hand-written text, that would be entered into the computer database system by an administrative officer rather than by the project officer. The project performance information available to management to guide decision making, and presented to the Board, however, needs to become timelier and more complete.

¹²⁰ The previous SDF MTR reported that at June 30, 2007, information on 62 of 103 active loans was complete. Of the 41 projects with incomplete information, 16 had no information in PPMS related to performance monitoring at supervision. The others had varying amounts of information, but were not complete.

¹²¹ A previous study noted that while some staff members viewed the computerised system as not as user-friendly as it should be, this was not necessarily the root cause of the problem. The Bank had experienced delays in completion of supervision reports and PCRs that pre-dated the present system. The basic problem was that a large percentage of active projects did not have a complete and up-to-date supervision record.

- Once on-time performance monitoring for loans is achieved, the Bank should begin requiring similar supervision and performance data for all TA projects, for at least those over \$50,000 or \$100,000.

4.2.4 Quality Assurance: Reform of Project Appraisal, Supervision and Completion Reporting

4.63 An objective of the SDF 7 Implementation Plan is to “increase the results orientation in project and programme design, implementation and reporting”. One of the milestones associated with that objective was the “implementation of quality assurance standards for each stage of the project cycle from country partnership strategies to PCRs.”¹²²

4.64 In August 2008, the Oversight and Evaluation Division produced a proposal to establish an integrated quality assurance system for CDB, and funding was approved in 2009. The final report was delivered in September 2010 and the recommendations are being implemented. The focus of the work was on developing guidelines, including forms, to ensure quality standards for project appraisal, project supervision, and PCRs. New templates have been prepared, including for appraisal reports, project supervision reports, project completion reports, an aide memoire, project launch workshops, and portfolio review. The revised template for PCRs has been used for the PCRs completed in 2010.

- On *project appraisal*, CDB intends to develop a new approach and venue for training staff, since the Trinidad-based course is no longer offered.
- On *project supervision*, CDB intends to link PSRs with a new computerised Project Performance Management System that will replace the old system that many found insufficiently user friendly. The hope is that new-format project supervision reports will provide much of the information about results that will later be needed for the project completion report.
- On *PCRs*, CDB is working to meet the target set in the SDF 7 Results Framework for 2012 that 100% of loan projects completed in the previous two years will have a completion report on file.¹²³ In 2009 and 2010 there were 25 loans completed. Of these, 4 had completion reports on file by December 31, 2010, and the others were actively being worked on. By the end of SDF 7, or soon thereafter, all projects completed within the SDF 7 period (2009-2012) should have completion reports on file.

4.65 Next Steps: Quality Assurance

- Development and implementation of a new project appraisal course for CDB officers (and perhaps interested members of BMC governments).
- Training of CDB staff on results-based approaches to supervision and completion reporting, and in the use of new formats and templates for analysis and reporting.
- Linking supervision reporting with the new computerised Project Performance Management System as soon as it becomes available.

¹²² *Report of Contributors*, p. 38-39, Box 13, Objective 5 and milestone 5.2.

¹²³ *Report of Contributors*, p. 27, Box 8.

- Review of the past two years of experience with project completion reports, drawing lessons, revising the approach as needed, and continuing to meet the commitment to full coverage of loan projects.
- Implementation of the recommendation in the evaluation of CDB's TA operations that TA projects also have some type of completion report prepared as a requirement TA operations, even if in a simplified form, to summarise and express professional judgment on results and lessons learned.¹²⁴

4.2.5 TA Reform

4.66 The SDF 7 Contributors Report underlined that capacity limitations in BMCs were a major weakness and that the SDF-financed TA programme would be critical in helping BMCs meet the MDGs. Contributors underscored the need for a particular focus on *capacity development*, which should be a core priority under *good governance*. It was agreed that resources allocated for institutional strengthening and capacity building should be carefully targeted for maximum results, and the Bank indicated that it recognized the need to strengthen its TA work, with greater emphasis on strategic direction, and increased attention to quality at entry, project supervision, and results monitoring and reporting.¹²⁵

4.67 The development of strategic priorities for TA operations in support of capacity strengthening and good governance, the poverty reduction and regional strategies, and the MfDR agenda, was included as one of the implementation milestones for SDF 7.¹²⁶

4.68 The changes in its TA operations that the Bank has embarked on are extensive and intended to strengthen the focus, design, implementation and results of its TA work. These were discussed with SDF Contributors,¹²⁷ together with other elements of the Bank's overall reform agenda designed to strengthen monitoring, supervision and drawing on of lessons learned.

4.69 The evaluation of TA operations identified a number of important lessons learned, in some cases similar to those in other TA evaluation studies for other MDBs, and made a number of recommendations to strengthen effectiveness and results. These included:

- (a) improved strategic focus for TA, including increased coherence of TA programming in support of identified priorities;
- (b) improved linkages between successive or related TAs and with other programmes or projects, and where possible with supportive follow-up action;
- (c) increased attention and resources for quality at entry, supervision and monitoring (including resources for TA fieldwork, which had been lacking);
- (d) improved TA information systems and increased attention to results and lessons learned (which had also been weak); and

¹²⁴ *An Evaluation Study of the Technical Assistance Operations of the Caribbean Development Bank 2000 to 2004* (2007), "CDB should provide adequate incentives to ensure that some type of PCR is prepared at the end of every TA. The PCR should be summative and express professional judgment on results and lessons learned", p. x; and paras. 5.56 and 9.40 to 9.42.

¹²⁵ *Report of Contributors*, p. 19, paras. 3.40-3.41.

¹²⁶ SDF 7 Implementation Plan, Milestone 3.1.

¹²⁷ *An Evaluation Study of the Technical Assistance Operations of the Caribbean Development Bank 2000-2004*, March 2007, with amendments as of July 2007.

- (e) Establishment of a TA Focal Point or Work Group to undertake the substantial tasks that need to be done centrally, and a priority for systematic training and follow-up workshops on TA management and experience, evaluation results and lessons learned.

4.70 This is a major agenda that the Bank has underway. Steps to improve the management of CDB's TA portfolio commenced in 2006 with the appointment of a TA operations officer, who was supplemented by the appointment of a second TA officer in 2009. Additionally in 2009, the terms of reference for consultants to assist in the preparation of policy and operational documents were developed. This was followed by the selection and appointment of consultants, and an iterative process of working with the consultants in developing an overall TA operations policy and a more detailed strategic framework to implement the policy. Other elements that are included in this process are work on M&E, and preparation of a detailed TA operations manual.

4.71 The work has taken longer than expected as heavy emphasis has been placed on ensuring consistency with the findings and recommendations of the TA evaluation. The project, however, is scheduled to be completed by mid-2011. The *overall policy document* is intended to provide a clear statement of what the Bank is trying to achieve, in terms of the purpose of TA, strategic priorities (including the Bank's corporate objectives and SDF strategic priorities), method of execution and financing modalities, financial sources, and the key principles of selectivity and focus, country ownership, managing for development effectiveness and results, harmonisation and partnership, integration of lessons learned, timeliness in response and approval, quality assurance and an annual review of the TA portfolio.

4.72 The *strategic framework document*, on which work is still being undertaken and on which some decisions still need to be made, will provide more detailed guidance on the various elements of the implementation strategy and as a separate document should facilitate more frequent updating as required. This will cover the Bank's core commitments in areas such as: prioritisation in the selection of TAs; processing of TAs; application of standards for quality at entry, quality of supervision and quality of results; updating of systems; and training in the management of TAs. It will also cover the coordination and management structure, including the TA Focal Point; monitoring and supervision; reporting; approval levels (with some changes to be proposed to the Board); and evaluation requirements.

4.73 Time has been taken at this stage of the work to "get it right" and cover the various key aspects of implementation of the framework provided by the TA evaluation report and CDB's assessment of the various recommendations.

4.74 Work is also underway on M&E, and an initial draft has been prepared of the TA operations manual, which will be a detailed reference document for staff and which will be refined further when the strategic framework document is completed.

4.75 The operations policy and the strategic framework documents will be submitted for review by the BOD, as an important set of policy documents.

Next Steps

4.76 The important next step is to complete the current TA policy and operational reform agenda, scheduled for mid-2011. The objective of "getting it right" is clearly sound, but the work needs to be concluded, and a TA programme, as distinct from "TA operations," needs to be developed.

4.77 The subsequent key step is to develop a stronger strategic focus and coherence for the TA programme, based on an assessment of critical areas for strengthening good governance and BMC capacity to address and monitor the CMDGs, the RCI agenda, the need to strengthen MfDR, and other priorities, including good project-level management for capital projects being financed by the Bank, with the emphasis on identifying and targeting selected results.

4.78 The TA Focal Point will need to be strengthened as appropriate to undertake the substantial tasks that need to be done centrally, and a training programme provided for operations staff to strengthen the design and other quality at entry prerequisites, effective supervision and monitoring, and use of lessons learned, so as to strengthen the quality and results of TA initiatives.

4.3 THE SDF 7 RESULTS MONITORING FRAMEWORK

4.79 Included in the Report of Contributors on SDF 7 was a Results Monitoring Framework, or RMF, at four levels:

- *Level 1: Regional Progress towards Selected CMDG Targets and Development Outcomes;*
- *Level 2: CDB/SDF Contributions to Country and Regional Outcomes: Key Outputs;*
- *Level 3: Operational/Organisational Effectiveness; and*
- *Level 4: Partnership, Harmonisation and Alignment.*

4.80 The RMF consists of key indicators that were intended to be meaningful and useful for the Bank and SDF over the SDF 7 Replenishment cycle, and were to be reported as part of the MTR and at the end of the cycle.¹²⁸ They have also been reported in the SDF Annual Reports for 2009 and 2010. The indicators were to be used as an active tool of programme management and as part of building a results culture within the Bank. While the RMF responded to the need for monitoring and reporting on the effectiveness of SDF 7, the indicators and targets were also relevant to the whole of CDB's operations and were expected to assist in monitoring and management of performance under the new Strategic Plan to commence in 2010.

4.81 A Results Committee of CDB staff was established in 2010 to facilitate advancing the Bank's results agenda. Its initial work has focused on improvements to the results framework and on adjusting the RMF for use in monitoring and reporting on the implementation of the Strategic Plan 2010-2014. This entails an ongoing critical review of the indicators, baselines and targets selected for the RMF.

4.82 Some modifications to the RMF for use with the Strategic Plan have been proposed, and are currently under consideration.¹²⁹ The intention is that a single results monitoring framework would be adopted by mid-2012 and that future reporting will be based on this unified framework. The SDF 7 MTR report, however, is based on the approved RMF for SDF, and reflects the status of the various indicators as of December, 2010.

4.3.1 RMF LEVEL 1 – REGIONAL PROGRESS TOWARDS CMDG TARGETS

4.83 CDB's RMF follows an internationally accepted format developed in the light of the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action, with some Caribbean and CDB-specific adjustments. This looks at development outcomes at four levels, the first being performance at Caribbean regional level. Although results at this level turn on much more than just CDB's operations (not least the efforts of BMCs themselves and those of other DPs), they nevertheless comprise outcomes to which CDB seeks to contribute. As such, Level 1 results help to validate (or suggest modification to) CDB's longer-term vision and strategy.

¹²⁸ *Contributors Report*, p. 23, para. 4.24.

¹²⁹ Adjustments to the RMF for use in relation to the Strategic Plan were submitted to the BOD in December 2010, and revisions are currently being made in light of comments made by members of the Board.

4.84 Focused on the CMDGs, CDB's RMF Level 1 scores regional performance on three clusters of indicators: (i) poverty reduction and human development, (ii) environmental sustainability and climate change, and (iii) regional cooperation and integration. These are also SDF's broad strategic themes.

4.85 Table 4.3 presents information on the CMDG indicators, baseline values, targets for 2015, and the status at end-2010. While the Table provides a snapshot of the current situation and indicates the gaps that remain to meet the 2015 targets, it is more difficult to gauge the progress made since the early 1990s (when the MDGs were adopted). Such an assessment is hampered by the time-lag in data availability and, especially, the limitations of available data series. MDG 1990 baseline data for CDB's BMCs as a group were not available as of the writing of this report. For the data shown in Table 4.3, it was necessary to use a more recent baseline. It is suggested that work be continued on developing overall Caribbean baseline data for 1990, to allow better analysis of progress over the timeframe of the MDGs in future.

4.86 Nevertheless, an examination of data available from different sources permits some broad conclusions on Caribbean performance in relation to the CMDGs. The picture that emerges is one of steady, but uneven, progress. In particular, there have been notable advances on CMDGs 2, 4, 5 and 6.¹³⁰ This is despite the increase in the region's overall population.¹³¹ As a result, the Human Development Index (HDI) value for the Caribbean region¹³² rose from 0.763 in 2004 to 0.791 in 2007 (which would have given it an HDI ranking of 80.8). Within this regional picture, individual country performance for the BMCs ranged from Barbados, whose improvement from 0.879 in 2004 to 0.903 in 2007 gave it an HDI rank of 37, to Haiti, which moved from 0.482 in 2004 to 0.532 in 2007, and a ranking of 149.¹³³

4.87 However, this improving trend has been threatened, if not halted, in the last few years. This (hopefully temporary) stalling mirrors experience in other developing regions. As elsewhere, BMCs struggled to cope with the impact of the global financial crisis. Economic growth faltered, as inward remittances, tourist arrivals and FDI in the tourism sector declined. To preserve previous gains in poverty reduction, BMCs were obliged – at the cost of higher public debt – to adopt countercyclical macroeconomic policies, often with the support of international financial institutions, such as CDB. This is reflected in the increase in CDB's debt-focused policy-based lending in 2009-2010.

4.88 The historical record from other developing regions suggests that the adverse impact of economic and financial crises can be much greater than the improvements in indicators in good times. Recovery from crisis is also slower in low-income countries, especially those that are tourism-intensive and commodity-importing, as many BMCs are. Taken together, this would imply that the recent financial crisis is likely to make achievement of the CMDGs especially challenging in the period to 2015.

4.89 Evaluating BMCs' performance on MDG 1 (eradicating extreme poverty and hunger) – in many ways, the key MDG – is particularly difficult and problematic. Nevertheless, it is possible to identify some data that throw indirect light on the issue. For example, Table 4.3.1 charts the performance of selected BMCs on an important measure of economic productivity, namely the growth rate of GDP per person employed.

¹³⁰ UNDP: *MDGs in LAC* (Bulletin Nr. 5, February 2011).

¹³¹ From 25.5 mn in 1993 to 31 mn in 2008 for the region as a whole, including Dominican Republic, Dutch Antilles and Puerto Rico (USAID: *Latin America and the Caribbean: Selected Economic and Social Data*, October 2010).

¹³² Includes Dominican Republic.

¹³³ USAID *op. cit.*

TABLE 4.3.1: GROWTH RATE OF GDP PER PERSON EMPLOYED

	1992-97	1998-2002	2003-08	1992-2008
Barbados	-0.9	-1.1	1.9	0.0
Belize	-1.2	2.0	0.9	0.5
Guyana	5.1	-0.1	1.6	2.3
Haiti	-6.1	-1.6	-1.7	-3.2
Jamaica	1.7	0.6	0.1	0.8
Suriname	-0.3	0.4	4.3	1.5
Trinidad	-2.4	3.0	5.7	2.0

Source: ECLAC, *Progress Report on Achievement of MDG1 in Latin America and the Caribbean, 2010*.

4.90 Except for Guyana and Jamaica, the other BMCs – including Haiti – managed to improve economic productivity during 1992-2008. Over the entire period, also, almost all these BMCs registered positive rates of GDP growth per person employed, or, in Haiti, declining negative growth. The exception was Barbados, which was in negative territory in 1992-2002 but recovered in 2003-2008 to remain, on average, unchanged over the entire 1992-2008 period.

4.91 Another measure that is relevant in this context is the dependency ratio. Table 4.3.2 shows the ratio of employment to working age population in the Region as a whole, since the time the MDGs were first adopted. Taking both sexes together, there has been steady progress on this front. What is equally noteworthy, however, is the improvement that has taken place in the employment of women.

4.92 The situation in regard to the other MDGs can similarly be assessed from data contained in the 2010 ECLAC Progress Report. Insofar as MDG 2 (achieving universal primary education) is concerned, the Caribbean is placed well enough that countries in the Region have agreed a higher CMDG that is considered to be essential in the circumstances of the Caribbean, namely, to achieve universal secondary education. BMCs appear to be on track to meet this elevated standard. Some, like Grenada, are well on their way to achieving universal secondary education, while others, such as Dominica and St. Kitts and Nevis, have already achieved this goal, and are now paying attention to quality issues and the correlation of education to the requirements of the job market.

TABLE 4.3.2: RATIO OF EMPLOYMENT TO WORKING AGE POPULATION IN CARIBBEAN REGION¹³⁴

	1990	2002	2008
Both sexes	50.3	53.3	54.5
Women	37.5	41.6	43.4
Men	64.5	65.5	65.9

4.93 Performance in respect of MDG 3 (promoting GE and empowering women) may be inferred from the progress toward universal secondary education, on one hand, and the improvement in women's employment.

4.94 Access to drinking water from improved sources is a measure that is relevant for both health and environmental goals. Here, too, the picture is encouraging. Barbados has achieved universal access (100%) and most other BMCs are close to doing so, with the Caribbean region as a whole improving from 91.3% in 1995 to 92.2% in 2006, and coverage significantly higher in urban areas. The exception is Haiti, which still has some way to go in this regard, with coverage rising from 54% in 1995 to 58% in 2006.

¹³⁴ Includes Dutch Antilles, Cuba, Guadalupe, Martinique and Puerto Rico. The data are taken from the 2010 ECLAC Report cited above.

4.95 As a result of these and other improvements in the health sector, life expectancy at birth in the region rose from 73.1 in 2006 to 73.9 in 2010 (women: 75.3 to 76.2 and men: 70.9 to 71.7).¹³⁵

4.96 To sum up, BMCs, by and large, seem to be making good progress towards the CMDGs, but the impact of the global financial crisis may have rendered their task harder than before. They will require continued assistance to preserve the gains already achieved and to further improve on them. Haiti, in particular, will continue to need substantial help, its already fragile situation made worse by a 7.0-magnitude earthquake in January 2010 which left an estimated 230,000 dead.

