

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND

**ANNUAL REPORT 2017
AND FINANCIAL PROJECTIONS 2018-2020**

May 2018

CURRENCY EQUIVALENT

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

ABBREVIATIONS

BMCs	-	Borrowing Member Countries
bn	-	billion
BNTF	-	Basic Needs Trust Fund
BVI	-	British Virgin Islands
CARICOM	-	Caribbean Community
CARTAC	-	Caribbean Regional Technical Assistance Centre
CC	-	Climate Change
CCRIF	-	Caribbean Catastrophe Risk Insurance Facility
CDB	-	Caribbean Development Bank
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DPs	-	Development Partners
DRM	-	Disaster Risk Management
EE	-	Energy Efficiency
ESIA	-	Environmental and Social Impact Assessment
GDP	-	Gross Domestic Product
GE	-	Gender Equality
IFAD	-	International Fund for Agricultural Development
MENFP	-	Ministère de l'Éducation Nationale et de la Formation Professionnelle (Ministry of National Education and Vocational Training)
MfDR	-	Managing for Development Results
mn	-	million
MSMEs	-	Micro, Small and Medium Enterprises
OCR	-	Ordinary Capital Resources
PBL	-	Policy-based Loan
PCs	-	Participating Countries
RMF	-	Results Monitoring Framework
RCI	-	Regional Cooperation and Integration
RE	-	Renewable Energy
RPGs	-	Regional Public Goods
RSS	-	Regional Security System
SDF (U)	-	Special Development Fund (Unified)
SDF 7	-	Special Development Fund (Seventh Cycle)
SDF 8	-	Special Development Fund (Eighth Cycle)
SDF 9	-	Special Development Fund (Ninth Cycle)
SDGs	-	Sustainable Development Goals
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
WB	-	World Bank

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MESSAGE FROM THE PRESIDENT

From inception, the Special Development Fund (SDF) has been the Bank's main vehicle for delivering on its poverty reduction mandate. In 2017, we were one step closer to achieving that mandate with the launching of the ninth cycle of the Fund (SDF 9). Once again, Contributors demonstrated their strong support by committing resources and approving a \$355 million (mn) programme for the period 2017-2020.

The new cycle started in a year dominated by a number of destructive natural disasters that impacted several of our Borrowing Member Countries. Dominica and the British Virgin Islands were perhaps the two most severely affected with over 30 lives lost and damage estimated at 226% and 330% of Gross Domestic Product, respectively.

Chinese philosopher Lao Tzu opined that "New beginnings are often disguised as painful endings." Led by the affected countries, Caribbean Community governments joined a regional movement to "build back better" and renewed their commitments to actions and policies that (a) embed climate change and disaster risk management (DRM) principles; and (b) build resilience at all levels. The Bank, for its part, assisted both in emergency grants for clean-up following the hurricanes; and loans to support the rehabilitation and reconstruction of more resilient infrastructure.

In this first year of SDF 9, approvals and disbursements performed credibly. Total loans and grants approved amounted to nearly \$96mn, slightly higher than in 2016. The majority of the almost \$22mn in loan approvals was for immediate response, and rehabilitation and reconstruction of damaged infrastructure. Grants approved exceeded \$74mn, including the \$40mn allocation to Basic Needs Trust Fund (BNTF), as well as interventions in Haiti for education and DRM totalling just over \$24mn. Of particular note also, is the work the Bank is doing to strengthen the governance framework in BMCs, principally through procurement reform; support for evidence-based decision making, and training in public expenditure management for members of Parliament.

We also broke new ground with the approval of a Technical Assistance (TA) grant to combat the trafficking of persons by improving the institutional framework for services provided by public and non-governmental organisations. Disbursements reached almost \$62mn due to direct poverty interventions made through the BNTF programme; and the construction of roads, and river and sea defences in beneficiary countries.

Some major initiatives were undertaken in 2017. These included the completion of negotiations for the establishment of a new Caribbean Development Bank (CDB) office in Haiti, scheduled to become operational in 2018. As the sole BMC currently eligible for grant funding only from CDB, the new office location will increase CDB's responsiveness to Haiti. Additionally, the SDF lending rate was lowered and unified at 1%, making it more attractive and affordable for BMCs to finance projects that contribute to sustainable development; build resilience to climate change and natural hazards; and support regional integration and regional solutions to shared challenges - the core themes of SDF 9.

In closing, I wish to express my sincere gratitude to:

- (a) SDF Contributors for their direction and guidance;
- (b) BMCs, for engaging cooperatively with CDB to further their development agenda and priorities;
- (c) Development partners with whom we collaborate, recognising the competencies and comparative advantage that each brings to the table; and
- (d) Management and Staff of the Bank, who work tirelessly to implement critical investments.

The Region has had to overcome many obstacles in the past 30 years, but with perseverance and a commitment to manage resources effectively and sustainably, we can look ahead with great optimism. Already we can point to examples of countries, namely Grenada and Jamaica who have taken difficult decisions and are now facing brighter prospects. Partnering with BMCs to bring about transformational and sustainable change in the lives of vulnerable persons is at the heart of CDB's efforts, and we will work diligently with our Contributors and BMCs to secure a more prosperous future for our Region.

EXECUTIVE SUMMARY

1. This 2017 Annual Report of the Special Development Fund (SDF) is the first review under SDF 9 which has a total programme level of \$355 million (mn) and spans the period January 1, 2017 to December 31, 2020. The SDF continues to be an invaluable tool to the Caribbean Development Bank (CDB) as it works towards its mission of poverty reduction in BMCs (see Appendix 1). It has long been accepted that a necessary condition for poverty reduction is the achievement of sustainable and inclusive growth. SDF 9 brings increased focus to this relationship with the explicit incorporation of Caribbean-relevant SDGs as a core theme, in addition to the other themes of environmental sustainability and promoting regional co-operation and public goods. Specific set-asides under SDF 9 include allocations for Haiti, Basic Needs Trust Fund (BNTF), Technical Assistance (TA) for capacity building, the Caribbean Technological Consultancy Services Network (CTCS), agriculture and rural development, environmental sustainability including climate change (CC) and sustainable energy, disaster response, regional cooperation, building the enabling environment for the private sector development and capacity building in statistics and governance. Implementation of the SDF 9 programme will ultimately depend on the Bank's ability to remain relevant to its BMCs. In this regard, the reduction of the interest rate on SDF loans to 1% which became effective January 1, 2017, will give strong support to the work of the Bank.

2. This Report examines the operational performance of the Fund in its first year of SDF 9 relative to 2016 and where appropriate, previous years to better contextualise performance. The analysis also juxtaposes the 2017 out-turn against strategic themes, and planned activity as contemplated in the Contributors' Report. It highlights the operations of two flagship programmes under the Fund – BNTF and CTCS, and discusses the performance of the SDF portfolio. Additionally, the report calls attention to two issues affecting the Caribbean, namely vulnerability to natural hazards, and good governance and elaborates on the work that CDB has been doing in each. The analysis reports on results, and concludes with the financial outturn and medium projections of the Fund.

3. At \$95.9mn, total commitments in 2017 were slightly higher than for the previous year owing to a strong performance from grants. To a large extent, this was due to the inclusion of the BNTF allocation for SDF 9 of \$40mn. Even if the BNTF allocation is abstracted from the analysis, the underlying movement in grants is still positive with commitments increasing by approximately \$11mn on account of significant support to Haiti and assistance to address the fall-out from an overactive hurricane season. The grants performance is particularly noteworthy as it occurred within the context of the new SDF 9 cycle. In previous cycles, both grant and loan commitments declined in the first year as countries revisited programming against the backdrop of revised themes, set-asides and allocations. The performance of the loan portfolio was, however, more in line with the previous patterns for the first year of the cycle, as commitments declined to \$21.5 mn from \$71.8mn in 2016. During the year, 10 loans were approved compared with 17 in 2016 and 8 in 2015.

4. When analysed according to operational themes, the bulk of commitments in the first year of the SDF 9 cycle was in support of the SDGs, which accounted for 73.2% of total approvals (\$70.2mn). Given the comprehensive nature of the Bank's assistance, commitments tend to span more than one SDG. Nevertheless, some concentration could be seen on SDGs 1 (ending poverty), 2 (ending hunger and food security), 5 (gender equality), 8 (inclusive and sustainable growth), and 17 (strengthening the global partnership for sustainable development). Building resilience was the next largest category of activity due to weather systems, accounting for 24.9% of commitments (\$23.9mn) followed by regional cooperation and integration (RCI) and regional public goods (RPGs) at 1.9% (\$1.8mn). Notably the distribution of commitments across themes is consistent with the indicative allocation in the SDF Contributors' Report.