TABLE 4.3: PROGRESS TOWARDS SELECTED CMDG TARGETS (RMF LEVEL 1 DEVELOPMENT OUTCOMES)

Indicators	Baseline Year	Baseline Value	Target (2015)	Status as of December	
				2010	2009
Poverty and Human Development					
1. Proportion of population below the poverty line (%). [‡]	2006	54	27	53.45	53.8
2. Proportion of pop. below the indigence line (%). [‡]	2006	35	17.5	35.07	35.36
3. Net enrolment in primary education (%)**					
- Female	2006	81	92	88	88
- Male	2006	77	90	87	87
4. Net enrolment in secondary education (%)**					
- Female	2006	77	81	78	79
- Male	2006	74	79	75	76
5. Ratio of girls to boys in:					
- Primary education	2006	1.0	1.0	1.0	1.0
- Secondary education	2006	1.06	1.02	1.04	1.04
6. Share of women in wage employment in the non-agricultural sector (%).	2005	85	n.y.a.	n.y.a.	n.y.a.
Environmental Sustainability and Climate Change					
7. Number of BMCs with National Environmental Strategies/Action Plans	2007	17	18	18	17
8. Number of BMCs with formalised Climate Change Response Strategies	2008	4	18	10	4
9. Proportion of population with access to a water source (%)					
- urban	2007	85	92.5	96	85
- rural		88	94	91	88
10. Proportion of population with access to sanitation, urban (%)					
- urban	2007	76	88	89	76
- rural		73	86.5	85	73
11. Proportion of alt. energy in total energy use (%)	2005	30	n.y.a.	n.y.a.	n.y.a.
RCI					
12. Intra-regional trade as % of total regional trade	2006	14*	20*	15	15
13. Direct Investment of MDCs in LDCs (\$mn)	Avg. 1999-2003	20*	30*	21***	21***
14. Cross-listed firms as % total on regional stock exchange	2005	17	25	19	18

[‡] Values are averages weighted by population. Actual population data on which the averages are based may refer to different years between 1990 and 2006.

* Base line value and target revised.

** Base line value and target and 2009 figures revised to include Belize and Haiti.

*** Average for 2004-2008.

¹³⁵ Includes Aruba, Dominican Republic, Dutch Antilles, Puerto Rico, and US Virgin Islands.

4.3.2 RMF Level 2 – CDB/SDF Selected Outputs

4.97 The Bank monitors the outputs of projects that it finances as the first step towards assessing results and CDB/SDF contributions to country and regional outcomes. Some outputs are only precursors of results, such as kilometers of roads built, but others are more immediately meaningful, such as the number of young people receiving student loans or the number of business people benefiting from CTCS.

4.98 The selected output indicators in RMF Level 2 are grouped into ten categories that broadly reflect the Bank's operational priorities. Table 4.3 shows the indicators and the categories in which they are grouped. It reports the level of outputs during SDF 6 (2005 to 2008), and the outputs during the first two years of SDF 7.¹³⁶ The table compares the annual averages for each output during SDF 6 and SDF 7, and provides an explanatory note where they appear to be significantly different. For purposes of analysis, the format of the table differs somewhat from that in the RMF as reported in the SDF Annual Report, but the underlying data are the same.

4.99 The data on outputs has significant limitations. First, the expected random variability from year to year is naturally high. This is inherent in the nature of the enterprise and does not imply any problem necessarily. It is sometimes called the "lumpiness" of a project-based assistance programme, particularly where there are a small number of projects in a relatively small number of beneficiary countries. All of the indicators are "lumpy" to a certain extent, and some are lumpier than others.

4.100 For example, while the number of CTCS and other TA interventions may tend to be stable from year to year because there is a relatively large number of such interventions and each is small so one project more or less does not change the totals much, the number of primary roads constructed may vary considerably from year to year, since one or two projects can make a big difference. For most BMCs, a successor project or follow-on line of credit in the same sector may not be required for several years.

4.101 Second, the data reported in Table 4.3 refers to the outputs of projects that were completed during the period in question. This involves several additional sources of random variability. The type and number of outputs of projects that reach completion in a particular year has a large random component because CDB's portfolio is small, because project approval volumes have historically varied from year to year (and therefore completion volumes also vary from year to year), and because the types of projects reaching completion in a particular year vary without any particular pattern.

4.102 Therefore, comparisons from year to year are not likely to be very useful. The average number of such outputs over a longer period of time is likely to be more meaningful. Two years (2009 and 2010) is also not a sufficiently long period for annual averages of some outputs to be meaningful. So comparisons between SDF 7 and SDF 6 need to be interpreted with care. Apparent variability might be largely random. As SDF 7 progresses into its third and fourth years such comparisons will become more robust.

4.103 Keeping those caveats in mind, however, it is worth noting some important developments and trends. For example, there have been substantial increases in outputs in the following areas:

- Number of students benefiting from education projects including student loans;
- Beneficiaries of agriculture and rural development projects;
- Number of bridges constructed;
- Secondary and other roads;
- Installed energy generation capacity;
- MSMEs benefiting from credit;
- Number of persons benefiting from mortgage programmes;
- All aspects of DRM:

¹³⁶ The figures for Outputs 2005-2008 and for 2009-2010 are taken from the *SDF Annual Report 2010*, page 26.

- Resources for programme-based loans; and
- Capacity development (both public sector institutional strengthening and community-based management of natural resources).

4.104 On the other hand, because of the changing focus of BNTEF, the outputs in water and sanitation, and community infrastructure interventions, are running behind the pace during SDF 6. Fewer teachers were trained. Agricultural land opened by improved technologies was less, as were funds for rural credit. Fewer primary roads were built (although more secondary roads). There were no significant transportation infrastructure projects (air/sea/port/dock). Interventions to support rigorous PSIP development are fewer than comparable interventions in SDF 6, and interventions to promote regional public goods are somewhat behind SDF 6, but the differences are not great and may be largely random.

4.105 These changes over a short period are not necessarily significant. Adding output data for 2011 and 2012 will provide a clearer picture of what is significant in terms of changes from SDF 6 to SDF 7.

4.106 In future, the Bank intends to expand its monitoring of outputs to cover all projects that were active at any time during a particular year. It also intends to be more precise about the number of outputs produced each year (as distinct from the number of outputs produced at any time by projects that reached completion during the year in question). The possibility of using three-year moving averages as the primary indicator for Level 2 should be explored.

4.107 These initiatives will enable CDB to link outputs with outcomes more analytically, and to link outputs more precisely to the project performance ratings for that year (See Section 4.2.4 Project and Portfolio Performance Monitoring).

Box 13: Antigua and Barbuda: Achieving educational objectives despite implementation delays

The Basic Education Project in Antigua and Barbuda was approved in December 1997.^a The project had a target end date of January 2001 and an actual final disbursement date of January 2010. A Project Completion Report in 2010 concluded that although implementation had been unsatisfactory it was probable that Antigua and Barbuda would achieve the targeted improvements in student performance.

Project objectives included significant improvements in facilities, qualifications of teachers and administrators, systems and practices for data collection and planning, and curricula. These improvements were to result in a 30% increase in the percentage of students age 16+ obtaining Grade 2 or better in the CXC examinations by 2010 (47.8% at project appraisal in 1996 and projected in 2010 to be 63.9% by 2019); and a 30% increase in students age 11+ passing the Primary School Examination by the year 2010 (50.6% at project appraisal and projected to be 70.2% by 2019).

Project outputs included a draft Five Year Education Plan in 2002. The Draft Plan was accepted by the Ministry but never officially published. Nevertheless the Ministry had executed most aspects of the Plan. Civil works at nine schools were completed in 2008 and contributed to general improvement of facilities. Not all equipment had been installed as of November 2010. A Maintenance Unit was constructed in 2008 using counterpart funds, but does not have a full staff complement because of limited availability of qualified personnel. A maintenance manual was also developed. Although most structures are adequate from an engineering stand-point, some of the users (principals and teachers) are not entirely satisfied with the work done. Two schools, Antigua Girls' High School (AGHS) and Pares Secondary, are structurally sound but functionally inappropriate. Generally, in addition to the extended period of civil works at some of the schools, the limited outcomes of two key institutional strengthening activities – Curriculum Development and EMIS consultancies - reflect less than satisfactory implementation.

The Project Appraisal Document states that 29 teachers were to receive training and 18 fellowships were to be awarded in curriculum development and one in testing and measurement – a total of 48 persons. The project trained at least 53 persons, for varying but generally short periods of time, therefore attaining the target. A 15-month Curriculum Development consultancy began in 2001 and was terminated in 2007 with some of the key deliverables not achieved. These included training of teachers in the implementation of the revised curricula.

The conclusion of the PCR that it is probable that the development objectives will be met by 2019 is based on improvements in some school facilities and training of teachers and administrators, and improved performance on national and regional examinations, although attribution of the projected improvements in exam results to the improvements funded by the CDB loan is unclear. The PCR notes that the Government of Antigua and Barbuda needs to focus more sharply on developing a wider range of competencies to meet market demands as well as addressing inequities.

^a PRN 1584, 5/SFR-04-ANT

- Based on a PCR in 2010

TABLE 4.4 CDB/SDF CONTRIBUTIONS TO COUNTRY AND REGIONAL OUTCOMES: KEY OUTPUTS (LEVEL 2)

	Outputs 2005 to 2008	Outputs 2009+2010	SDF 7 & SDF 6 (annual averages compared)	Explanatory Notes
1. Education and Training (at all levels)				
Class rooms built or upgraded (number)	1,026	578	12.7%	Expected normal variability
Teachers Trained (teachers)	2,332	183	-84.3%	Significant decrease
Students benefiting from education projects	49,438	41,793	69.1%	Major expansion of education interventions
Persons benefiting from skills training activities (persons)	16,670	7,289	-12.5%	Expected normal variability
2. Agriculture and Rural Development				
Land improved through drainage, flood and irrigation (hectares)	3,365	32,297	1819.6%	Major expansion of land improvement loans
Area established using improved production technology (hectares)	4,356	660	-69.7%	Significant decrease
Funds for agricultural & rural enterprise credit programmes (mn\$)	1.5	0	-100.0%	Significant decrease
Beneficiaries of above programmes (number)	2,900	83,500	5658.6%	Greater impact of water/land-related interventions
3. Social and Economic Infrastructure (not included in 1 & 2 above and 5 below)				
Primary roads built or upgraded (km)	128.4	20	-68.8%	Significant decrease
Secondary and other roads built or upgraded (km)	1,402.60	1,555	121.7%	Major increase
Beneficiaries of road projects (persons) [‡]	81,298	25,559	-37.1%	Changing focus of BNTF (See note below)
Bridges Upgraded/ Constructed (Bridges)	13	14	115.4%	Major increase
Sea Defences/ Landslip Protection/ Urban Drainage (km)	8.2	2	-51.2%	Significant decrease
Other Infrastructure - Air/Sea Port, Dock Facilities (Facilities)	2	0	-100.0%	Significant decrease
Community infrastructure built/upgraded (number)	131	43	-34.4%	Expected normal variability
Beneficiaries of community infrastructure interventions (persons)	118,745	45,361	-23.6%	Expected normal variability
Installed energy generation capacity (megawatts)	16.2	35	332.1%	Major increase
Number of beneficiaries of generation/distribution capacity	42,100			Data not available
4. Private Sector Development				
Value of credit made available to the private sector (mn\$)	42	21	0.0%	Expected normal variability
MSME's benefiting from credit (enterprises)	283	424	199.6%	Major increase in MSME beneficiaries
Beneficiaries of mortgage programmes (persons)	151	207	174.2%	Major increase in mortgage beneficiaries
Number of CTCS and other TA interventions (grants)	338	146	-13.6%	Expected normal variability
Number of beneficiaries of CTCS and other TA (persons)	2,660	1,771	33.2%	Expected normal variability
5. Water and Sanitation[‡]				
Installed water capacity (m ³)	110,771	2,247	-95.9%	Changing focus of BNTF (See note below)
Water supply lines installed or upgraded (km)	2,932	161	-89.0%	Changing focus of BNTF (See note below)
Households with access to water supply (households)	30,002	9,195	-38.7%	Changing focus of BNTF (See note below)
6. Disaster Risk Management (DRM)				
Supporting to DRM policies, strategies, action plans (interventions)	6	7	133.3%	Major increase in DRM focus
Contributions to DRM capacity building (number)	4	5	150.0%	Major increase in DRM focus
Community-based DRM interventions (number)	28	28	100.0%	Major increase in DRM focus
7. Climate Change Response (CCR)				
Support CCR policies, strategies and action plans (interventions)	2	2	100.0%	Expected normal variability
Renewable energy initiatives (interventions)	0	0		Inactive
Community-based climate change resilience building (interventions)	0	0		Inactive
Regional institutions CC monitoring and research (interventions)	1	2	300.0%	Expected normal variability
8. Regional Public Goods				
Interventions supporting regional institutions (number)	18	6	-33.3%	Expected normal variability
Interventions supporting regional policy development (number)	16	8	0.0%	Expected normal variability
9. Economic Management				
Value of resources approved for PBLs/PBGs (mn\$)	183	210	129.5%	Expected normal variability
Interventions to support rigorous PSIP development (number)	11	2	-63.6%	Significant decrease
10. Capacity Development				
Public sector institutional strengthening (interventions)	15	13	73.3%	Expected normal variability
Community-based management of natural resources (interventions)	41	45	119.5%	Significant increase

‡ The beneficiaries identified refer only to BNTF and Agricultural Projects. Economic Infrastructure did not collect this information. It is intended to remedy this situation going forward. The explanation for the reduced number of beneficiaries in the programmed outputs reflects the changing focus of BNTF. Source: CDB, Corporate Planning Division (CPD), Jan. 2011.

4.3.3 RMF Level 3 – Operational and Organisational Effectiveness

4.108 The selected performance indicators on operational and organisational effectiveness focus on six areas of particular importance in relation to SDF 7 operational objectives and the Bank’s internal reform agenda. They are:

- *Operational quality and portfolio performance;*
- *Resource allocation and utilisation;*
- *Strategic focus;*
- *Capacity utilisation;*
- *Use of administrative budget resources; and*
- *Business processes and practices.*

4.109 ***Operational quality and portfolio performance*** includes three key indicators for monitoring project and portfolio performance during implementation. Indicator 1, the *portfolio performance rating for implementation*, declined slightly in 2010 from 2009, but was still at the target level for 2012. Indicator 2 on *PCRs* shows the beginning of a significant improvement, but also a considerable distance to go by 2012. As reported in a previous section of this report, however, a major effort is underway to address the problem of inadequate attention to PCRs in the past. Indicator 3 on *entry of PSRs into the computerised reporting system* shows a decline from 2009 (although still representing progress from the relatively low base line). This hampered computation of the project portfolio index (PPI) for 2009, but again steps are underway to address the problem, with over 70% of PSRs for 2010 being completed by March 2011.

4.110 ***Resource allocation and utilisation*** indicators cover the extent to which the performance-based resource allocation strategy is used to allocate SDF resources, and disbursement performance. The percentage of concessional resources allocated according to the RAS covers the initial allocation of country loan resources; when the allocation for BNTF 7 is done, this will rise to 61%. The disbursement performance in 2010 was mixed, with the disbursement rate for undisbursed balances declining somewhat from 25 to 21%, while the disbursement efficiency ratio improved from 83 to 89%, indicating that actual disbursements were 11% below the level anticipated by project supervisors.

4.111 ***Strategic focus*** is intended to monitor key aspects of strategic programming, including country strategies with a results framework, availability of updated CPAs, and use of resources to support programme priorities.

4.112 The number of country strategies with a results framework has increased significantly from the 2008 baseline figure and is at 50% of the target for 2012. The number of new or updated CPAs within the past five years increased in 2010, but is not yet above the baseline of 2008. The strategic programming indicators for 2010 varied. That for environmental sustainability and climate change shows an improvement over 2009 but was still well short of both the baseline and the target for 2012. Significant programme planning, however, is underway. The proportion of financing for regional cooperation and integration showed a slight decline and is still short of the 2012 target. 2010 showed the start of SDF 7 programming related to GE. The indicator for supporting private sector development showed a decline and is well short of the 2012 target. In the case of all four of these indicators for monitoring strategic programming, however, single year figures can be misleading, as there is inevitably considerable “lumpiness” over periods as short as one or two years. It is suggested that the indicators be reconsidered, with a change to a three-year average for the base and a moving three-year average for the indicator itself, so as to better show change over time.

4.113 The final programming indicator, for countries receiving support for direct poverty reduction remains at the target figure of 11, which represents the number of countries receiving BNTF or SIF assistance.

4.114 *Capacity utilisation* covers progress on certain staffing issues. The indicator for the percentage of budgeted professional staff in place in operations departments showed a small decrease, although there has been an overall increase in the number of positions for the Projects Department, as a result of the elimination of some positions in other areas.¹³⁷ There was some decline in the ratio of professional staff to support staff as a result of a higher number of vacancies at the end of 2010 than 2009, although in terms of establishment positions there has been an improvement in the ratio as a result of the institutional reform programme. Representation of women in the professional staff and in middle and senior management positions increased in 2010 over 2009, in both cases to a percentage somewhat higher than the 2012 target. Small changes in staffing or vacancies, however, can impact these ratios from year to year.

4.115 *Use of administrative budget resources* includes efficiency indicators of a type that can be compared with other MDBs. The three efficiency indicators for administrative expenses related to total CDB loan project approvals and disbursements and loan projects under implementation showed some decline and are below both the baseline and the 2012 target. These indicators, however, monitor only loan projects, and there has been a significant increase in SDF grant approvals and disbursements, which were a higher percentage of total SDF operations in 2009 and 2010.¹³⁸

4.116 *Business processes and practices* cover a different type of efficiency indicators that need to be interpreted with some care, as they reflect not only efficiency in terms of project processing times, but conversely the time required for establishing good project quality at entry into the portfolio and providing for effective implementation subsequently.

4.117 Of the two indicators in this category, there was a reduction in the time from loan approval to first disbursement in public sector operations, from 12 months to 9.4 months, while average loan processing time in public sector operations moved in the other direction, from 4.5 months to 8.1 months. In subsequent reporting, it is suggested that averages be used, particularly for the SDF 7 period as a whole, and compared with a 3-year average baseline.

4.118 Further analysis of the Level 3 performance monitoring indicators will be undertaken and reported closer to the end of the SDF 7 cycle.

¹³⁷ *Human Resources Annual Update – 2010*, October 2010, Table 1.

¹³⁸ See Tables 2.1 and 2.2 in Chapter 2.