5. At the strategic level, the Bank made two significant gains with respect to country engagement in Haiti in 2017. The first, was the completion of negotiations for the establishment of a new CDB office in Haiti, scheduled to become operational in 2018. Additionally, the Board of Directors approved a new Country Strategy for Haiti in December 2017 with emphasis on: (a) boosting agricultural production; (b) increasing access to sustainable energy options; and (c) improving the quality of human capital and strengthening public sector capacity. The Country Strategy Paper (CSP) will provide the overarching framework for the utilisation of the set-aside under SDF 9 as well as concessionary loan funding over the period 2017-2021. In 2017, commitments to Haiti almost doubled to \$24.1mn while disbursements were \$8.6mn up from \$0.5mn a year earlier.

6. BNTF is CDB's main poverty reduction programme, providing grant financing to reduce the incidence of poverty in low-income vulnerable communities, primarily by improving access to new and upgraded basic social infrastructure and training. Under SDF 9, \$40mn was allocated to BNTF over four years. After an exceptional year in 2016, disbursements were lower at \$16.7mn due principally to the winding down of projects under BNTF 7 and 8. Nevertheless, during 2017, participating countries (PCs) completed 163 sub-projects under BNTF 7 and 8, a 220% increase over 2016, which delivered benefits to targeted groups and communities. Some early results include: (a) students (30,803 males and 20,298 females) benefitting from the construction or upgrading of 282 classrooms with additional educational support facilities such as bathrooms, administrative spaces, and facilities for the disabled; and (b) 9,309 households benefitting from expansion in their water systems including 12,644.1 m³ of additional water storage capacity and 52.1 km of new water supply lines.

SUMMARY DATA SHEET: 2013-2017

Item	2013	2014	2015	2016	2017
1. Resources					
No. of Contributors at Year-End	27.0	27.0	28.0	28.0	28.0
Historical Value of resources pledged (\$ mn)	1,245.5	1,245.5	1,246.2	1,246.2	1,412.8
Amount of Resources made available (\$ mn)	1,017.7	1,065.5	1,124.4	1,167.9	1,210.9
Accumulated Net Income (including currency adjustments)	55.0	61.4	52.9	51.5	46.9
Amount of Resources not yet made available (\$ mn)	113.4	85.9	81.8	-	-
Contributed Resources and Reserves (\$ mn)	1,186.1	1,212.8	1,259.1	1,219.4	1257.8
Amount of Resources approved but not yet effective (\$ mn)	55.6	36.5	16.4	11.9	41.7
Size of Fund (\$ mn)	1,241.7	1,249.2	1,275.6	1,231.3	1,299.4
of which allocation for grant programmes - Haiti, TA and BNTF (\$ mn)	349.9	405.6	430.6	455.6	485.4
Operating lending limit (\$ mn)	891.8	843.6	845.0	775.7	814.1
Loan commitments (Signed agreements less repayments) (\$ mn)	673.8	687.6	728.9	773.3	771.4
Commitments as % of operating lending limit	75.6	81.5	86.3	99.7	94.8
2. Loans and Grants					
Value of loan approvals during year (\$ mn)	30.0	68.2	63.0	70.6	21.5
No. of loans approved during year incl. TA Loans	4.0	19.0	8.0	16.0	9.0
Average size of Special Development Fund (Unified) [SDF (U)] Loans (\$ mn)	7.5	3.6	7.9	4.4	2.4
Cumulative loan approvals at year-end (\$ mn)	1,068.3	1,136.5	1,199.5	1,270.1	1,291.7
Value of loan cancellations during year (\$ mn)	2.6	1.5	4.9	0.4	7.6
Cumulative loan cancellations (\$ mn)	66.6	68.1	73.0	73.4	81.0
Cumulative net loan approvals at year-end (\$ mn)	1,001.7	1,068.4	1,126.5	1,196.7	1210.7
Grant approvals for the year (\$ mn)	18.0	19.1	31.2	23.3	74.3
Value of Grant cancellations during year (\$ mn)	0.4	1.4	0.2	0.1	0.0
Cumulative net grant approvals at year-end (\$ mn)	347.1	364.8	395.5	418.7	493.0
Total net cumulative approvals (\$ mn)	1,318.7	1,433.2	1,522.4	1,615.1	1703.6
3. Resource Flows (\$ mn)					
Disbursements on loans during year	62.7	49.0	39.1	28.2	30.0
Disbursements on grants during year (including BNTF)	33.9	23.9	19.8	37.0	31.6
Debt service from borrowers	37.0	34.3	37.7	44.4	47.1
(of which repayments)	22.3	22.7	26.6	28.5	30.1
Net transfers during year	59.6	36.8	21.2	20.8	14.5
Cumulative net transfers	483.4	520.2	543.2	564.0	578.5
4. Financial Summary					
Administrative expenses (\$ mn)	13.7	13.6	16.8	15.9	20.1
Net income (\$ mn)	(1.8)	0.4	(2.9)	(1.0)	(4.6)
Gross Loans Outstanding (\$ mn)	503.5	529.9	543.4	543.1	543.0
Administrative expenses/Average loans outstanding (%)	2.8	2.6	3.1	2.9	3.7
Interest earned on average loans outstanding (%)	2.4	2.2	2.3	2.3	2.3

SDF 9 OPERATIONAL STRATEGY

The operational strategy for SDF 9 has at its core, the principle of inclusivity while promoting poverty reduction through sustainable growth and development. It was formulated within the context of an expanded international development agenda through agreements reached on the SDGs; Financing for Development (Addis Ababa Action Agenda); and Climate Change at the United Nations Conference of Parties (Paris). The ninth cycle has three core, and three cross-cutting themes. Given limited resources, and the existence of other partners in the development space, selectivity and focus were guiding principles in arriving at the key themes. It was also determined that development effectiveness could be enhanced, and duplication reduced through partnerships with other key stakeholders, and by adopting regional solutions where appropriate. Consequently, the core themes are:

Support for the SDG targets relevant to the Caribbean and specific to SDGs 1, 2, 4, 6, 7, 8, 9, 10, 11, 13, and 17. With poverty reduction being the ultimate objective, the SDGs focus on inclusivity, equality and resilience as key components of sustainability. Principal components in this theme will be inclusive and equitable education and training, and the provision of resilient social and economic infrastructure.

Building resilience to CC and natural hazards events, and promoting sustainability. This is both a core and cross-cutting theme, explicitly recognising and provisioning for the need to respond to the incidence of natural hazards. It also acknowledges the threat posed to the Region by CC and prioritises accessibility of the Bank and BMCs to climate financing.

Promoting regional cooperation and support for RPGs. As BMCs pursue socio-economic advancement, they must seek out opportunities to benefit from economies of scale and scope if they are to overcome the constraints posed by small size. Deepening RCI and seeking regional solutions to shared development concerns has therefore been maintained as a core priority in SDF 9.

Cross-Cutting Themes

The cross-cutting themes are gender equality (GE), which is consistent with SDG 5, good governance (SDG 16) and environmental sustainability (SDG 13).

Other Strategic Issues

BNTF and Haiti

The Bank will continue to advance the work of BNTF through the increased allocation under SDF 9, and provide further support for Haiti as a country with special development concerns.

Reform Measures to Improve Institutional Capacity

This focuses principally on enhancing corporate governance and oversight; improving operational strategies, policies and guidelines; and strengthening BMC engagement.

Development Effectiveness and Reporting on Results

This focuses on enhancing capacity to develop and implement SDF 9 priorities as well as undertake programme and country strategy evaluations.

1. INTRODUCTION

1.01 The 2017 Annual Report of the SDF is the first review under SDF 9 which spans the period January 1, 2017 to December 31, 2020. The Report examines the operational performance of the Fund in 2017, relative to 2016 and where appropriate, previous years to better contextualise performance. The analysis also juxtaposes the 2017 out-turn against strategic themes, and planned activity to gauge performance.

1.02 The SDF continues to be an invaluable tool to the Bank as it works towards its mission of poverty reduction in BMCs. A necessary condition for poverty reduction is the achievement of sustainable and inclusive growth. While the SDF has always supported this tenet, the ninth cycle brought this principle to the fore with the explicit incorporation of the SDG targets relevant to the Caribbean as a core theme, in addition to the two other themes of environmental sustainability and promoting regional co-operation and public goods. Specific set-asides under SDF 9 include allocations for Haiti, BNTF, TA for capacity building, the CTCS, agriculture and rural development, environmental sustainability including climate change and sustainable energy, disaster response; regional cooperation, building the enabling environment for private sector development, and capacity building in statistics and governance.