TABLE 4.5: OPERATIONAL/ORGANISATIONAL EFFECTIVENESS (RMF LEVEL 3)

Indicators	Baseline Year	Baseline Value	Target (2012)	Status at end of 2010	Status at end of 2009
Operational Quality and Portfolio Performance					
1. Portfolio performance rating for implementation (% satisfactory)	2007	96	98	98	99
2. Percentage of projects completed in past two years with Project Completion Reports.	2006-2007	0	100	16	5
3. Percentage of projects with supervision reports on PPMS.	2007	61	100	89	100
Resource Allocation and Utilisation					
4. Percentage of concessional resources allocated according to performance-based allocation system.	2005	61	70	40	40
5. Disbursement rate.	2007	28	35	21	25
6. Disbursement efficiency ratio.	2007	93	98	89	83
Strategic Focus					
7. Number of approved country strategies in use with results framework.	2008	2	18	9	6
8. Number of new or updated country poverty assessments for BMCs in past 5 years.	2004-2008	8	10	8	6
9. Proportion of financing supporting environmental sustainability and climate change %	2007	10	15-20	4.6	1.1
10. Proportion of financing supporting regional cooperation and development.	2007	4	8-Jun	4.1	5.2
11. Proportion of financing supporting gender equality.	2007	n.y.a.	n.y.a.	0.9	0
12. Proportion of financing supporting private sector development.	2007	10	15	1.2	5.5
13. Number of BMCs receiving support for direct poverty reduction programming.	2007	11	11	11	11
Capacity Utilisation (See notes)					
14. % of budgeted Bank professional staff in operations departments.	2008	50.5	58	50	51.3
15. Ratio of professional staff to support staff.	2008	1.01:1	1.3:1	1.23:1	1.26:1
16. Representation of women in professional staff.	2008	37.5	40	41.2	40
17. % of women in middle and senior management positions.	2008	43.8	45	48.4	45
Use of Administrative Budget Resources					
18. Administrative expenses per \$mn as a % of loan project approvals (3 year average).	2005 -2007	13	14	10	11
19. Administrative expenses per \$mn as a % of loan project disbursements (3 year average).	2005 -2007	15	16	12	15
20. Administrative expenses per \$mn as a % loan projects under implementation (3 year average).	2005 -2007	2	2	1.9	2.2
Business Processes and Practices					
21. Average time from loan approval to first disbursement in public sector operations (months).	2007	18	12	9.4	12
22. Average loan processing time (months from appraisal mission to project approval) in public sector operations.	2007	6.7	5	8.1	4.5

4.3.4 RMF Level 4 – Partnership, Harmonisation And Alignment

4.119 The indicators in Level 4 monitor key elements in the implementation of the Paris Declaration and the Accra Agenda for Action, which are also Pillar 3 in the Bank’s MfDR or Results Agenda. They cover steps related to strengthening country capacities and ownership of the development agenda, alignment of CDB/SDF assistance with country priorities and systems, and use of common arrangements and procedures, such as programme-based approaches (PBAs), sector-wide approaches (SWAs), and joint operations with partner agencies.

4.120 **Ownership.** The number of BMCs with national development strategies and with completed CPAs in 2010 remained at the same levels as in 2009 and in the baseline year, close to but not yet at the target numbers. The number of BMCs with poverty reduction strategies has increased from the baseline year, but is still well short of the target for 2012. An effort will be made to provide assistance to BMCs in this regard, where appropriate. In the case of BNTF, where a PRS is not yet available, shorter poverty reduction action plans have been prepared as a condition of BNTF assistance.

4.121 **Harmonisation.** The percentage of the Bank’s CSPs with explicit consideration of the programmes of other agencies remains at 100%. The percentage of CDB/SDF interventions using common arrangements or procedures, however, declined in 2010, and remains well short of the 2012 target. There is a case for reconsidering this indicator as a three-year moving average rather than single year reporting, but in any case current use of these arrangements falls short of the target set.

4.122 **Alignment.** The percentage of capacity development support provided through coordinated programmes shows a decline in 2010, and remains well below the target. The Bank’s current reform of TA policy and operating procedures (see Section 4.2.6) will provide an opportunity to consider this issue and the scope for expanding use of this type of programming.

4.123 The percentage of financial support using BMC procurement systems that either adhere to broadly accepted good practices, or have a reform programme in place to achieve this, remains at the baseline figure of 25%, well short of the target. Much depends on BMCs in improving this ratio, and the Bank remains willing to provide TA for improved procurement practices.

4.124 The number of joint monitoring missions with other agencies increased in 2010, to the target level. Efforts will be made to continue at this level, and additional joint missions will be undertaken if/as appropriate.

4.125 Overall, CDB has increased awareness within the Bank of the importance of the Paris and Accra agenda, and the key elements of that agenda are highlighted in the operational framework in the Bank’s Strategic Plan 2010-2014.¹³⁹ Performance will be monitored as part of the implementation of the Strategic Plan.

¹³⁹ *Strategic Plan 2010-2014*, Chapter 3, paras. 3.05-3.15

TABLE 4.6: PARTNERSHIP, HARMONISATION AND ALIGNMENT (RMF LEVEL 4)

Indicators	Baseline Year	Baseline Value	Target (2012)	Status at end of 2010	Status at end of 2009
Ownership					
1. Number of BMCs with national development strategies	2007	15	18	15	15
2. Number of BMCs with poverty reduction strategies.	2007	8	18	10	10
3. Number of BMCs with CPAs.	2007	17	18	17	17
Harmonisation					
4. Percentage of CDB country strategies with explicit consideration of other agencies' programming.	2007	100	100	100	100
5. Percentage of interventions using common arrangements or procedures.	2007	21	35	19	26
Alignment					
6. Percentage of capacity development support provided through coordinated programmes.	2005-2008	35	45	21	32
7. Percentage of financial support using BMC procurement systems that either (a) adhere to broadly accepted good practices, or (b) have a reform programme in place to achieve these.	2008	25	35	25	25
8. Number of joint monitoring missions	2008	7	8	8	7

Source: CDB, April 2011

4.3.5 Results Frameworks for the Operational Themes

4.126 As discussed in the Report of Contributors on SDF 7, the RMF agreed with Contributors is to be supplemented by a separate, operationally oriented results framework for each of the three main SDF 7 programming themes. These will be structured in terms of the relevant CMDG targets and will identify intended results for each programme area.¹⁴⁰ They will also meet the request of Contributors for selected indicators for CDB/SDF contributions to country-level outcomes.¹⁴¹

4.127 The intention is to provide a basis for targeting, monitoring and assessing results for the core themes for the operational programme, identifying intended results in terms of outcomes as well as outputs. Each thematic results framework will take into account the Bank's country strategies. Initial examples of the thematic results frameworks were included in the Report of Contributors.¹⁴²

4.128 This remains a work in progress. The Results Committee has so far focused on adjusting the RMF for use in monitoring and reporting on implementation of the Strategic Plan. This involves an ongoing critical review of the indicators, baselines and targets. The Committee will then be able to take up the development of thematic frameworks to provide selected CSP-based intended outputs and outcomes.

4.3.6 Next Steps on Monitoring Results

4.129 Further development and improvement of the Bank's results framework will continue in the period ahead and be guided by the Results Committee, which includes representation from each department in the Bank. The suggested next steps in this process include:

- Completion of the revisions currently being made to the adjusted RMF in the light of comments from members of the BOD, with a view to adopted a unified framework for both SDF and the Strategic Plan by mid-2012. This should include changing the baseline year for Level 1 to 1990, the year from which progress on the MDGs and CMDGs is to be measured.
- Consideration of adjusting some of the indicators to a three-year moving average rather than annual figures, with the baseline also being a three-year average, as discussed above under Levels 2, 3 and 4, so as to provide a better monitoring tool for assessing changes over time.
- Improvements in the monitoring of outputs for Level 2 of the RMF so as to cover all projects that are active during a particular year.
- Development of a more structured process for collecting data for some of the indicators, particularly for Level 1 and Level 2 of the RMF.
- Development of the draft results framework for the SDF strategic operational themes, for use in targeting and measuring progress for parts of the operational programme on intended outcomes as well as outputs. This can also meet the separate commitment to Contributors to include selected indicators for CDB/SDF contributions to country level outcomes (SDF 7 Implementation milestones 4.3 and 5.1).

¹⁴⁰ *Contributors Report*, p. 24, para. 4.25.

¹⁴¹ SDF 7 Implementation Plan, Milestones 4.3 and 5.1 (See Chapter 5).

¹⁴² *Contributors Report*, Appendix D.

5. SDF 7 IMPLEMENTATION PLAN MILESTONES

5.01 The SDF 7 Implementation Plan is structured in terms of three sets of objectives and milestones, in each case with monitoring parameters and a target date.

5.02 There are a total of eight selected objectives, and 23 milestones that are important for achievement of the objectives. The three sets of objectives are:

- ***Strategic Priorities and Programme Focus;***
- ***Development Results; and***
- ***Institutional Capacity and Reform.***

5.03 Under ***Strategic Priorities and Programme Focus***, the implementation plan targets a small number of key issues – aligning the operational programme with strategic themes and core priorities, ensuring that country programme planning is based on results-based country partnership strategies and on performance as well as on needs, and that TA operations are increasingly targeted at strategic priorities and results.

5.04 Under ***Development Results***, the implementation steps are those related to the MfDR agenda and the identification and monitoring of intended results, as well as a strengthening of CDB's results orientation in project and programme design, implementation, and reporting, including identification of lessons learned.

5.05 Under ***Institutional Capacity and Reform***, the actions are those needed for continued implementation of the institutional reform programme, the redeployment and reinforcing of resources to critical areas essential to the success of the Replenishment, and the preparation of the Bank's new Strategic Plan.

5.06 The various issues have been discussed in previous sections of the Report, and the current status of individual milestones is summarised in the last column of Box 13 (see below).

5.07 Progress has been made on all of the milestones, and most of them are on target. Several of the milestones, such as targeting strategic operational themes, are ongoing; and either completion of current work or specific actions is still needed on a small number of milestones.

5.08 Substantial progress has been made on *targeting strategic priorities*, although further steps are still needed in some cases, as in further strengthening of CSPs, and completion of the TA reform measures, as well as further steps on mainstreaming of GE.

5.09 Significant progress has also been made on *the Bank's results agenda*, including extending and adapting the SDF 7 RMF so that it can be a tool for monitoring implementation of the Strategic Plan 2010-2014, covering the whole of CDB's operations. Other key steps have been a significant strengthening of the Bank's evaluation and oversight work, and the development of a results framework for each new country strategy paper. Further steps, however, are needed, as indicated in Box 13 and in preceding sections of the Report, including the ongoing critical review of the indicators, baselines and targets for the RMF, and on comprehensive and timely data collection, which is still a work in progress.

5.10 The Bank's *internal reform agenda*, to strengthen institutional capacity and improve efficiency and effectiveness, also continues as a work in progress, but with significant steps achieved across a broad area of reform and strengthening. An overall guide to this process has been set in the new Strategic Plan 2010-2014, with a strong emphasis on targeting and monitoring of results. Further steps are needed in

several areas, including on consolidating the planned strengthening of capacity for strategic regional programming.

5.11 The present status of each milestone is set out in the matrix below, and in most cases the issues and progress to date are also discussed in preceding sections of the report.

BOX14: STATUS OF SDF 7 IMPLEMENTATION PLAN

OBJECTIVE	PROPOSED ACTIONS/ MILESTONES	TARGET DATES	CURRENT STATUS AS OF MARCH 31, 2011
A. STRATEGIC PRIORITIES AND PROGRAMME FOCUS			
1. SDF 7 operational programme aligned with strategic themes and objectives within available resources and capacity.	1.1 SDF 7 programme will target the strategic operational themes of poverty reduction and human development, environmental sustainability and adaptation to climate change, RCI, and the related strategic objectives.	<ul style="list-style-type: none"> • Annually • Annually • 2010/2011 	SDF 7 programming has targeted the operational themes and the related strategic objectives within the context of CSPs and country programmes, as discussed in Chapter 3. Further strengthening of focus and targeting is ongoing.
	1.2 SDF 7 programme will mainstream GE as a cross-cutting priority and support capacity building and good governance.	<ul style="list-style-type: none"> • 2009-2012 • Annually • 2010/2011 	Major strides have been made in regard to GE, including formulating a strategy and policy, and hiring a second gender specialist. The additional position of a senior gender advisor is under consideration. The current challenge is to fully mainstream GE in all aspects of CDB's strategy and work. Capacity building and good governance are being strengthened as an important focus for SDF 7 programming. See Sections 3.8 and also Milestone 3.1 below.
	1.3 Programme development for CMDG Target 20 will include attention to special needs of LDCs and fragile states.	<ul style="list-style-type: none"> • 2008/ 2009 • 2010/2011 	Supporting the CARICOM LDCs is a key part of SDF's work, and regional TA projects to date have included a strong emphasis on the special needs of the smaller island states. Haiti has also received continuing programme attention.
2. Country programme planning (other than SDF 7 set-aside allocations) based on SDF resource allocation strategy (RAS), taking into account both needs and performance, and on country partnership strategies.	2.1 RAS to be applied at start of SDF 7 and reviewed annually, with application of approved improvements to RAS.	<ul style="list-style-type: none"> • Annually • 2010/2011 	Review of the PRES to provide additional rigour was completed as a basis for application of the RAS for SDF 7. A review of initial allocations is currently planned and may be undertaken again towards the end of the cycle. This will take into account both the PRES and differences in country pipelines to ensure effective utilization of SDF 7 resources.
	2.2 CSPs with increased results orientation to be prepared according to timetable, with all BMCs to be covered by CSPs by end-2009 or early 2010.	<ul style="list-style-type: none"> • Per CSP timetable 	Eight CSPs have been produced in the past two years in an effort to catch up with the backlog. The need has been strengthened by the Board's decision that no country should receive a PBL unless there is a current CSP. All recent CSPs have included a results framework. More needs to be done, however, to ensure that key issues are fully integrated in the country strategy document, and with explicit taking into account of CPAs and gender assessments, and to provide for an efficiently sequenced timetable for CSPs.
3. TA operations to reflect TA strategic priorities.	3.1 Strategic priorities to be developed for TA operations supporting capacity strengthening and good governance, the Bank's poverty reduction and regional strategies, and the MfDR agenda.	<ul style="list-style-type: none"> • Annually • Annually • 2010/2011 	A major strengthening of TA operations has been underway since 2009, with a new operations policy and strategic implementation framework as well as other steps to be in place by mid- 2011 (see Sec. 4.2.6). This will provide the basis for a more strategic and effective TA programme.

OBJECTIVE	PROPOSED ACTIONS/ MILESTONES	TARGET DATES	CURRENT STATUS AS OF MARCH 31, 2011
B. DEVELOPMENT RESULTS			
4. Implementation of MfDR Agenda and strengthening of results monitoring.	4.1 Implementation of the three pillars of the MfDR Agenda.	<ul style="list-style-type: none"> • Annually • 2010/2011 	Three pillars of MfDR continue to receive priority, as discussed in Sections 4.1 and 4.2.1.
	4.2 Further development of and reporting on the overall RMF, covering country and regional outcomes at CMDG level, CDB operational and organisational effectiveness and partnership, harmonisation and alignment; and including baseline data and targets.	<ul style="list-style-type: none"> • 2010/2011 	Review and refinement of the RMF has been undertaken by a Results Committee. Reporting has been provided in Section 4.3 and also in 2009 and 2010 SDF Annual Reports. Further development of the RMF has been submitted to the Board as part of implementation of CDB's overall Strategic Plan 2010-2014. A critical review is being undertaken of the indicators, baselines and targets selected for the RMF and some modifications are under consideration. A structured process for collecting data for some of the indicators is still a work in progress.
	4.3 Inclusion in the RMF of selected indicators for CDB/SDF contributions to country level outcomes.	<ul style="list-style-type: none"> • 2010/2011 	Currently under consideration by the Results Committee. This expected to be combined with Milestone 5.1.
5. Increased results orientation in project and programme design, implementation and reporting.	5.1 Further development of the operational results framework for each of the three strategic operational themes, including expected outputs and intended outcomes or contributions to outcomes.	<ul style="list-style-type: none"> • Annually • 2010/2011 	Attention to date has been focused on further development of the overall RMF. An operational results framework with expected outputs and intended outcomes for the three SDF operational themes is to be developed later in 2011. This will also meet Milestone 4.3. As noted under Milestone 2.2, a country-level results framework is now included in each CSP.
	5.2 Implementation of quality assurance standards for each stage of the project cycle from country partnership strategies to PCRs.	<ul style="list-style-type: none"> • 2010/2011 	In August 2008 OEV prepared a proposal for development of an integrated quality assurance system for CDB. In July 2009, the Board approved required funding. In September 2010 the consultant delivered a final report. The focus of the work has been on developing guidelines (including forms) for project appraisal, project supervision and PCRs. (See Section 4.2.5.)
	5.3 Upgrading of Project Performance Management System to improve project information from processing stage to post-evaluation.	<ul style="list-style-type: none"> • 2009 • 2010/2011 	The process of upgrading the PPMS software is in train with alternative solutions being considered. Two vendors have been selected for further investigation and "proofs of concept" are being undertaken, which should facilitate selection of the most appropriate option. More timely updating is still required to reduce the currently considerable delay in preparation of the Annual Portfolio Performance Review. A reassessment is also needed of the way project performance data is collected.
	5.4 Reporting on relevant operational performance indicators in RMF.	<ul style="list-style-type: none"> • 2010/2011 	Some operational performance indicators are already included in Level 3 of the RMF. Consideration is being given to refining the indicators that are used.
	5.5 Undertaking of selected sector and country programme evaluations.	<ul style="list-style-type: none"> • 2009 • 2010 • 2011ff. 	Education sector and transport sector evaluations are expected by June 2011. Consultants have been selected for an evaluation of the poverty reduction strategy. Evaluation of country programmes is currently being planned.
	5.6 Evaluative reporting on quality of project portfolio.	<ul style="list-style-type: none"> • Annually 	CDB submits to the Board an Annual Portfolio Performance Review. The