1.03 Implementation of the SDF programme, will ultimately depend on the Bank’s ability to remain relevant to its BMCs. In this regard, the reduction of the interest rate on SDF loans to 1% which became effective January 1, 2017, will give strong support to the work of the Bank and increase the affordability of development finance for BMCs which are severely resource constrained. Contributors also approved the programme for the ninth cycle of the BNTF, the Bank’s leading programme for direct poverty reduction.

1.04 As the Bank strives to achieve its mandate, the operating environment remains challenging. The Region has always been vulnerable to a host of natural hazards such as hurricanes, floods, earthquake, volcanic eruption and tsunami. However, the 2017 Atlantic Hurricane Season was unusually active in terms of the number of named systems (17) and also featured three Category 5 hurricanes, Harvey, Irma and Maria. Hurricanes Irma and Maria passed through the Caribbean within two weeks of each other leaving death and widespread destruction in their wake [over 200% of Gross Domestic Product (GDP) in Dominica and the British Virgin Islands (BVI)]. These events highlight the need for the Region to focus, *inter alia*, on building fiscal buffers, constructing resilient infrastructure, ensuring the presence of adequate risk transfer mechanisms, in particular, insurance coverage through entities such as the Caribbean Catastrophe Risk Insurance Facility [CCRIF (SPC)], and enforcing building codes.

Table 1 – SDF-targeted SDGs
SDG1 – End poverty in all its forms everywhere.
SDG2 – End hunger, achieve food security and improve nutrition and promote sustainable agriculture.
SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.
SDG 5 – Achieve gender equality and empower all women and girls
SDG 6 – Ensure availability and sustainable management of water and sanitation for all.
SDG 7 – Ensure access to affordable, reliable, sustainable and modern energy for all
SDG 8- Promote inclusive and sustainable economic growth, full and productive employment and decent work for all.
SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
SDG 10 – Reduce inequality within and among countries.
SDG 11 – Make cities and human settlements inclusive, safe resilient and sustainable.
SDG 13 – Take urgent action to combat climate change and its impacts.
SDG 17 – strengthen the means of implementation and revitalize the global partnership for sustainable development.

1.05 Another critical development challenge which characterises the operating environment is governance, which is manifested in weak institutions, project implementation deficits, inadequate planning and regulatory frameworks and a lack of competitiveness especially when compared to Latin American counterparts. Added to these, lingering gender inequalities, high youth unemployment and addressing the needs of persons with disabilities present peculiar challenges in ensuring that growth is inclusive and that “no one is left behind.”

1.06 The 2017 SDF Annual Report reviews the operational performance of the Fund in 2017 and provides an outlook for the next three years. To better gauge the performance of and prospects for the SDF, the rest of the report is as follows. Section 2 examines the operational performance and highlights critical interventions under the thematic areas, while Section 3 assesses development results achieved from ongoing projects during the first year of SDF 9. Section 4 reports on programme levels and financial resources available during the ninth cycle along with planned versus actual commitments. The final section shows the financial performance of the Fund for 2017 and makes projections for the period 2018-2020.

2. OPERATIONAL PERFORMANCE OF SDF 9 IN 2017

2.01 This chapter highlights the progress of the SDF in supporting the Bank’s objectives. Information on commitments and disbursements is presented, as well as an assessment of the initial allocation vis-à-vis commitments to date and a comparison with the previous SDF cycle. Operational performance is also tracked according to commitments consistent with the agreed-to grant set-asides and importantly, the SDF 9 themes which are the main strategic pillars of engagement for SDF.

COMMITMENTS

2.02 At \$95.9mn, total commitments in 2017 were marginally higher than in the previous year owing to a strong performance from grants (see Chart 1). To a large extent, this reflected the inclusion of the BNTF allocation for SDF 9 of \$40mn (see Table 2). However, even if the BNTF allocation is abstracted from the analysis, the underlying movement in grants is still positive with commitments increasing by approximately \$11 mn. The grants performance is particularly noteworthy as it occurred within the context of the new SDF 9 cycle. In previous cycles, both grant and loan commitments declined in the first year as countries revisited programming against the backdrop of revised themes, set-asides and allocations. Grant commitments reflect significant support to Haiti in 2017 coupled with approvals triggered by an overactive hurricane season as well as support for building regional procurement capacity. The performance of the loan portfolio was more in line with the previous patterns for the first year of a cycle, as commitments declined to \$21.5mn from \$71.8mn in 2016. During the year, 10 loans were approved compared with 17 in 2016 and 8 in 2015.