OBJECTIVE	PROPOSED ACTIONS/ MILESTONES	TARGET DATES	CURRENT STATUS AS OF MARCH 31, 2011
			APPR is a useful management tool, but needs to be prepared on a more timely basis (see Milestone 5.3 above).
C. INSTITUTIONAL CAPACITY AND REFORM			
6. Continued institutional reform to further enhance capacity and development effectiveness.	6.1 Implementation of further steps in reform programme covering realignment of organisational structure, business processes and human resources; further strengthening of client and country-focus; and greater use of ICTs to drive internal efficiency.	<ul style="list-style-type: none"> • 2008/2009 • 2010/2011 	Steps are being taken according to plan and are given priority in the <i>Strategic Plan 2010-2014</i> . See Section 4.2.1.
	6.2 Introduction of new knowledge management strategy and implementation plan	<ul style="list-style-type: none"> • 2009 	The process of developing a KM strategy has been completed and a final report on the KM Strategy and Implementation Framework was submitted in March 2011. This is a comprehensive five-year strategy looking both inward to meet the needs of the Bank and outward to the region. It encourages an open approach, building on the proposed Information Disclosure Policy, and includes principles for measuring results in terms of progress against objectives.
	6.3 Implementation of new corporate website	<ul style="list-style-type: none"> • 2009 	A statement of work for the redesign for the website is currently being reviewed, which will lead to the development of a project plan for the implementation of the new website.
7. Reinforce capacity in selected operational areas.	7.1 Establish focal point for regional programme design and coordination.	<ul style="list-style-type: none"> • 2009 • 2010/2011 	Decision on form of regional focal point is under consideration. Staff officer for the regional TA programme has been appointed but is currently assigned also to CARD implementation.
	7.2 Strengthen operational policy capacity for selected priorities, including environment, climate change and disaster mitigation and adaptation.	<ul style="list-style-type: none"> • 2009 • 2010/2011 	<p>Steps have been taken to strengthen operational policy capacity in key areas, particularly within the new PRSD, which covers GE, environment and disaster management, poverty alleviation, TA and regional programming. Further steps to strengthen the regional area are under consideration. In the case of the environment, climate change and disaster management, there are now two specialised operations officers (environment) and a disaster management specialist.</p> <p>A new ERSWP, with an Implementation Plan, was adopted in December 2008. This followed earlier papers in 2008 addressing CDB's role in relation to the climate change agenda, including a commitment to develop a climate risk management strategy and climate risk tools to use in project appraisal. The ERSWP focuses on six programme areas, including mainstreaming environmental sustainability in CDB operations. A revised <i>DIMSOG</i> was also adopted in 2009. A Climate Change Management Strategy to guide CDB's operations is scheduled for submission in 3rd quarter of 2011.</p>

OBJECTIVE	PROPOSED ACTIONS/ MILESTONES	TARGET DATES	CURRENT STATUS AS OF MARCH 31, 2011
			The SDF 7 RMF sets as a target a substantial increase in the share of programming for the environment. Issues related to this are discussed in Section 3.5 above.
	7.3 Strengthen capacity for operations in Haiti.	<ul style="list-style-type: none"> • 2009 • 2010/2011 	Strengthening of capacity for operations in Haiti is ongoing. Shared office facility delayed by the earthquake. Further steps still need to be taken.
	7.4 Strengthen capacity for increased level of BNTF operations.	<ul style="list-style-type: none"> • 2009 • 2010/2011 	Capacity strengthening is proceeding as planned.
8. New Strategic Plan effective 2010	8.1 Preparation, consultation and approval for Strategic Plan 2010-2020.	<ul style="list-style-type: none"> • 2009 	<i>Strategic Plan 2010-2014</i> preparation and consultation were completed during 2009. The Strategic Plan was approved by the BOD in May 2010. It was decided that the Plan should cover five years rather than 10. See Section 4.2.1.

6. SDF 7 RESOURCES

6.1 RESOURCE AVAILABILITY AND COMMITMENT AUTHORITY

6.01 Contributors agreed on a target programme level of \$390.6 mn for SDF 7, based on internally generated resources of \$103.9 mn, contributions from existing CDB members and two potential new contributors of \$242.2 mn, a transfer from the Bank's net income of \$15 mn, and a residual or structural gap of \$29.6 mn. The structural gap was intended to be financed by additional contributions and income from adjustments in encashment of demand notes or payment schedules.

TABLE 6.1: SDF 7 RESOURCES AND APPROVED PROGRAMME LEVELS
(USD'000)^a

	Report of Contributors ^b	Projected as of April, 2011
Commitment authority carryover	16,900	19,500
Expected Net Income	25,800	11,700
Loan repayments	61,200 ^c	72,700
<i>Sub-total internally generated SDF resources</i>	<i>103,900</i>	<i>103,900</i>
Transfer from OCR Net Income	15,000	15,000
New contributions ^d	242,200	242,200
Base Programme Level	361,100	361,100
Unallocated structural gap	29,600	29,600
Target Programme Level	390,600	390,600

^a Rounded to nearest \$100,000. ^b *Report of Contributors on SDF 7*, page 30. ^c Net of adjustments.

^d Including potential contributions from Brazil and Spain, with which discussions are continuing regarding CDB membership and SDF contributions.

6.02 Excluding the structural gap, *the base or assured programme level*, on which SDF 7 programming has proceeded, was \$361.1 mn, as shown in Table 6.1. Although there have been some adjustments in the projections, the base programme level remains \$361.1 mn. The adjustments shown in the table reflect a somewhat higher carryover balance from SDF 6 and higher than projected loan repayments, offset by a lower projection for net income as a result of lower investment yields than originally projected in late 2008.

6.03 Table 6.2 shows actual and projected commitment authority and planned use of resources for the SDF 7 period. The first line shows the carryover from the previous period or year, followed by net income, loan repayments, and commitment authority from new contributions. The latter are shown in equal annual tranches, reflecting the budgetary procedures of some Contributors. The actual availability of instalment payments on new contributions varies, but the equal annual release of commitment authority is a conservative planning basis approved by Contributors.

6.04 The table also shows the income transfer from OCR net income, as well as the planned drawdown of commitment authority for loan and grant approvals. The large increase for grant approvals in 2012 reflects the way in which commitments are charged against commitment authority for each new cycle of BNTF. The charge against commitment authority is made at the beginning of each BNTF cycle, and the \$47 mn that Contributors have provided for BNTF 7 will be required in 2012 to permit country agreements to be concluded and subsequent sub-projects to be approved.¹⁴³

¹⁴³ For other purposes, BNTF commitments can be shown as an annual average over an SDF replenishment cycle, since commitments at the country level and sub-project approvals take place over a period of years after the initial charge against SDF commitment authority.

TABLE 6.2: COMMITMENT AUTHORITY AND USE OF RESOURCES SDF 6 AND SDF 7
(US \$ mn)

	SDF 6		SDF 7					
	2005-2008	Annual average	Actual			Projected		
			2009	2010	2011	2012	2009-2012	Annual average
<i>Commitment authority at beginning of period</i>	41.4 ^a	-	19.5	45.3	50.5	48.1	19.5	-
<i>Plus:</i>								
Net Income	17.5	-	2.8	2.7	2.2	4.0	11.7	-
Loan Repayments	61.4	-	14.2	16.5	21.8	20.2	72.7	-
Commitment authority from new contributions	156.7	39.2	60.6	60.6	60.6	60.6	242.2	60.6
Transfer from OCR	-	-	-	-	-	15.0	15.0	-
<i>Less:</i>								
Approvals for SDF Loans (net)	170.0	42.5	35.2	46.6	60.0	70.0	211.8	53.0
Approvals for SDF grants	87.5	21.9	16.6	27.9	27.0	67.1	138.6	34.7
<i>Commitment authority at end of period</i>	19.5	-	45.3	50.5	48.1	10.7	10.7	-

^a Commitment authority at beginning of SDF 6 was restated to take account of exchange gains realised on encashment of non-US\$ promissory notes from earlier SDF cycles.

6.2 STATUS OF CONTRIBUTIONS

6.05 New contributions made to SDF 6 and pledged to SDF 7 are shown in Table 6.3.¹⁴⁴ Both BMCs and non-regional members increased their contributions significantly over SDF 6. The contributions of non-borrowing regional members have held relatively stable in nominal terms over the various SDF cycles.¹⁴⁵ Of the contributions shown for SDF 7, \$20.8 mn represented amounts pledged for which the instruments of contribution were still outstanding as of December 31, 2010.¹⁴⁶

TABLE 6.3: CONTRIBUTIONS TO SDF 6 AND SDF 7
(US \$ '000)

	SDF 6		SDF 7	
	\$ '000	%	\$ '000	%
BMCs	36,150	23.1%	49,478	19.2%
Other Regional Members	10,200	6.5%	10,200	4.0%
Non-regional Members	110,370	70.4%	173,676	67.5%
Non-members (not confirmed)	-	-	8,828	3.4%
Transfer from OCR	-	-	15,000	5.8%
Totals	156,720	100%	257,182	100%

6.06 Increases in BMC contributions in recent cycles began in SDF 5, to partially offset a decline in the total of non-regional contributions in that cycle,¹⁴⁷ and the increases have continued in both SDF 6 and SDF 7. In percentage terms, non-regional contributions increased by 93% from SDF 4 to SDF 7 and BMC contributions by 153% over the same period.¹⁴⁸ In dollar terms, however, the largest increases have come from non-regional members, particularly in SDF 7.

6.07 The figure shown for non-members for SDF 7 reflected discussions that had been held with two potential Contributors, Brazil and Spain, at the time of the Replenishment, and that are still continuing on the related issues of possible CDB membership and SDF contributions. Discussions are also continuing with Suriname and other possible Contributors who may be able to contribute to the as yet unfunded structural gap for SDF 7.

¹⁴⁴ As well as, over a longer period, in Table 2.13 in Chapter 2.

¹⁴⁵ Except for a one-time increase for SDF 3.

¹⁴⁶ See *Special Development Fund Annual Report 2010*, Appendix VI-3, April 2011.

¹⁴⁷ One non-regional member was not able to participate in SDF 5, but contributed again in SDF 6 and SDF 7.

¹⁴⁸ See Table 2.13. In constant dollars, the increases would be less, but not in percentage terms.

6.3 PROGRAMME ALLOCATIONS

6.08 Contributors approved a number of “set-aside” programme allocations for SDF 7, as shown in Table 6.4. Similar allocations were made in SDF 5 and SDF 6, and some adjustments were made during the course of those replenishments to maximize the effective use of available resources in the light of programme priorities.¹⁴⁹ Table 6.4 also shows project approvals against the allocations in the first two years of SDF 7.

TABLE 6.4: SDF 7 PROGRAMME ALLOCATIONS AND APPROVALS TO DATE
(\$'000)

Category	SDF 7 Allocations	SDF 7 Approvals 2009-2010
1. Base Country Loans Country loans using the RAS (<i>base programme level</i>)	175,000	55,090
2. Grant Funding		
BNTF	46,000	-
TA	17,500	8,350
<i>of which: MDGs/BMC capacity building</i>	8,000	6,520
<i>CTCS (small scale private sector)</i>	4,500	1,830
<i>Project Management Training</i>	5,000	-
Regional Integration (and Regional Public Goods) (<i>grant portion</i>)	10,000	4,640
Development Effectiveness	5,000	-
Immediate Disaster Response (<i>grant portion</i>)	6,100	1,020
GE (<i>grant portion</i>)	4,000	690
Environmental Sustainability & Climate Change (<i>grant portion</i>)	4,000	2,090
3. Other Lending		
Natural Disaster Mitigation and Rehabilitation	30,000	3,610
BMCs in Fiscal Distress	47,000	23,000
4. Allocation for New Members		
Haiti	46,000	27,760
Base Programme Level	361,100	126,250
Structural Gap	29,500	
Target Programme Level	390,600	

6.09 The set-aside allocations are specific with respect to the various uses for which grant funding is needed, including an allocation for Haiti.¹⁵⁰ There are also two allocations for *Other Lending*, for natural disaster mitigation and rehabilitation and for BMCs in fiscal distress. The provision for core country loans, to be allocated according to the SDF Resource Allocation Strategy (see Section 6.4) was set at \$175 mn in the *Base Programme Level*, and will be increased if funds may become available from additional contributions towards the Structural Gap.

6.10 To date, the allocations for SDF 7 continue to be appropriate and do not require adjustment at this stage, although some adjustments may be considered later in the cycle.

¹⁴⁹ The adjusted allocations for SDF 5 and SDF 6 are shown with a comparison for SDF 7 in Table 2.7 in Chapter 2.

¹⁵⁰ This has been treated as a grant allocation.

6.4 RESOURCE ALLOCATION STRATEGY

6.11 A formula-based RAS establishing indicative allocations for SDF country lending was introduced in SDF 5, and has been continued in SDF 6 and SDF 7. The method is similar to that used for other MDB concessional funds, with some elements that are specific to the circumstances of CDB's BMCs, such as vulnerability.¹⁵¹ The RAS allocates funds according to a transparent formula, which contains both *country need (including vulnerability)* and *country performance* variables. By introducing a country performance dimension, the intention is to strengthen the likelihood of effective results and also to provide an incentive for good policy performance and a basis for policy dialogue with individual BMCs¹⁵²

6.12 An allocation of resources available for country lending is made at the start of each replenishment cycle, and, if needed in the light of factors such as usage to date and projected requirements, an adjustment is made during the course of the replenishment.¹⁵³ A review of the country allocations is currently planned for 2011, and some adjustments may be appropriate. These will be reported to Contributors and discussed with the BMCs concerned.

6.13 The RAS is also used for the initial allocation of BNTF grant resources to participating BMCs for each BNTF cycle.

6.14 There is a trade-off between the allocation of resources according to the RAS and the set-aside allocations for specific purposes, and in the SDF 7 Results Monitoring Framework (Level 3) there is a target for 2012 of 70% of concessional resources to be allocated according to the RAS formula. This would be an increase over the base figure of 61% in 2005.¹⁵⁴

TABLE 6.5: SDF 7 INDICATIVE COUNTRY LENDING ALLOCATIONS WITH APPROVALS TO DATE

(\$'000)

	SDF 7 Initial Allocation	SDF 7 Approvals 2009-2010
<i>(Country Group 1)</i>		
Bahamas, The	-	-
British Virgin Islands	-	-
Cayman Islands	-	-
<i>(Country Groups 2, 3 and 4)</i>		
Anguilla	4,925	-
Antigua and Barbuda	3,515	-
Barbados	-	-
Belize	17,652	12,661
Dominica	14,203	6,576
Grenada	7,972	6,630
Guyana	36,371	12,777
Jamaica	22,040	15,000
Montserrat	2,251	-
St. Kitts & Nevis	5,445	1,408
St. Lucia	16,295	-
St. Vincent and the Grenadines	12,923	564
Turks and Caicos Islands	1,855	-
Trinidad and Tobago	-	-
Total Country Allocations	145,447	55,086

Source: CPD, April 2011.

6.15 In the SDF 7 Base Programme, the percentage of funds to be allocated by the RAS (including the set-aside for BNTF 7) was also 61%. The target, therefore, assumes some addition to resources for country loans through contributions to the strategic gap for SDF 7 and/or its use as a base target for SDF 8.

Next Steps

6.16 An independent assessment of the SDF RAS was undertaken in 2006 and tabled at the SDF Annual Meeting in 2007. The principal recommendation was that, in SDF 7, country performance scoring as the basis for the allocations should be undertaken in a somewhat more collegial manner by CDB's

¹⁵¹ As noted in Chapter 2, while no BMC is ineligible for SDF lending, countries in Group 1 do not receive a country allocation. The purposes for which SDF resources may be used in Group 1 BMCs is limited to highly poverty-focused projects, good governance TA, and humanitarian assistance in the event of a natural disaster. The amounts will not normally be larger than the country's own SDF contribution, except for humanitarian assistance.

¹⁵² See also Section 3.11.1 above.

¹⁵³ The initial and adjusted allocations for SDF 5 and SDF 6 are shown in Table 2.8 in Chapter 2.

¹⁵⁴ *Report of Contributors*, p. 27, Box 8, performance indicator 4.

senior managers rather than left mainly to the Economics Department. This was agreed and has been implemented.

6.17 The assessment of the RAS also recommended that the portfolio performance variable in the formula be reformed. This has not yet been done, in part because it raises complex methodological issues. The assessment also suggested that reallocations by formula should be more frequent to help to avoid *ad hoc* adjustments. This has not proved necessary. One mid-term reallocation of funds, with some adjustment towards the end of the allocation cycle if required, has proved to be sufficient.

6.18 An evaluation of the RAS every five years, however, maybe appropriate, and some consideration can be given to this during the remainder of the SDF 7 cycle. Some issues that might be addressed in such an evaluation include whether there is any way that Haiti might appropriately be brought gradually within the formula-based country allocation of the RAS,¹⁵⁵ whether more weight might be given to environmental sustainability in the allocation formula, whether the “country need” portion of the formula might be adjusted to reflect poverty more accurately,¹⁵⁶ whether the vulnerability variable in the formula is working well, and several technical issues related to application of the formula.

¹⁵⁵ Haiti has a much larger population than any other BMC. Nevertheless, this will not affect its allocation as much as one might expect, given the allocation formula used by the Bank. The exponential relationship between the allocation and population means that increases in population are less and less influential at the higher end of the population scale. In contrast, a system such as that of the IDB’s, where the relationship between resources and population is linear, would give Haiti a larger share of SDF resources.

¹⁵⁶ See paper by the Bank’s Chief Country Economist: “Computation of the Poverty Reduction Situation Index, 2009-10”, J. Melville, Economics Dept., June 2010.

7. CONCLUSIONS AND NEXT STEPS

7.01 This Report has reviewed and assessed progress on implementation of the SDF 7 strategic framework and the key issues identified by Contributors for consideration at the MTR. It has identified substantial progress in the work of SDF 7 and supporting reforms within the Bank on the strategic themes and priorities set by Contributors. This includes the programme directions of SDF 7, strengthening the Bank's overall Results Agenda and the "results culture" within the Bank, and the Bank's internal reform agenda to strengthen institutional effectiveness and efficiency.

7.02 Progress on the 23 milestones in the SDF 7 Implementation Plan is largely on target, although there are some of the milestones on which implementation is continuing or action remains to be taken.

7.03 The SDF 7 agenda is, of course, a work in progress, particularly in some of the areas of reform, and in the refinement of the RMF and the collection of comprehensive data for the various indicators being monitored, as well as in the extension and adjustment of the RMF for use in monitoring implementation of the Bank's overall Strategic Plan 2010-2014.

7.04 The Report discusses progress in each of the major areas, with an indication, where possible, of results to date, and identifies, as appropriate, *next steps*, either steps currently being taken or planned, or steps suggested by the work of the MTR and the analysis in the Report.

7.05 Without detracting from these overall conclusions, as outlined in previous chapters, a summary of the various next steps is presented below. All of these follow from the analysis in this report. Many of them are already in process, with a priority attached by the Bank. Others are conclusions or suggestions from the analysis, which are presented for further consideration. They are presented together, for completeness. Further detail is provided in the relevant sections of the Report.

SDF 7 OPERATIONAL PROGRAMME

7.06 Poverty Reduction and Human Development:

- With continuing weakness of the economic recovery, targeted poverty reduction interventions may need to continue to be combined with broader macroeconomic support in the immediate period ahead. The Bank should, nevertheless, remain as focused as possible on what it does best: designing and implementing investment and TA projects, as well as community development. Of particular importance will be projects that help BMCs achieve and where possible surpass CMDG targets.
- Targeting SDF interventions to be most effective in individual BMCs will need to be a continuing feature of the country strategy process, and there is scope for further articulation in the CSPs of the relationship between the analysis in CPAs and programme planning.
- CDB should seek to build on its earlier role in constructing a vulnerability index by partnering with UNECLAC in further work on this CMDG target, as understanding and tracking vulnerability will support the Bank's and the region's poverty reduction strategies.

7.07 **BNTF:**

- Early completion of the MTE of BNTF 6, including design and implementation effectiveness issues, should be a priority, as an input to further strengthening implementation of BNTF 6, the design of BNTF 7, and consideration of future BNTF funding by SDF Contributors.
- Priority should also be given to the planning and commencement of BNTF 7 within the period of, and financing provided by, SDF 7.
- Priority should similarly be given to carrying BNTF monitoring and evaluation to the stage where reporting on outcomes can become a regular feature of BNTF reporting.

7.08 **Haiti:**

- SDF programming in Haiti has reflected both government priorities and CDB comparative advantage and the need to develop CDB's own capacity to apply its strengths and experience in a new environment under difficult operating conditions. Substantial efforts have been made to strengthen CDB capacities and establish working relations with the Government and other institutions in Haiti as well as with DPs. This is, however, still a work in progress.
- Continued attention needs to be given to targeting selected priorities based on the Bank's comparative advantages and the SDF 7 policy and operational framework, within the framework of an evolving strategy, with a view to making an identifiable CDB/SDF contribution.
- The next stage of the Bank's relationship with Haiti needs to build on efforts to date to strengthen CDB's strategic and operational capacity in relation to the special circumstances of the country. This needs to include consideration of further building of language capacity, adding a small number of Haitian staff, identifying a small number of CDB staff interested and willing to take on the challenge of an operational posting in Haiti (whether on attachment to another mission or agency or separately), and revisiting of the previous plan (or an alternative) for establishing or sharing a small resident office. The latter will incur significant effort and cost, but it is essential for a permanent working relationship under the particular circumstances, and it is possible that some of the security and health issues can be addressed jointly with one or other of the Bank's DPs.

7.09 **Environment, Climate Change and Disaster Management:**

- The Bank needs to strengthen further its mainstreaming of environmental considerations at all levels, including in country strategies, program strategies and projects in other relevant sectors.
- Priorities need to continue to be defined for strategy and programming in the two related areas:
 - those primarily related to natural disasters, including adverse climate change; and
 - those that are substantially driven by other factors, including problems of pollution, urban sprawl and loss of land to urban and transport uses, deforestation, collapse of sugar-based and banana-based ecologies as farmland

reverts or changes its use in response to tariff changes, deforestation and soil erosion, industrial pollution, and marine and terrestrial habitat destruction.

- In the Bank's country strategies, in addition to mainstreaming environmental issues, specific areas of programming in the environment, climate change and disaster management sectors need to be selected, and proactive activities identified to develop the demand for projects in these areas.
- The Bank should continue to build strong partnerships with other organisations with environmental programmes in the Region.
- The next evaluation of CDB work on the environment should assess the extent to which mainstreaming has been fully effective, and whether further steps could usefully be taken.

7.10 **RCI:**

- The establishment of a dedicated focal point for regional programming and for dialogue and analysis on regional issues is a key element of the regional strategy endorsed by Contributors, and remains the next step in the Bank's regional strategy agenda.
- Closely related was the decision to develop a more coherent and strategic regional programme, including TA, possible complementary capital projects, and selected research in areas such as RPGs, and including participation in joint research with other regional MDBs. A more strategic programme can be the first assignment for a strengthened regional programme focal point.

7.11 **GE**

- Implementation of the components of GEPOS planned for 2011 and 2012.
- Undertaking as planned of the programme of country gender assessments.
- Strengthening the analysis and integration of gender issues in CSPs.
- Possible strengthening of the mainstreaming objective by adjusting or adding an appropriate Expected Outcome in the Bank's RBM framework.
- Development of the planned GE Results Framework to define and track results, with a strong linkage to GE objectives and with measurable indicators to assess progress.
- Commissioning an independent evaluation of the results of the GE strategy at regular intervals, with the first evaluation in 2012 or 2013 as proposed in GEPOS, perhaps after completion of several of the country gender assessments. After each evaluation, review and, as appropriate, revision of the GE operational strategy for the next time period.
- In the first such review, consider separating the operational strategy from the core policy document, to facilitate more frequent updating of the operational strategy while retaining the stability of a long-term policy commitment.
- Institute a monitoring system that measures and records the degree to which gender concerns are mainstreamed in each CDB loan and grant.

7.12 **Good Governance and Capacity Building:**

- While the pace and momentum of the Bank's capacity development and good governance programming has remained steady, interventions have tended to be responsive and random rather than strategic. An effort is needed to identify critical capacity and governance weaknesses during preparation of CSPs.

- CSPs can provide a macro perspective of the manner in which institutions function in the national economy and, as such, are a key opportunity for judgements on improvements required in capacity and governance. CDB's guidelines on governance mandate CSPs to assess governance issues, but this has not always been done. A more consistent approach will be needed if efforts to improve governance in BMCs are to have best results.
- Given the period since the last training was provided to staff in operationalising the Governance Strategy and use of the governance toolkits, it would be desirable to have another round of such training. This would also help to expand in-house capacity for institutional and political risk assessments.
- It would be useful to evaluate periodically the Bank's capacity development and good governance interventions on the extent to which the pillars of the Governance Strategy are being addressed, and whether intended outcomes are being achieved. This could include an annual review of a sample of good governance TAs, loan projects and PBLs to monitor contributions to improved capacity and governance in BMCs.
- Civil society participation could be further strengthened in programming CDB's interventions by:
 - building capacity (training, systems and processes) within NGOs/CBOs at the national and regional levels; and
 - requiring participatory engagement in as many CDB-financed projects as possible.

7.13 PBLs:

- CDB intends to undertake a full evaluation of one example of a PBL in 2011. In the meantime, recommendations of the previous review of CDB's PBLs in 2010 can be considered:
 - PBLs should be made in clearly defined areas of public sector reform or social sector priorities that are not already covered by PBLs from other MDBs.
 - Objectives of PBLs should be clearly specified and how they will be achieved explained.
 - Analytical work that can support improved programme design and conditionality should be pursued. The focus should be on public finances, fiscal policy and the public enterprise sector.
 - Conditionality should be more parsimonious, flexible and wary of requiring legislation, implementation by agencies other than the coordinating agency, or TA by providers other than CDB.
 - Specific guidelines should be developed for supervising and monitoring PBL performance, and performance reported periodically to the BOD.

DEVELOPMENT EFFECTIVENESS

7.14 Strategic Plan and Internal Reform Agenda:

- Implementation and monitoring of the Strategic Plan 2010-2014 remains an important priority of the Bank and a core element in focusing the Bank's work on strategic objectives and results. This needs to remain at the centre of the Bank's efforts to strengthen development effectiveness in terms of both efficiency and results.
- Implementation of the Strategic Plan, including the internal reform agenda, needs to remain a continuing process, including learning from experience and results along the way. Key elements of that agenda include a continuation of re-engineering business processes, the human resource strategy, improving quality management at key stages in the project cycle, the knowledge management strategy, and a further strengthening of the evaluation function, together with an internalisation of lessons learned.

7.15 Country Strategies:

- *Integration of all sections of the CSP into a coherent strategy.* There are constraints on how this can best be addressed, but the development of CSPs should be towards full integration and synthesis of all topics important to the strategy. Topics that are to be mainstreamed should be discussed in major sections of the document.
- *Possible joint strategies.* CDB does not at present undertake joint strategies with other donors. It does circulate a draft of the strategy for comment and discussion, and tries to avoid duplication of effort. A possibility that should be explored is that of collaborating with other donors on joint country strategies and results frameworks (with separate operational plans for each donor).
- *Sequencing of CPAs, gender assessments and CSPs.* Ideally, CPAs and gender assessments supported by CDB should immediately precede development of a CSP. There are often difficulties in arranging this, but it would be a useful development, particularly in countries where poverty remains high.
- *A staggered schedule of CSP development.* Many CSPs have been completed in the past three years to meet the commitment made to SDF Contributors or to have a CSP in place for a policy-based loan. For the future, it may be possible to use limited resources more efficiently by scheduling a proportion of CSPs to be undertaken each year. There may be cases where circumstances pre-empt such a schedule, but in general a more systematic scheduling would now be preferable.
- *Availability and accessibility of CSPs.* CDB intends to make CSPs available on its website as part of its knowledge management system. This is an important step. Also, at present CSPs, including the Haiti CSP, are available only in English. In future, consideration should be given to having at least the executive summaries of CSPs available on the CDB website in English, French and Spanish, and in the case of Haiti, a full French text would be desirable to facilitate readership and understanding in the country of CDB's work.

7.16 Evaluation and Oversight:

- *Evaluations and Performance Audits.* As presently planned, the following evaluations should be undertaken:
 - Effectiveness of CDB's PRS (reporting in 2011);
 - Shelter interventions;

- Road infrastructure interventions;
 - One example of a Country Strategy (first formal evaluation of a CDB country strategy);
 - One example of a programme-based policy loan (a full evaluation, as distinct from the overview assessment undertaken in 2009-2010);
 - Mortgage Finance Lines of Credit;
 - Agricultural and Industrial Lines of Credit;
 - Operational Audit of IT Department; and
 - Annual Portfolio Performance Reviews, 2010 and 2011.
- *Validation of Completion Reports.* When Projects Department has produced project completion reports, the EOV should, as planned, review and prepare a *Project Performance Audit Report*, initially for each PCR, and in the longer term for a sample of PCRs.
 - *Consideration of the Governance of Evaluation.* Completion of the review currently being undertaken of the independence of the evaluation and performance-audit function in the Bank.
 - CDB is not yet a member of the MDB ECG. CDB should consider joining that Group. Among its other functions, the ECG undertakes peer reviews of its member evaluation offices. CDB should consider inviting such a peer review of its EOV.
 - *Transparency.* As is the practice at other MDBs, the Bank should consider making evaluation reports available on its website.

7.17 **Project and Portfolio Monitoring:**

- Project officers need to be supported and encouraged to keep the records for their projects up-to-date. To do this, some procedures may have to be simplified. The project performance information available to management to guide decision making needs to become timelier and more complete.
- Once on-time performance monitoring for loans is achieved, the Bank should consider requiring similar supervision and performance data for all TA projects over \$50,000 or \$100,000.

7.18 **Quality Assurance:**

- Development and implementation of a new project appraisal course for CDB officers.
- Training of CDB staff on results-based approaches to supervision and completion reporting, and in the use of new formats and templates for analysis and reporting.
- Linking supervision reporting with the new computerised Project Performance Management System as soon as it becomes available.
- Review of two years of experience with PCRs, drawing lessons, revising the approach as needed, and continuing to meet the commitment to full coverage of loan projects.
- Implementation of the recommendation in the evaluation of CDB's TA operations that TA projects also have some type of completion report prepared as a requirement of TA operations, even if in a simplified form, to summarise and express professional judgment on results and lessons learned.

7.19 **TA Reform:**

- The important next step is to complete the current TA policy and operational reform agenda, scheduled for mid-2011. The objective of “getting it right” is clearly sound, but the work needs to be concluded, and a TA programme, as distinct from “TA operations,” needs to be developed.
- The subsequent key step is to develop a stronger strategic focus and coherence for the TA programme, based on an assessment of critical areas for strengthening good governance and BMC capacity to address and monitor the CMDGs, the regional cooperation and integration agenda, the need to strengthen MfDR, and other priorities, including good project-level management for capital projects being financed by the Bank, with the emphasis on identifying and targeting selected results.
- The TA Focal Point will need to be strengthened as appropriate to undertake the tasks that need to be done centrally, and a training programme provided for operations staff to strengthen design and other quality at entry prerequisites, effective supervision and monitoring, and use of lessons learned, so as to strengthen the quality and results of TA initiatives.

7.20 **Monitoring and Reporting of Results:**

- Further development and improvement of the Bank’s results framework will continue in the period ahead and be guided by the Results Committee, which includes representation from each department in the Bank. The suggested next steps include:
 - Completion of the work being done on an adjusted RMF, with a view to adopted a unified framework for both SDF and the Strategic Plan by mid-2012.
 - Efforts to develop Level 1 baseline data for 1990, the year from which progress on the MDGs and CMDGs is to be measured.
 - Consideration of using three-year moving averages rather than annual figures as the monitoring indicators, with the baseline also being a three-year average, particularly for RMF Levels 2, 3 and 4, so as to provide a better monitoring tool for assessing changes over time.
 - Improvements in the monitoring of outputs for RMF Level 2 so as to cover all projects that are active during a particular year. Together with the use of three-year moving averages as indicators, this will allow better analysis of changes over time and also of likely outcomes.
 - Development of a more structured process for collecting data for some of the indicators, particularly for Level 1 and Level 2.
 - Development of the proposed draft results framework for SDF strategic operational themes, for use in targeting and measuring progress for parts of the operational programme on intended outcomes as well as outputs. This can also meet the commitment to Contributors to include selected indicators for CDB/SDF contributions to country level outcomes (SDF 7 Implementation milestones 4.3 and 5.1).

7.21 **Resource Allocation Strategy:**

- An independent assessment of the SDF resource allocation system was undertaken in 2006 and tabled at the SDF Annual Meeting in 2007, and its recommendations have proved useful. An evaluation of the RAS every five years may be appropriate, and consideration should be given to this during the remainder of the SDF 7 cycle.

APPENDICES

APPENDIX A**THE CARIBBEAN MDG FRAMEWORK[†]**

GOAL 1	ERADICATE EXTREME POVERTY AND HUNGER
Target 1	Halve, between 1990 and 2015, the proportion of people who fall below the poverty line.
Target 2	Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Target 3	Halve, between 1990 and 2015, the proportion of persons without access to basic services.
Target 4	Halve, between 1990 and 2015, the proportion of persons living in inadequate housing.
GOAL 2	ACHIEVE UNIVERSAL PRIMARY EDUCATION
Target 5	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary and secondary schooling, up to Grade 12.
GOAL 3	PROMOTE GENDER AND EMPOWER WOMEN
Target 6	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.
Target 7	Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015.
Target 8	Reduce by 60% the incidence of physical acts of gender-based violence.
Target 9	Reduce, by 2015, all forms of gender-based violence.
GOAL 4	REDUCE CHILD MORTALITY
Target 10	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
GOAL 5	IMPROVE MATERNAL HEALTH
Target 11	Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
Target 12	Universal access to reproductive and sexual health services through the primary health care system by 2015.
GOAL 6	COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
Target 13	Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
Target 14	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
GOAL 7	ENSURE ENVIRONMENTAL SUSTAINABILITY
Target 15	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
Target 16	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and proper sanitation.
Target 17	Achieve by 2020, a significant improvement in the lives of at least 70% of persons living in poor communities.
Target 18	Construct and implement a vulnerability index for the Caribbean within the next five years, which is sensitive to economic, social and environmental threats.
GOAL 8	DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT
Target 19	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
Target 20	Address the special needs of the least developed countries (LDCs).
Target 21	Address the special needs of landlocked countries and small island developing states (SIDS).
Target 22	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
Target 23	Develop and implement strategies for decent and productive work for youth, women and especially vulnerable groups.
Target 24	In cooperation with pharmaceutical companies, provide access to affordable, internationally approved essential drugs in developing countries.
Target 25	In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

[†] As reviewed and adjusted at the MDGs Regional Workshop held at CDB Headquarters, November 2005.

APPENDIX B.1**COUNTRY CASE REVIEW - BELIZE****B.1.1. Development Situation**

B.1.01 Belize is a lower middle-income country with a population of around 331,000 and per capita income of \$4,115 at the official exchange and \$7,840 at purchasing power parity.¹⁵⁷ It was ranked 99 in the WB's Doing Business Report 2011, a six-point decline from its previous year's rank and among the five lowest ranked of CDB's borrowing member countries. It was particularly low ranked in regard to enforcing contracts.

B.1.02 Belize has a low population density of 13.8 people per sq. km and a projected official population growth rate of about 2% per annum¹⁵⁸ but has experienced more rapid population growth in the past decade partly because of informal immigration from neighbouring countries. Belize is still significantly rural, with an estimated 52.2% of the population living in urban areas. It produces a narrow range of products mainly for export, with the major foreign exchange earner and generator of employment being agriculture (mainly sugar, bananas and citrus), fishing, agro-processing, tourism and an emerging petroleum industry. Since 2006, crude oil has emerged as a major export. New discoveries in 2010 have increased the industry's revenue potential.¹⁵⁹

B.1.03 Belize has been heavily indebted. The downgrading of its credit rating in 2004 and 2005 reflected the credit market's growing unease about the sustainability of the external debt (104% of GDP by 2004) and prompted the government to seek financial support from IDB and CDB for a programme of reforms to close the fiscal deficit (in excess of 8% in 2004), restructure the debt and restore macroeconomic stability. Prior to the global recession in 2008, the Government was on its way to achieving its targets, having substantially lowered debt to 70% of GDP by 2008 following successful restructuring, generated primary surpluses in excess of 4% of GDP and increased official reserves to over 2 months of imports.¹⁶⁰ According to the IMF, however, *"In 2007, debt restructuring eased external debt service, but public debt has remained high, limiting the policy capacity to respond to shocks. Macroeconomic management was complicated in 2008 by soaring fuel and food prices."*¹⁶¹

B.1.04 The 2009 CPA funded by CDB indicates that poverty has increased by about ten percentage points from 33% in 2002 to about 43% in 2009; and extreme poverty by 5 percentage points from 11% in 2002 to about 16% in 2009. This is an alarming situation. The worsening situation can be traced to, *inter alia*, a high level of rural to urban migration which has contributed to significant overcrowding, and an increase in crime, especially in urban areas in the Belize District; continuous high in-migration to communities along the borders, and weak economic performance. Consequently, while Belize has been making progress towards achieving some of the MDGs, it is lagging behind on the targets related to the reduction of poverty and hunger.¹⁶²

¹⁵⁷ IMF database.