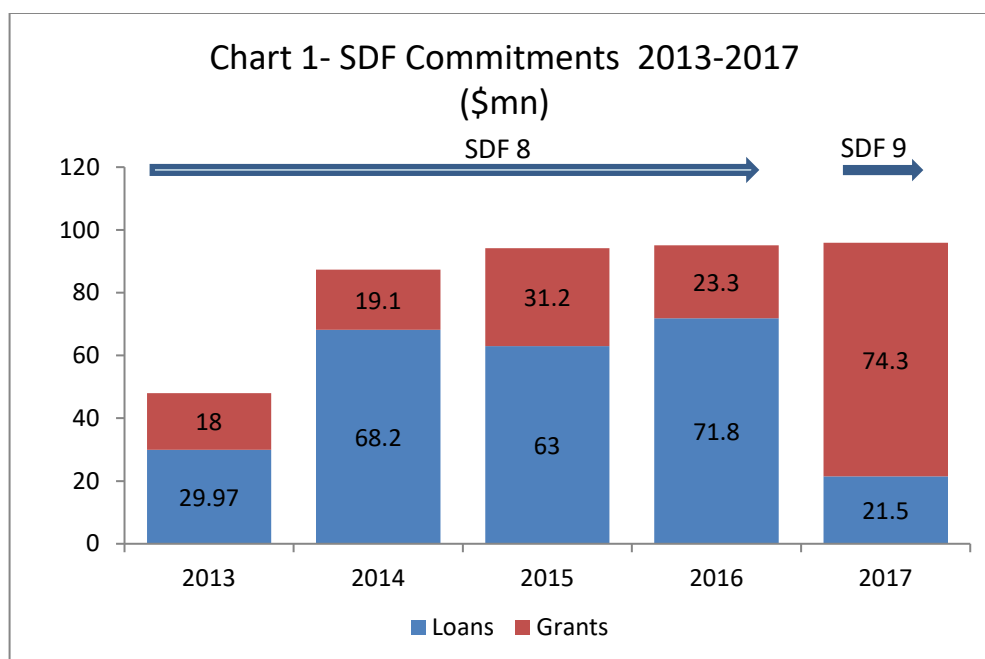


TABLE 2: ANNUAL COMMITMENTS 2013-2017

(\$mn)

Item	SDF8		SDF 9		
	2013-2016	Average	2017	% of Allocation	Indicative Allocation
Loan Commitments	233.0	58.3	21.5	9.1	236.0
Grant Commitments:					
Haiti	43.5	10.9	24.1	53.6	45.0
BNTF	10.0	2.5	40.0	100.0	40.0
TA of which:					
Capacity building	11.3	2.8	1.2	13.3	9.0
CTCS	4.0	1.0	0.8	26.2	3.0
Agriculture and Rural Development	2.1	0.5	1.3	42.0	3.0
Environmental Sustainability, Climate Change and Sustainable Energy	4.3	1.1	0.9	31.1	3.0
Disaster response	3.0	0.8	1.6	53.3	3.0
Citizen Security	3.9	1.0	-	-	-
RCI and RPG	9.5	2.4	1.8	45.0	4.0
Private Sector Enabling Environment	-	-	0.6	20.0	3.0
BMCs Capacity Building (Statistics and governance)	-	-	2.0	33.3	6.0
Total Grant Commitments	91.6	22.9	74.3	62.4	119.0
Total Commitments	324.6	81.2	95.9¹	27.0	355.0

¹ Totals may not sum due to rounding. For detailed commitments see Appendix IV.

Loans

2.03 The majority of loans were to assist BMCs' recovery efforts following damage caused by extreme rainfall events and Hurricanes Irma and Maria. Consequently, most loan interventions were under the theme of building resilience to climate change and natural hazards events, and promoting sustainability. The Bank approved five immediate response loans (\$3.8mn) and two rehabilitation and reconstruction loans to Antigua and Barbuda and BVI, the SDF component of which totalled \$9.9mn. Other loans were to Grenada in support of: (a) the Climate Smart Agriculture and Rural Enterprise Programme (\$5mn) which will help entrepreneurs in poor rural communities to own and operate businesses that incorporate new technologies and practices that build resilience to climate change; and (b) Strengthening Food Safety Management Systems (\$0.9mn) to bring the fresh fruits and vegetables sub-sector in line with internationally accepted standards. The other major intervention was the Ninth Consolidated Line of Credit to Dominica (\$2mn) to fund housing, education and social development.