¹⁵⁸ Based on UN estimates for 2010 - 2015.

¹⁵⁹ Prior to these discoveries, the oil reserves were estimated to be exhausted within 5 1/2 years based on the 2008 extraction rate.

¹⁶⁰ CDB, "Policy Based Loan – Belize – Update. February 2009; and data from IMF "Executive Board Concludes 2010 Article IV Consultation with Belize" Public Information Notice (PIN) No. 10/142. October 22, 2010.

¹⁶¹ IMF, "Executive Board Concludes 2010 Article IV Consultation with Belize" Public Information Notice (PIN) No. 10/142 October 22, 2010.

¹⁶² CDB, Belize Social Investment Fund II Project – Belize Paper BD 49/10 July 22, 2010.

B.1.2. CDB's Belize Strategy

B.1.05 Over the period 1970-2009, total loans and grants approved by CDB for Belize stood at \$267.9 mn making it the fifth largest recipient of CDB resources.¹⁶³ This included almost \$112 mn provided from the SDF, to support credit expansion, expansion of social and economic infrastructure; increasing agricultural production, and emergency rehabilitation. In December 2006, the Board of Executive Directors approved CDB's assistance strategy for Belize for the period 2007-09¹⁶⁴, including a financing programme of \$109.8 mn.

B.1.06 The CSP assigned immediate priority to providing a \$25 mn PBL to assist the Government with its cash needs and to help implement policy reforms to correct fiscal and external imbalances.¹⁶⁵ Key elements of the reform programme included debt restructuring; revenue policy and administration; expenditure management; restructuring of the operations of the Development Finance Corporation (DFC); and oil revenue management. In addition to the PBL, approved by the BOD in December 2006, CDB also provided supporting TA for institution building and improving the regulatory regime to assist the Government's efforts.

B.1.07 CDB provided TA to support the development of the Medium-Term Development Strategy 2010 – 2013¹⁶⁶ which focuses on building resilience to economic shocks and natural disaster.

B.1.3. SDF/BNTF Resources and Role in CDB's Belize Strategy

B.1.08 The SDF approvals for Belize were \$6.4 mn in SDF 5, \$7.1 mn in SDF 6 and \$12.52 mn in SDF 7. Since the approval of the CSP in December 2006, the Board has approved a total of \$69.7 mn, including \$30 mn from the SDF. The lower than projected level of approvals is indicative of the Government's ongoing efforts to restrain borrowing.¹⁶⁷

B.1.09 With an additional allocation of \$0.6 mn made during the mid-term review by CDB of its BNTF resource allocations, BNTF 5 approvals for Belize amounted to \$3.9 mn. Almost 86% of these funds have been disbursed. Only 6% of the \$3 mn under SDF 6 has been approved.

B.1.10 In March 2002, CDB transferred the management of the BNTF in Belize to the BSIF. The BSIF now works on behalf of BNTF to identify, appraise, finance and supervise sub-projects in poor communities throughout Belize. Under BNTF 5, CDB approved in BNTF grants to Belize a total of \$6.4 mn, including \$1.1 mn under the performance incentive allocation. A further \$2.8 mn was approved in July 2008 under BNTF 6. In 2010, approved a BSIF 2 loan of \$15.0 mn. BSIF has become the key agency in Belize for providing basic infrastructure and social services in poor and vulnerable communities.

B.1.11 With funding provided primarily by the CDB and other DPs as well as by the Government, BSIF has completed 550 sub-projects, directly and indirectly, benefiting about 300,000 persons. Social infrastructure, primarily water and sanitation and education and health, accounted for 86% of the investments to date while economic infrastructure sub-projects, mainly drainage works, accounted for approximately 5%.

¹⁶³ CDB, Annual Report 2009.

¹⁶⁴ CDB CSP, 2007-09 Belize. Paper BD 69/06 December 14, 2006.

¹⁶⁵ The adjustment programme was co-financed by IDB.

¹⁶⁶ Ministry of Economic Development, Commerce and Industry and Consumer Protection, Medium-Term Development Strategy 2010 – 2013 - Building Resilience against Social, Economic and Physical Vulnerabilities. July 2010.

¹⁶⁷ The shortfall is also linked to interventions that were private sector oriented (export credit guarantee scheme) and eligible only for OCR funding.

APPENDIX B.1**Page 3**

B.1.12 A review of the BSIF 1 and BNTF interventions, as well as findings from two CDB-funded consultancies to assess operational effectiveness and impact of BSIF's interventions in Belize concluded that BSIF has satisfactorily achieved its objectives of targeting rural and urban poverty. Its main strength has been the capacity to implement small sub-projects in poor urban and rural communities throughout Belize. It has the potential to reduce social vulnerability for approximately 100,000 persons in about 90 poor communities.¹⁶⁸

B.1.4. SDF/BNTF Results in Belize

B.1.13 With the exception of the SIF II, the projects funded by CDB were included in the CSP 2007 - 09, suggesting that that the Government's focus on poverty reduction and its strategic priorities had not shifted, and therefore they were still in line with the thrust of the SDF. For example the \$3.5 mn Belize River Valley Rural Water Project,¹⁶⁹ including \$3.480 mn from CDB's SDF, was to develop a water supply system for nine rural villages in the Belize River Valley. Belize has one of the lowest rates of drinking water and sewerage coverage among CDB's BMCs and the project targets an area in which 40% of all households fall below the national poverty line, and where communities depend on untreated and unreliable sources of water. Therefore, a major outcome expected once the project has been implemented includes increased access to reliable potable water for rural communities as well as reduced health risks.

B.1.14 Similarly, the Sixth Consolidated Line of Credit approved by CDB in March 2009¹⁷⁰ was also included in the pipeline. A \$10 mn loan was intended to target student loans, SMEs, agriculture and industrial credit, low income housing, microfinance and a \$150,000 TA was provide to assist the new Development Finance Corporation (DFC) with the preparation of a strategic plan and policies and procedures manuals. Key among the expected outcomes are an improvement in housing stock, increased investment in agriculture, industry and tourism, increase in the number of trained persons at technical and professional levels, and improved operating efficiency at DFC.

B.1.5. Observations on SDF/BNTF in Belize

B.1.15 Several observations follow from the analysis:

- The main strength of BSIF has been its capacity to implement small sub-projects in poor urban and rural communities throughout Belize. Therefore, the consolidation of the operations of BNTF and BSIF has provided a good vehicle for the promotion of the SDF/BNTF poverty reduction objectives and resulted in efficiency gains and economies of scale. This appears to be true of the SIF in Jamaica as well. Therefore, CDB should examine the scope for replicating this model in other BNTF beneficiary countries.
- The Government of Belize's fiscal situation is extremely fragile and the size of the debt remains an ongoing concern. CDB should maintain dialogue with the authorities as well as with the IMF and other DPs on the options available for addressing these issues effectively.

¹⁶⁸ CDB, BSIF II Project July 22, 2010 Paper BD 49/10. Under the project, the Statistical Institute of Belize will be updating the Poverty Map and Index to facilitate better targeting of poor communities by BSIF.

¹⁶⁹ Belize. Belize River Valley Rural Water Project. December 2009. Paper BD 103/09.

¹⁷⁰ CDB, Sixth Consolidated Line of Credit - Belize March 5, 2009 Paper BD 11/09.

APPENDIX B.1**Page 4**

- The current CSP has expired. An MTR of the programme was not undertaken. With the recent completion of the Government's Medium-term Development Strategy, CDB should accelerate the preparation of a CSP that reflects the current realities and challenges. Although annual portfolio reviews help keep CDB's understanding current, MTRs should be completed as scheduled to ensure that the Bank is responsive to changing circumstances.
- The PBL conditionalities were centred on removing macroeconomic imbalances. Given the high poverty levels in Belize, and CDB's own poverty reduction mandate, increased attention should be placed on building in appropriate safety nets when designing PBLs.

TABLE B.1: LOANS AND GRANTS TO BELIZE THAT INCLUDED SDF FUNDS, DEC. 2006 – OCT. 2010

Project/ Programme	SDF 7 Objectives	Year	Type	OCR \$'000	SDF U \$'000	OSF \$'000	Total
Policy Based Loan	Inclusive Social development & broad-based economic growth/Good governance	2006	Loan	15,000	10,000		25,000
Third Road Project (Placencia Road Upgrading)	Inclusive Social development and broad-based economic growth	2006	Loan	12,603			12,603
Feasibility Study, Expansion of Water and Sewerage Facilities - (Contingent Loan)	Inclusive Social development and broad-based economic growth	2007	Loan		250		250
Modernisation of the Customs and Excise Department - TA Loan	Good governance	2007	Loan		2,516		2,516
Demand Study of the Financial Sector	Inclusive Social development and broad-based economic growth	2007	Grant			82	82
Natural Disaster Management - Emergency Relief Hurricane Dean	Environmental sustainability and disaster management	2007	Grant		100		100
Institutional Framework for Conducting Macro-Economic Management	Good governance	2007	Grant		101		101
Modernisation/Revision of Financial Regulations	Good governance	2007	Grant		101		101
Feasibility Study and Detailed Designs for River Valley Water Supply Systems	Inclusive Social development and broad-based economic growth	2007	Grant		149		149
Natural Disaster Management Bridge Rehabilitation - Tropical Storm Arthur	Environmental sustainability and disaster management	2008	Loan	4,500	4,300		8,800
Natural Disaster Management Immediate Response Loan - Tropical Storm Arthur	Environmental sustainability and disaster management	2008	Loan	500			500
BNTF - 6th Programme	Inclusive social development and broad-based economic growth	2008	Grant		3,005		3,005
NDM Emergency Relief - Tropical Storm Arthur	Environmental sustainability and disaster management	2008	Grant		20		20
6th Consolidated Line of Credit	Inclusive social development and broad-based economic growth	2009	Loan	9,000	1,000		10,000
Belize River Valley Rural Water Project	Inclusive Social development and broad-based economic growth	2009	Loan		3,480		3,480
6th Consolidated Line of Credit – TA Grant	Inclusive social development and broad-based economic growth	2009	Grant		150		150
Medium-Term Development Strategy	Inclusive social development and broad-based economic growth	2009	Grant		21		21
CTCS	Inclusive Social development and broad-based economic growth	2009	Grant		26		26
Enhancement of policy and strategic framework education	Inclusive social development and broad-based economic growth	2010	Grant		260		260
Youth and community transformation	Inclusive social development and broad-based economic growth	2010	Grant		280		280

APPENDIX B.2**COUNTRY CASE REVIEW - DOMINICA****B.2.1. Development Situation**

B.2.01 Dominica is an upper middle-income country with a population of just under 72,000 and per capita income of \$4,975 at the official exchange rate and \$10,218 at purchasing power parity at the end of 2009).¹⁷¹ In 2010, the WB also ranked the island 88th out of 183 countries for ease of Doing Business, the five point decline from the 2009 ranking being indicative of significant slippages in regulatory quality.

B.2.02 The country exhibits the characteristics of small island economies, including high vulnerability to external shocks, including natural disasters. The economy is largely agriculture based; and historically, economic growth in Dominica has lagged behind other OECS countries, because of this heavy dependence on agriculture, particularly bananas. However, and as a result of ongoing diversification initiatives, a nascent tourist industry has been emerging as a major employer and foreign exchange earner. Geothermal energy production energy production also offers some potential for future economic growth.

B.2.03 Susceptibility to a wide range of natural hazards - hurricanes, landslides, and earthquakes/volcanic activity have caused significant adverse social impacts, economic losses and environmental damage over the past two decades. In December 2006, Dominica joined the CCRIF.¹⁷²

B.2.04 The Government pursued expansionary fiscal policy in the 1990s in an effort to reverse the fall off in per capita income, double digit unemployment, and increase in poverty associated with declines in the real sector. Following two consecutive years of economic contraction, however, the Government embarked on a major fiscal stabilisation programme in 2004 to address the widening fiscal imbalances and an unsustainable debt burden. CDB's BOD approved an Economic Stabilisation Loan (\$3 mn) as part of a larger programme (\$22 mn) of external support needed close a financing gap during the period July - December 2003. The intention was to provide the Government with the breathing space required to develop a medium-term programme of adjustment reforms focused on returning the economy to a path of sustained expansion.¹⁷³

B.2.05 The economic indicators pointed to encouraging signs of recovery following the implementation of the Government's stabilisation programme. Economic growth averaged 3.4% per annum in 2005-08, more in line with performance in the OECS sub-region. Growth was also more broad-based, with the rising domestic private investment signaling growing private sector confidence and stronger public finances providing a boost to the construction industry. Generally prudent fiscal policy and the redesign of its tax system with the introduction of the Value-Added Tax (VAT) contributed to consistent improvements in fiscal surpluses. Debt fell to 89 percent of GDP in 2009 from a high of 132% of GDP in 2002 and the debt service ratios have also trended downwards.

¹⁷¹ IMF, World Economic Outlook Database, October 2010.

¹⁷² CCRIF is a parametric insurance facility funded with insurance premiums paid by member countries and resources provided by CDB, WB and other DPs.

¹⁷³ CDB Economic Stabilisation Loan – Dominica. Paper BD 65/03. Barbados. July 17, 2003.

APPENDIX B.2**Page 2**

B.2.06 Dominica has also recorded notable improvements in social conditions. The island ranks 73rd out of 182 countries in the UNDP 2009 HDI and 7th out of the 13 CDB BMCs that were surveyed.¹⁷⁴ The island has reached or made significant progress toward satisfying some key MDG goals. Primary school enrolment has been maintained at almost 100% and secondary school enrolment has doubled since the adoption of universal secondary education in early 1990s; gender disparities in education have been eliminated; child and maternal mortality have declined; and the incidence of waterborne and infectious diseases is low. Despite indications of a ten percentage point reduction in poverty levels between 2002 and 2009, an estimated 28.8% of the population live below the poverty line and high unemployment poses a major risk to ongoing poverty reduction efforts. Moreover, the goal to halt the spread of HIV/AIDS continues to represent a challenge for the authorities.

B.2.2. CDB's Dominica Strategy

B.2.07 Over the period 1970-2009, total loans and grants approved for Dominica stood at \$194.9 mn making it the eighth largest beneficiary of Bank resources.¹⁷⁵ At the end of 2009, CDB's exposure to Dominica was US\$82.4 mn, or 6.1% of total disbursed debt outstanding. CDB resources have supported interventions to strengthen economic management systems, expand agricultural output, improve critical road infrastructure, upgrade ecotourism-related sites and attractions, promote shelter development, directly reduce the high incidence of poverty among the indigenous Carib population and for disaster rehabilitation. During the past ten years, Dominica also benefited from a single tranche Economic Stabilisation Loan (\$3 mn) in 2003 and exceptional financing (\$14.9 mn) in 2004 to support its fiscal stabilisation programme.

B.2.08 In October 2010, the CDB BOD approved the Bank's assistance strategy for Dominica for the period 2010-12. The CSP was developed within the framework of the Government's 5-year Growth and Social Protection Strategy (GSPS) launched in 2006. The GSPS is constructed around three strategic pillars. The first pillar speaks to the attainment of fiscal sustainability and the role of comprehensive institutional, fiscal, legislative, regulatory and administrative reforms in creating an enabling environment for private enterprise. The second pillar addresses sectoral strategies for sustained growth of 3% per annum with emphasis on tourism, agriculture, fisheries, energy and water. And the third pillar focuses on strategies for poverty reduction and social protection.

B.2.09 The CSP identified a financing package of \$34 - \$40 mn to achieve the five broad objectives for CDB's assistance, including releasing human resources capacity constraints in the public sector and strengthening economic management systems; facilitating private sector development; strengthening social development and social cohesion; upgrading economic infrastructure; and strengthening environmental management and adaptation to climate change. The CSP further identified an allocation of \$14 mn under SDF 7 to be directed specifically towards interventions that include:

- Institutional strengthening - development of supporting legislation for disaster risk management and policy for climate change, as well as capacity building in disaster risk reduction and climate change adaptation;
- Mainstreaming risk reduction measures into other sectors, in particular agriculture and the transport sector;
- Building community resilience in vulnerability reduction, safe building practices, climate-proofing buildings and energy efficiency; and

¹⁷⁴ Anguilla, British Virgin Islands, Cayman Islands, Montserrat, and Turks and Caicos Islands are excluded.

¹⁷⁵ CDB, Carl Howell et al. (October 2008) "Country Strategy Paper, 2010-12, Commonwealth of Dominica".

APPENDIX B.2**Page 3**

- Formulating a land use policy to guide orderly development and safeguard environmental resources.

B.2.10 The proposed programme is therefore consistent with the general thrust of the SDF and the specific objectives of SDF 7 as illustrated in the table below.

TABLE B.2.1: RELATIONSHIP BETWEEN COUNTRY OBJECTIVES, SDF OBJECTIVES AND EXPECTED OUTCOMES

SDF 7 Objectives	Country Development Goals	Country Strategy Paper		
		Strategic interventions	Expected Outcomes	Some Links to the CDB Programme
Inclusive social development and broad-based economic growth	Private sector development	Facilitating private sector development.	Expansion of private sector activity, output and employment in critical productive sectors. Increased agriculture sector competitiveness. Improved access to credit. Increase in rural-based incomes	Line of Credit to AID Bank to support lending to core productive sectors of the economy.
	Poverty reduction	Strengthening social development and social inclusion.	Reduced social vulnerability. Enhanced learning environment . Improve linkages between the labour demands of the job markets and the outputs from the education system. Improve targeting of state support. Gender fully integrated in socio-economic sectors and national programmes.	BNTF interventions. Interventions in the education sector targeting curriculum diversification. Student Loan Scheme TA – Gender Assessment
	Modernise and upgrade critical infrastructure to promote economic growth and to facilitate greater sectoral linkages.	Upgrading economic infrastructure.	Greater sectoral linkages. Improving the reliability and access of potable water to meet the needs of a modern economy. Enhancing the operational efficiency of the port in an effort to reduce the cost of doing business.	Interventions in the road subsector. Interventions in the water sector. Support for port development.
	Modernise and upgrade critical infrastructure to promote economic growth and to facilitate greater sectoral linkages.	Upgrading economic infrastructure.	Improving road infrastructure quality and access in order to facilitate greater sectoral linkages. Improving the reliability and access of potable water to meet the needs of a modern economy. Enhancing port operational efficiency to reduce the cost of doing business.	TA – Strengthen land management.

APPENDIX B.2**Page 4**

SDF 7 Objectives	Country Development Goals	Country Strategy Paper		
		Strategic interventions	Expected Outcomes	Some Links to the CDB Programme
Environmental sustainability and disaster management Regional cooperation and integration	Promoting environmental sustainability by reducing vulnerability to natural hazards and climate change impacts.	Strengthening environmental management and adaptation to climate change.	Enhanced spatial development and reduced vulnerabilities. Strengthened land use management. Climate change-related risks reduced.	TA – Mainstream climate change.
Good governance	Maintain macroeconomic stability and improve growth outcomes through the upgrade of technical skills capacity in the public sector, particularly with respect to project selection methodologies, macroeconomic policy formulation, and improvements in PFM	Releasing human resources capacity constraints in the public sector and strengthening economic management systems.	Promoting macroeconomic stability through the integration of rigorous project selection in the budget process. Recast economic management systems towards more results orientation	Support training opportunities for high level personnel in aspects of MfDR, project planning and appraisal methodologies. Support for civil service reforms. Support to strengthen public procurement systems.

B.2.11 Agreement on the key elements of the CSP was reached between CDB staff and GOCD in 2009; however consideration and approval of the strategy by the CDB BOD was delayed following the announcement of general elections in December 2009 and pending formal approval by the new Cabinet of the proposed strategy in July 2010. In the interim, two of the projects identified in the CSP - an \$8.0 mn line of credit, including \$0.5 mn from SDF¹⁷⁶ and Road Improvement and Maintenance Project (RIMP) (Valley Road) \$3.9 mn, including \$1.7 mn from SDF¹⁷⁷ – received Board approval.

B.2.3. SDF/BNTF Resources and Role in CDB's Dominica Strategy

B.2.12 The SDF approvals for Dominica were \$6.1 mn in SDF 5, \$11.2 mn in SDF 6 and \$14.2 mn in SDF 7.

B.2.13 BNTF has been a key instrument for direct poverty intervention in Dominica. CDB allocated \$5.7 mn under BNTF 5 (with special support from Canada), and \$4.9 mn under BNTF 6 (2009) to support projects in Dominica.

¹⁷⁶ CDB, Eighth Consolidated Line of Credit – Dominica Agricultural Industrial and Development Bank – Dominica. December 10, 2009. Paper BD 110/09.

¹⁷⁷ CDB, RIMP – Dominica Revision in Scope and Second Additional loan, October 20 and 21, 2010, Paper BD 61/05 Add 3.

B.2.4. SDF/BNTF Results in Dominica

B.2.14 The performance of the portfolio in Dominica has been satisfactory. Portfolio performance, as measured by the Project Portfolio Implementation Index (PPI), stood at 6.1 at the end of 2008, compared with an average of 6.0 for the entire portfolio. Primarily as a result of its direct interventions in these areas in Dominica, CDB has considerable experience and knowledge in the design and implementation of projects in the transportation and education sectors, and multi-sectoral lines of credit. Notwithstanding the Bank's long involvement in these areas, portfolio performance continues to be affected by a shortage of appropriate skills in project management, the shortages being most acute in the road sector.

B.2.15 The BNTF has been a critical instrument of social protection since the start of the programme in Dominica. However, implementation of the BNTF 5 was constrained by the Government's ability to provide counterpart financing. Consequently by the end of 2007, only 18% of the total allocation had been disbursed to just 56 subprojects. To facilitate the sub-project approval process, in 2007 CDB made allowances for increased flexibility in sectoral allocations and made payments directly to contractors.

B.2.5. Observations on SDF/BNTF in Dominica

B.2.16 There are a number of observations that the Review team would make:

Programming in Dominica

1. CDB's active involvement in Dominica has been constrained by the Government's own conservative borrowing policy as well as its success in mobilizing substantial amounts of grant funding for its operations. However, Dominica's current eligibility for grants from its DPs is not likely to be sustained over the medium term. The CSP therefore identifies a lower and an upper limit for the programme to take account of the likely competition from cheaper resources;
2. The CSP was developed in close consultation with key Government officials and with DPs. This approach is important for achieving an alignment of the proposed interventions in the CSP with the strategies and priorities of the Government of Dominica. To increase the likelihood of programme ownership and successful implementation, closer attention will need to be paid, in the future, to broadening stakeholder participation. In particular, stakeholder participation in the process could be extended to include representation from the (official) Opposition Party as well as community-based organisations.
3. MfDR techniques were applied during the design of the CSP. The identification of key expected outcomes - improvement in macroeconomic management, strengthened economic growth and agriculture and rural development and direct poverty reduction – and associated monitoring indicators will provide valuable data for the ongoing monitoring and assessment of performance at a later date. The CSP also makes provision for specialised assistance to the Government in adopting MfDR as an explicit public sector management practice and providing TA for capacity building in results-based project monitoring and evaluation. The process for providing this assistance should be accelerated since the adoption of the results-based MfDR will enhance coordination of the GSPS and the CSP and strengthen the basis for effective policy dialogue between the Government and CDB.

APPENDIX B.2

Page 6

4. The Dominica Social Investment Fund (DSIF) established in 2003 is funded by the EU and channels resources to to the poor and vulnerable community groups in Dominica. Unlike the BSIF and JSIF, however, DSIF has not assumed responsibility for managing BNTF funds for Dominica. The sustainability of the fund is also at risk with the expiration of EU funding. The experience of the BSIF and JSIF should be reviewed to identify lessons which may be applied to enhance the operations of the DSIF.

APPENDIX B.3**COUNTRY CASE REVIEW - JAMAICA****B.3.1. Development Situation**

B.3.01 Jamaica is a lower middle-income country, with a population of approximately 2.9 mn people in 2010. It is prone to natural disasters, mainly hurricanes. Its per capita income is approximately \$4,200 at the official exchange rate and \$8,400 at purchasing power parity. In 2010, Jamaica ranked 81st out of 183 countries rated by the WB's *Doing Business* indicators, well below, for example, St. Lucia that rated 53rd, but better than many other Caribbean countries, including St. Kitts and Nevis, Dominica, Grenada, Trinidad and Tobago, the Dominican Republic, Belize and Guyana.

B.3.02 Jamaica has high but declining poverty. The statistics indicate that poverty rates were halved in the decade between 1995 and 2006, from 27.5% to 14.3%. This apparently remarkable result was obtained during a period when unemployment was persistently high and consumer price inflation high as well. Increases in the employed labor force, mainly in tourism and related services, and increasing remittances from abroad played a part.

B.3.03 Foreign exchange comes mainly from remittances, tourism, and bauxite. There is significant out-migration of skilled people. Payments on the public debt, and the public sector wage bill, have, for many years, absorbed most of the government's revenues. Unemployment, especially youth unemployment, has been high over a long period. There was a deep recession in 2009 that resulted from a downturn in foreign demand for Jamaica's exports (particularly in agriculture, mining, and services), a decline in remittances, and a contraction of domestic consumer demand. Consumer price inflation, that had been 22% in 2008, dropped to 9.6% in 2009 and increased again to about 15% p.a. in 2010.

B.3.04 Jamaica is heavily indebted and has been for twenty years. Debt management is handled by the Ministry of Finance and Planning. This arrangement dates from 1998 when the function was transferred from the Bank of Jamaica. In 1990 total public debt was equivalent to 138% of GDP. This decreased to 79% in 1996 and, with a bailout of private banks, increased rapidly again to a high of 148% in 2003. In 2010 the public debt is approximately 125% of GDP.¹⁷⁸ The adverse impact of these high levels of public debt may have been exacerbated by the corruption, money laundering and drug-related violence that Jamaica has been troubled with.

B.3.05 In January 2010, Jamaica signed an Agreement in Principle with the IMF for a \$1.25 bn standby facility.¹⁷⁹ A debt exchange programme, which involved the entire domestic debt, concluded on February 24, 2010.¹⁸⁰

¹⁷⁸ Statistics from CDB (April 2008) *Benefits and Costs of Strategic Liability Management in Jamaica*.

¹⁷⁹ On February 4, 2010, the Executive Board approved a 27-month SBA in an amount equivalent to 300 percent of quota (SDR 820.5 mn). The pillars of the programme were: (i) fiscal consolidation and institutional reform, including fiscal responsibility legislation and Central Treasury Management; (ii) public debt restructuring, which was completed as a prior action under the program; and (iii) financial sector reform, including to improve consolidated supervision and the regulation of non-banks.

¹⁸⁰ The debt exchange programme was more successful than expected by the IMF in its initial analysis. Financial market conditions improved substantially; market interest rates fell and the foreign exchange market stabilized. Financial institutions were able to absorb the lower-than-expected valuation and income losses from the debt exchange, and there were no requests for access to the Financial System Support Fund. Overall economic activity remained weak, although the tourism and agriculture sectors performed well.

APPENDIX B.3**Page 2****B.3.2. CDB's Jamaica Strategy**

B.3.06 Jamaica has been by far the largest borrower from the CDB with net loans and grants of \$525.8 mn over the period 1970-2007. At the end of 2007, outstanding loans totaled \$197.7 mn. At the end of October 2009, outstanding loans were \$377.2 mn.

B.3.07 In May 2008, CDB prepared a framework paper for a Jamaica country strategy.¹⁸¹ At the same time the Government of Jamaica was drafting a medium to long term national development plan (Vision 2030). It discussed the following possible areas of intervention: fiscal and debt sustainability; human resource development; economic infrastructure development; and direct poverty reduction (JSIF, BNTF, agriculture support).

B.3.08 CDB's strategy¹⁸² for Jamaica 2009-2011, adopted in December 2008, had six objectives. The first two are to improve Jamaica's macroeconomic management and debt "dynamics" and to strengthen its economic growth prospects through upgrading infrastructure. It also made a commitment to agriculture and rural development, human resource development in education, and direct poverty reduction through CDB's BNTF. It also declared CDB's support for mainstreaming disaster risk reduction and adaptation to climate change. The immediate priority articulated by CDB's Jamaica strategy was to help the Government of Jamaica to stabilise its debt problems, and the second priority was to help Jamaica to grow economically.

B.3.09 In December 2008 CDB approved a PBL to Jamaica of US\$100 mn.¹⁸³ At the same time, the WB provided \$300 mn and the IDB \$600 mn. CDB did not require a tranche release conditions additional to those agreed with the WB.

B.3.3. SDF/BNTF Resources and Role in CDB's Jamaica Strategy

B.3.10 The SDF allocations for Jamaica were \$3.2 mn in SDF 5, \$53mn in SDF 6 (actual approvals, not initial allocation) and \$22 mn in SDF 7.

B.3.11 Over the period 1999 to 2011, it was estimated that CDB would provide approximately \$482 mn in loans to Jamaica, of which approximately \$38 mn (8%) would be from SDF.¹⁸⁴ However, in the event there was considerably more SDF funding used. Between December 2001 and October 2010 CDB approved 18 loans to Jamaica that had an SDF component. These loans totalled \$181.132 mn of which \$96.247 mn (53%) was SDF funding. Nine of the 18 loans that included SDF funds were related to natural disaster response or rehabilitation. The other projects were in a variety of sectors including education (basic schools, University of Technology, and Student Loans), community investments, irrigation, agriculture, and roads.

B.3.12 Over the same period, SDF grants to Jamaica amounted to \$8.228 mn (8.5% of all SDF disbursement to Jamaica during this period – See Table B.3.1 following).

B.3.13 Jamaica was allocated \$5.7 mn under BNTF 5 (with funds from Canada's contribution), and US\$4.9 mn under BNTF 6 (2009).¹⁸⁵ CDB uses the JSIF to manage its BNTF in Jamaica. The JSIF finances small projects to benefit poor and vulnerable groups.

¹⁸¹ CDB. C. Howell et al. (May 2008) "Framework Paper for Jamaica Country Strategy 2009-2011"

¹⁸² CDB, CSP – Jamaica. December 10, 2008. Paper BD 115/08

¹⁸³ Project Number 19/SFR-OR-JAM

¹⁸⁴ See Jamaica Framework Paper (2008) page 17.

¹⁸⁵ The Jamaica BNTF Grant Agreement was signed on June 3, 2009.

APPENDIX B.3**Page 3****B.3.4. SDF/BNTF Results in Jamaica**

B.3.14 The performance of CDB's Jamaica portfolio has been satisfactory. Its score on CDB's Project Performance for 2007 was 6.67, compared with the CDB-wide average of 6.04. Its score for 2008 was 6.3, compared with the CDB-wide average of 6.0. Although both scores are above average, the decline seems to be large enough to signal a significant decline in performance.

B.3.15 There were 38 sub-projects funded by BNTF 5 to November 2008. After the MTR, an additional amount of \$0.89 mn was allocated to BNTF projects implemented by JSIF.

B.3.16 The performance of the JSIF was ranked highest among the ten BNTF participating BMCs during the mid-term review of SDF 5. CDB's Jamaica Country Strategy states that "JSIF has consistently applied its considerable institutional capacity to efficiently deliver outputs. Sub-project formulation has demonstrated a strong commitment to the objectives of the Fund and ... cross cutting issues, including gender, sustainable development management and other socio-economic issues ... in Jamaica the needs of the education sector are numerous, especially access to quality primary education. JSIF responded by primarily targeting this sector, predominantly basic schools in rural areas, utilising a participatory approach to development, which has achieved significant and measurable results."¹⁸⁶

B.3.17 From 2003 to 2005, there was a large reduction in the poverty rate in Jamaica – from 19.1% to 14.8%, a reduction of 23% in only two years (based on surveys of calorie intake). As extraordinary and unexpected as this is, especially as the government was under extreme debt stress and unemployment and inflation were both very high, it was not the largest such reduction recorded. It was claimed that between 1997 and 1998 poverty in Jamaica dropped by 24%.¹⁸⁷ CDB notes that expansion of informal sector activity, estimated to be almost half of all economic activity, might have contributed to the drop in poverty rates (since poverty is assessed in Jamaica mainly by the food calories available to the household). Even on this somewhat oversimplified measure of poverty, and putting aside any problems with reliability of the data, poverty in Jamaica remains high, seems to have stabilised around 15%, and is disproportionately found among the young, the old, and in rural areas.¹⁸⁸ As well, there are other factors that should be taken into account in assessing poverty in Jamaica. First, the quality of diets rather than only calorie intake is important to health. Second, non-food components of poverty, which include, *inter alia*, ownership of assets, consumer durables, educational levels and access to health care, are also important.

B.3.5. Observations on SDF/BNTF in Jamaica

B.3.18 The Review team's observations on the basis of the Jamaica case review are:

Programming in Jamaica

- Investment programming in Jamaica has been overwhelmed by Jamaica's debt crisis and by natural disasters. Responses to these challenges make up a very large part of CDB's current Jamaican portfolio. As soon as possible, CDB needs to regain its focus in Jamaica on economic growth as the engine of poverty reduction.

¹⁸⁶ CDB. (Oct. 2008) Jamaica Country Strategy Paper. Appendix 3.1.

¹⁸⁷ CDB. (May 2008). Jamaica Framework Paper. Table 2. P. 7.

¹⁸⁸ *Ibid*, p. 12.

APPENDIX B.3**Page 4**

- The OCR/SDF blend in Jamaica has been about 50/50. From Jamaica's point of view, higher proportions of OCR mean a higher effective interest rate on loans with increased risk to sustainability.
- To provide policy value added on the PBL to Jamaica, CDB should interest itself in one or more of the tranche release conditions of the simultaneous WB credit, and should participate actively in analytical work related to those conditions and in monitoring their performance.

BNTF

- The BNTF has been successful in helping decrease poverty in Jamaica within its scope. Given the success of the JSIF as a delivery agent for BNTF, this model should be considered for other BNTF countries.
- One of the main problems of the rural poor is income generation. The CDB should explore possible models for BNTF engagement with income generation projects in rural agricultural communities.

SDF

- The SDF allocation is according to a performance-based formula that gives relatively little weight to population, and captures poverty indirectly through national average per capita income. CDB should examine whether countries with large poor populations are disadvantaged by this formula and whether the formula could, instead, use data on the actual number of poor households.

TABLE B.3.1: LOANS AND GRANTS TO JAMAICA THAT INCLUDED SDF FUNDS, DEC. 2001- OCT. 2010
(\$ '000)

PROJECT	DATE	SDF (U)	TOTAL
Loans			
Emergency Tourism Promotion Programme	Dec-01	845	845
Enhancement of Basic Schools	Dec-01	6,598	13,383
Irrigation Development Project	Mar-02	422	8,114
Emergency Works and Rehabilitation of Flood Damage	May-02	3,000	25,000
Disaster Management, Immediate Response	Oct-02	500	500
Emergency Works and Rehabilitation of Flood Damage (Add)	Oct-02	5,000	10,000
Disaster Management, Immediate Response	Dec-02	500	500
Hurricane Reconstruction Support Loan	Oct-04	4,600	4,600
Development Planning Framework (TA Loan)	May-06	1,160	1,160
Road Project 5th (Washington Boulevard Improvement)	May-07	237	14,777
University of Technology Enhancement Project	May-07	5,000	25,868
Natural Disaster Management, Hurricane Dean Rehab. Works	Dec-07	12,500	20,500
Natural Disaster Management, Immediate Response - Dean	Mar-08	500	500
Community Investment Project	Oct-08	12,085	12,085
Natural Disaster Management, Immediate Response - Gustav	Oct-08	500	500
Agricultural Support	Dec-08	7,800	7,800
NDM - Kingston Metropolitan Area Drainage Rehabilitation Work	Dec-08	20,000	30,000
Students Loan Bureau	May-10	15,000	5,000
Sub-Total		96,247	181,132

APPENDIX B.3**Page 5**

Grants			
CTCS Projects	Dec-01	41	41
Study of Potentially Hazardous Substances in Jamaican Soils of Irrigation Development Project	Mar-02	150	150
	Mar-02	120	120
Consultancy Services for Damage Assessment of Severe Floods	May-02	37	37
Emergency Relief from Severe Floods	May-02	36	36
Review of Electricity Legislation and Generation of Market Study	Oct-02	240	240
Immediate Response due to Flooding	Oct-02	20	20
Disaster Relief and Damage Assessment of Severe Floods	Oct-02	100	100
Study of the Informal Sector	Oct-02	148	148
Disaster Management, Emergency Relief	Dec-02	50	50
Disaster Management, Consultancy Services	Dec-02	20	20
CTCS Projects	Dec-02	79	79
CTCS Projects	Dec-03	119	119
Natural Disaster Emergency Relief following Hurricane Ivan	Oct-04	100	100
CTCS Projects	Dec-04	172	172
CTCS Projects	Dec-05	124	124
Development Planning Framework	May-06	506	606
Institutional Strengthening of National Environmental Planning Agency	Jul-06	60	60
CTCS Projects	Dec-06	139	139
Natural Hazard Impact Assessment Training Programme	Dec-06	7	7
CTCS Projects	Dec-07	93	93
Natural Disaster Management - Emergency Relief	Dec-07	100	100
Consultancy Services NDM - Hurricane Dean	Mar-08	20	20
Basic Needs Trust Fund - 6th Programme	Jul-08	4,778	4,778
NDM Emergency Relief - Tropical Storm Gustav	Oct-08	20	20
NDM Emergency Relief following Tropical Storm Gustav	Oct-08	100	100
Agricultural Support - TA	Dec-08	50	50
CTCS Projects	Dec-08	41	41
Preparation of a National Spatial Plan	May 09	687	687
CTCS Projects	Dec 09	71	71
Sub-Total		8,228	8,328

APPENDIX C**POLICY-BASED LENDING CASES****C.1 St. Vincent and the Grenadines**

C.01 In May 2009, the BOD of CDB approved a \$25 mn Programme-Based Policy Loan (PBL) to St. Vincent and the Grenadines. This loan included \$9 mn (36%) from CDB's SDF. The loan involved two-tranches of disbursement. Its objectives were to support fiscal reforms aimed at improving the following: (1) public sector management, (2) efficiency of resource allocation and (3) international trade competitiveness.

C.02 Disbursement of the first tranche took place within three months of the signing of the Loan Agreement between CDB and the Government in July 2009. However, the second tranche was not disbursed in June 2010 as scheduled because conditions were not met. Several reasons for non-performance were given, none of which were significantly different in 2010 than they had been when the loan agreement was signed in 2009.¹⁸⁹

C.03 Many of the policy actions that were to be undertaken during PBL implementation were in support of revenue enhancement and expenditure management measures which would help to lower the public debt over the medium to long term. Despite the implementation delays experienced with second tranche conditions, the performance of the key macroeconomic aggregates were more or less in line with PBL projections. Current government revenue reached 28.8% of GDP (compared with the PBL target of 30.1% of GDP). Meanwhile, increased social spending to cushion the effects of a slowdown in economic activity; higher debt service payments and the one-off cost for a referendum led to current expenditure rising to 29.1% of GDP (compared with the targeted 28.5%).

C.04 The primary and overall deficits were contained at 0.1% (below the targeted 0.15% of GDP) and 3.1% of GDP (compared with the target of 3.3% of GDP), respectively, reflecting the Government's decision to contain the build-up of debt by curtailing capital spending. As a result, the central government's debt ratio was contained at 59.8% of GDP, slightly better than the targeted 60% of GDP. The effects of the global financial crisis remain an ongoing challenge for St. Vincent and the Grenadines.

C.05 The authorities are relying on reforms implemented as part of the PBL programme – including the restructuring of the VAT to streamline zero-rated and exempted items, implementation of an automated customs clearance system, the passage of a new Financial Responsibility Act – to make significant contributions to improving and sustaining the overall efficiency of fiscal operations, including maximizing tax effort and imposing expenditure discipline. In this regard, and as a supplement to the PBL, the CDB Board also approved a \$37 mn Financial Sector Stabilisation Loan¹⁹⁰ in July 2010 to facilitate the restructuring and divestment of the National Commercial Bank, and prevent a possible collapse of the bank with adverse consequence for confidence in the domestic and sub-regional¹⁹¹ financial sector while simultaneously leading to a reduction in the overall public sector debt. The sale of the National Commercial Bank to the East Caribbean Financial Holding Company was completed in November 2010.

¹⁸⁹ Reasons given including inadequate engagement of all stakeholders responsible for leading the policy reforms; human resource shortages within the public sector and Government cash flow difficulties linked to the deteriorating external environment. As a result, several measures, including the completion of a cadastral survey; introduction of a market-based system for land tax evaluation; completion of a study on pension rationalisation and completion of the PRS were rescheduled for completion by December 2011.

¹⁹⁰ CDB. St. Vincent and the Grenadines Financial Sector Stabilisation Loan – Divestment of Commercial Bank. Paper Bd 30/10 Rev.1. July 22, 2010. Barbados.

¹⁹¹ ECCU.

APPENDIX C**Page 2****C. 2 St. Kitts and Nevis**

C.06 The CDB BOD approved in February 2007 a \$20 mn PBL to the Government of St. Kitts and Nevis (GOSKN), including \$8 mn (40%) from CDB's SDF. The main objectives of the PBL, supplemented by an \$8.2 mn Programme-Based Policy Guarantee,¹⁹² were to help restore fiscal and debt sustainability, strengthen fiscal and debt management and support public sector reforms, including a privatisation and/or commercialisation programme.

C.07 The Loan Agreement was signed by GOSKN in May 2007 and disbursements made in two equal tranches. However, the first disbursement was not made until May 2008 and required the delay of one condition - enactment and bringing into force of new income tax act - to the second tranche. The second tranche disbursement also did not take place until the second half of 2010, and required CDB Board approval for a change in project scope and terms and conditions. Implementation delays were linked to several factors including shortcomings in PBL design and supervision, as well as limited public sector capacity and a shift in the Government's policy focus triggered by a deteriorating economic environment.¹⁹³ In addition to further delays in the income tax legislation, the enactment of new corporation tax legislation; corporatisation of the electricity utility and creation of single entity to manage sale of public lands did not take place as originally planned.

C.08 During the design of the PBL, the economic environment was challenging because of high public sector indebtedness, vulnerability to exogenous shocks, relatively high levels of poverty and the closure of the sugar industry.¹⁹⁴ Nevertheless, real GDP was projected to grow at an average rate of about 5% per annum in 2006-2010 stimulated by tourism-related construction, residential construction and public sector investment in economic and social infrastructure. In contrast to earlier expectations, actual growth performance over the period is expected to be close to zero with the sharp contraction in economic activity in 2009 (-5.5%) continuing into 2010. While the Government succeeded in maintaining a fiscal primary surplus for five consecutive years, the surplus averaged only 3.7% of GDP in 2006-10, below the projected 7%. Expectations that the improvement in fiscal performance together with the refinancing of high cost debt using proceeds from a bond issue and the sale of Government land would lead to a more than 30 percentage point drop in public debt also did not materialize; and in 2009, the public debt remained extremely high at 160.5% compared with 174.8% in 2006.

¹⁹² The Programme-Based Policy Guarantee approved in October 2006 supported a \$150 mn bond issue by the Government. The expectation was that the guarantee would facilitate a reduction in the average interest rate of public sector debt by enabling the Government to access the capital markets at lower risk premiums and for longer maturities than would otherwise have been the case.

¹⁹³ CDB. Programme-Based Policy Loan - Government of St. Kitts and Nevis Revision in Scope of Conditions for Second Tranche Disbursement. Paper BD 80/06 Add. 1, para 1.03. July 22, 2010.

¹⁹⁴ CDB. Programme-Based Policy Loan - Government of St. Kitts and Nevis Revision in Scope of Conditions for Second Tranche Disbursement. Paper BD 80/06 Add. 1, para 4.03. July 22, 2010.

APPENDIX C**Page 3**

C.09 The PBL included a number of structural initiatives aimed at bringing about fiscal and debt sustainability. There were considerable delays in implementing such initiatives. For example, the value-added tax, the centerpiece of the tax reforms, was not implemented until November 2010. Land sales to retire high cost debt has been ongoing but with limited results. In the 2011 Budget, the Government reaffirmed its commitment to getting its reform programme back on track, and announced a number of additional initiatives, including revising electricity tariffs, streamlining discretionary taxes, restructuring the social development levy and rationalising the civil service. The Government also announced plans to step up implementation of its asset disposition programme, including land sales and privatisation of state enterprises as part of its efforts to bring down the debt ratio to 70% of GDP and reduce its heavy exposure of the domestic system to public sector debt over the next five years. These new measures are consistent with recommendations coming out of the IMF 2010 Article IV mission.

C. 3 Jamaica

C.10 On December 10, 2008, the CDB BOD approved a \$100 mn Programme-Based Policy loan for Jamaica, including \$30 mn from CDB's Special Funds Resources to finance a broad fiscal and growth-oriented reform programme in Jamaica. This was part of a multi-agency \$1 billion financing package for the period 2009-11 that involved the WB and the IDB and covering the period 2009-11.

C.11 The PBL was to be disbursed in of three equal tranches of \$33.3 mn. Disbursement of the first two tranches has been completed; disbursement of the third tranche conditions is scheduled to take place by the end of March 2011. The disbursement of the first tranche occurred after the initial policy matrix was adjusted, in part, to achieve consistency between WB's Development Policy Loan¹⁹⁵ and CDB's PBL. The PBL design also provided for the adoption of a common policy matrix by these two institutions for subsequent disbursements. Consequently the approval of the WB's second Development Policy Loan¹⁹⁶ in February 2010 provided the basis for CDB's second tranche disbursement of the PBL.

C.12 In 2008, the Government outlined its programme to achieve fiscal and debt sustainability, enhance economic efficiency and promote private sector led growth.¹⁹⁷ The reforms to be supported by the PBL were centred on controlling public sector balances and debt; rationalising public bodies; managing the public sector wages bill; improving Central Government financial management and budget processes; increasing revenue collections, and increasing growth and competitiveness. The progress made by the authorities with the reform agenda provided the basis for the approval of programmes by the WB, IDB and CDB. The expectation was that the financing to be provided over three years would facilitate an orderly adjustment process as relatively inexpensive multilateral financing gradually replaced high cost domestic debt.

¹⁹⁵ Michael DaCosta, *PBLs by CDB 2006-2009 - An Assessment*.

¹⁹⁶ Unlike CDB whose assistance was comprised of a single loan with multiple disbursements, WB and IDB are designing their programmes as multiple interventions. The WB proposes three single tranche operations, two of which have already been approved. Meanwhile, IDB's support comprises several multi-sectoral credits averaging \$200 mn annually. The initial IDB credit was approved in August 2008.

¹⁹⁷. Memo to Loans Committee "Second Tranche Disbursement Programme-Based Policy Loan for Jamaica". March 30, 2010.

APPENDIX C**Page 4**

C.13 However, the effects of the global crisis quickly threatened the attainment of the reform targets. Real GDP contracted by -3.2 % in 2009, compared with average growth rate of +1.2% for the period to 2004 – 2008. Despite the package of measures - including an increase in the General Consumption Tax rate (from 16.5% to 17.5%); the reintroduction of an ad valorem 15% Special Consumption Tax on fuel; an increase in marginal tax rates on personal income above JM\$5 mn per annum; and increases in the common external tariff on several imports - introduced during the fiscal year, the overall fiscal and primary deficits widened. Government revenue underperformed due to production cutbacks and weak aggregate demand while current expenditures exceeded budget targets as exchange rate depreciation and interest rate increases pushed up interest costs. In addition, the debt-to-GDP ratio rose between 13-16 percentage points¹⁹⁸ and limited access to international capital markets¹⁹⁹ forced the Government to rely increasingly on financing from the Bank of Jamaica.

C.14 The derailment of the PBL objectives appears to have been halted assisted by the \$1.3 bn standby arrangement approved by the IMF in February 2010. A critical element of the standby arrangement was the debt restructuring which included a domestic debt exchange programme²⁰⁰ that improved the maturity structure of the debt and led to a \$3.4 billion drop in principal payment for the period 2010-12. Other key elements of the programme which is consistent with the objectives of the PBL include fiscal consolidation and institutional and financial sector reform. Two reviews of the standby arrangement have been completed and confirm the attainment of quantitative benchmarks for both reviews. Although economic growth is still weak, declines in inflation and interest rates exceeded targets and the Jamaican dollar has been strengthening.

C.15 In addition to the short term stabilisation efforts, the PBL is also supporting other initiatives that are expected to bring about sustained improvements in macroeconomic and fiscal fundamentals over the short to medium term. Commencing in 2011/12, the budget will be developed within the fiscal responsibility framework. In addition, the Government's debt management strategy will be fully operationalised and detailed borrowing plans will be published; and divestment of public sector entities will be advanced.

C. 4 Belize

C.16 In December 2006, CDB's BOD approved a PBL for \$25 mn, including \$10 mn (40%) from SDF to help the Government close the fiscal and external financing gaps while it implemented corrective measures, including debt restructuring, reform of the tax regime and strengthened fiscal management.²⁰¹ Disbursements were to be made in two equal tranches. The loan has been fully disbursed, the first disbursement was made in August 2007 and the second in January 2009. Key elements of the programme included debt restructuring; revenue policy and administration; expenditure management; restructuring of the operations of the DFC; and oil revenue management.

¹⁹⁸ *Ibid.*, and IMF. Jamaica: Second Review Under the Stand-By Arrangement. Staff Report. Press Release on the Executive Board Discussion. IMF Country Report No. 10/358. December 2010.

¹⁹⁹ Jamaica's sovereign bonds were downgraded three times in 2009 by the major rating agencies.

²⁰⁰ The debt exchange programme was launched in January 2010.

²⁰¹ CDB. Policy-Based Loan – Belize Paper BD 70/06. December 14, 2006.

APPENDIX C**Page 5**

C.17 Prior to the global financial crisis of 2007-2009, the Government was on its way to achieving the medium term target agreed under the PBL, having substantially lowered debt to 70% of GDP by 2008 (compared with more than 104% of GDP in 2004) following successful restructuring; generated primary surpluses in excess of 4% of GDP (consistent with a target of at least 3.5%); and increased official reserves to over 2 months of imports by 2008.²⁰² Strong revenue intake reflected inflows associated with the commencement of petroleum extraction and export, the encouraging performance of the General Sales Tax, and grant receipts which more than doubled in 2007. An improved fiscal outcome in 2007/08 and much of 08/09 was also traced to the successful restructuring of external commercial debt in the first quarter of 2007 which eased current debt service at the expense of increasing the total future debt burden.

C.18 Fiscal performance weakened somewhat in 2009, reflecting the effects of global slowdown and adverse weather conditions in 2008 on economic activity as well as increased expenditure particularly on wages. The fiscal primary surplus of less than 2% of GDP in 2009 was projected to be repeated in 2010. The adverse impact of these developments may have been cushioned by structural and other reforms since 2004. Key elements of these reforms included reform and modernisation of the revenue system, with the introduction of an *ad valorem* General Sales Tax; modernisation of the Customs Department including computerisation for customs control and clearance; and the winding down of the operations of the Development Finance Corporation.²⁰³ The economy remains fragile and therefore requires the Belize authorities to remain vigilant in its efforts to restore fiscal primary surpluses to around 3.5% per annum which would enable the Government to sustain critical social and other programmes in the face of unanticipated shocks and maintain its efforts to curb and/or control the growth in public debt.

²⁰² CDB. Policy-Based Loan – Belize – Update. February 2009, and IMF. Executive Board Concludes 2010 Article IV Consultation with Belize. Public Information Notice (PIN) No. 10/142. October 22, 2010.

²⁰³ A new DFC Act was passed and new governance structure for a reactivated DFC put in place in 2009.

APPENDIX D**CONTRIBUTIONS TO SDF (U) BY COUNTRY AND PERIOD**

(\$'000)

	SDF 1 1984-87	SDF 2 1988-91	SDF 3 1992-95	SDF 4 1995-00	SDF 5 2001-04	SDF 6 2005-08	SDF 7 2009-10
Regional Members: BMCs							
Trinidad and Tobago	2,500	2,500	3,850	3,850	5,000	7,500	10,184
Jamaica	1,400	1,400	3,870	3,850	5,000	7,500	10,184
Guyana	1,400	1,400	2,160	2,160	2,810	4,215	5,665
Bahamas, The	1,400	1,400	2,160	2,160	2,810	4,214	5,665
Barbados	1,400	1,400	2,160	2,160	2,810	4,210	5,665
Antigua and Barbuda	250	250	162	250	320	420	1394
Belize	250	250	650	650	840	1100	605
Dominica	250	250	650	650	840	840	1394
Grenada	250	250	650	650	840	100	1394
St. Kitts and Nevis	250	250	650	650	840	1100	1394
St. Lucia	250	250	650	650	840	1100	1394
St. Vincent and the Grenadines	250	263	650	650	840	1100	605
Cayman Islands	100	100	150	250	320	420	605
Anguilla	100	100	250	250	320	420	605
Turks and Caicos Islands	100	100	250	250	320	420	605
British Virgin Islands	100	100	250	250	320	420	605
Montserrat	100	100	250	250	320	420	605
Haiti ²⁰⁴	-	-	-	-	-	650	910
Sub-Total	10,350	10,363	19,412	19,580	25,390	36,149	49,478
Regional Members: Non-BMCs							
Colombia	5,000	3,333	5,000	3,000	3,600	3,600	3,600
Mexico ²⁰⁵	-	-	5,000	3,000	3,000	3,000	3,000
Venezuela	5,000	3,333	5,000	3,000	3,000	3,600	3,600
Sub-Total	10,000	6,666	15,000	9,000	9,600	10,200	10,200
Non-Regional Members							
Canada ²⁰⁶	60,865	15,000	20,000	16,800	25,200	44,000	69,830
UK ¹	42,823	15,000	20,000	16,800	25,200	44,000	69,830
France ²⁰⁷	21,000	10,000	14,000	11,760	-	-	-
Italy	21,000	10,000	14,000	8,660	3,145	5,003	7,084
Germany	-	26,000	14,000	11,760	--	12170	18,834
China ²⁰⁸	-	-	-	24,000	4,000	5,200	8,098
Sub-Total	145,688	76,000	82,000	89,780	57,545	110,373	173,676
Non-Members							
Netherlands	5,000	5,000	7,000	6,300	-	-	-
Brazil ²⁰⁹	-	-	-	-	-	-	5,000
Spain ²¹⁰	-	-	-	-	-	-	[3,828]
Transfer from OCR	-	-	-	-	-	-	15,000
Sub-Total	5,000	5,000	7,000	6,300	-	-	23,828
Totals	171,038	98,029	123,412	124,660	92,535	156,722	257,182

Source: CDB, CPD Jan. 2011.

²⁰⁴ Became a member during SDF 6.²⁰⁵ Mexico contributed \$5 mn and \$3.33 mn to SDF Other in 1984 (SDF 1) and 1988 (SDF 2).²⁰⁶ Amount shown for SDF 1 includes amounts originally contributed to earlier special funds.²⁰⁷ No longer a member as of October 2000.²⁰⁸ Joined in 1988 subsequent to the Replenishment negotiations on SDF 4.²⁰⁹ Approved for membership; legal formalities being completed.²¹⁰ Amount indicated as under consideration; dependent on further discussion.