Grants

2.04 Grant commitments rose more than threefold in 2017 largely on the basis of the BNTF allocation of \$40mn approved under SDF 9. Haiti received the bulk of the other SDF commitments, which almost doubled the previous year's approvals. Key interventions in Haiti were in education, building capacity for disaster risk management (DRM) and CC in Ile a Vache and supporting Haiti in meeting its commitment to CCRIF SPC. The unusually active hurricane season precipitated an increase in commitments for disaster response. The Bank approved five emergency relief grants to Antigua and Barbuda, Anguilla, BVI, and Guyana. Environmental sustainability, climate change and sustainable energy also registered an uptick in commitments as the Bank supported BMC participation at the United Nation's Framework Convention on Climate Change and research on climate change. Two new set-asides approved under SDF 9 to support the creation of the private sector development, and build capacity in governance and statistics got off to good starts in 2017. With respect to the former, there was an approval to establish a Cultural and Creative Industries Fund which will focus on, *inter alia*, legislative and policy reforms to support the sector, increase the quality and dissemination of information on cultural industries, and enhance the technical capacity of MSMEs to improve their competitiveness. In the case of governance and statistics, several interventions were approved to strengthen implementation capacity. Box 2 elaborates on some of the Bank's work in governance in 2017.

2.05 When analysed according to operational themes, in the first year of the SDF 9 cycle, the bulk of commitments was under the theme of the SDGs, which accounted for 73.2% of total. Given the comprehensive nature of the Bank's assistance, commitments tend to span more than one SDG. Nevertheless, some concentration could be seen on SDGs 1 (ending poverty), 2 (ending hunger and food security), 5 (gender equality), 8 (inclusive and sustainable growth), and 17 (strengthening the global partnership for sustainable development). Building resilience was the next largest category of activity, accounting for 24.9% of commitments, followed by RCI and RPGs at 1.9% (See Table 3 below). Notably the distribution of commitments across themes is consistent with the indicative allocation in the SDF Contributors' Report.

TABLE 3: SDF 9 STRATEGIC OPERATIONAL THEMES (2017)

	Loans	Grants	Total Commitments	% of Total Commitments	% of Indicative allocation	Indicative Allocation (loans and grants)
SDGs	7.9	62.3	70.2	73.2	26.8	262
Building Resilience Environmental Sustainability and Climate Change	13.7	10.2	23.9	24.9	28.5	84
Regional Co-operation and Regional Public Goods	0.0	1.8	1.8	1.9	20.0	9
Total	21.5	74.3	95.9	100.0	27.0	355

DISBURSEMENTS

2.06 Total disbursements fell by 5.5% to \$61.6mn, on account of a decline in grant disbursements primarily under BNTF. This was due principally to the closing out of projects under previous cycles and reduced implementation capacity in Dominica as a result of Hurricane Maria. This notwithstanding, BNTF disbursed \$16.7mn, which is well above the average disbursement under SDF 8. TAs were also down slightly when compared to 2016 but still managed to remain above average for the previous cycle. In contrast, Haiti recorded a near two-fold increase in disbursements owing largely to the implementation of projects in the education sector. With respect to loans, Bank outlays were also slightly higher (6.4%), reflecting to a large extent, disbursements to Guyana (\$8.8mn) which consisted of work to build resilient road and sea and river defences, St. Lucia (\$5.1mn) comprising policy-based loan (PBL) proceeds and rehabilitation from Hurricane Tomas, and Belize (\$4.3mn) for support to the social investment fund and youth and community transformation.

TABLE 4: ANNUAL DISBURSEMENTS 2013-2017
\$mn

Item	SDF 8		SDF 9
	2013-2016	Annual Average	2017
Loan Disbursements	178.5	44.6	30.0
Grant Disbursements			
TA	20.4	5.1	5.6
Haiti	44.3	11.1	8.6
BNTF	49.6	12.4	16.7
Total Grant Disbursements	114.3	28.6	31.6
Total Disbursements	293	73.3	61.6

SDF 9 THEMATIC AND PROGRAMME HIGHLIGHTS

Expected Outcomes of SDF 9 Projects

2.07 In the first year of SDF 9, resources were approved under the themes of: (a) supporting the attainment of selected SDGs; (b) building resilience to CC and natural hazard events and promoting environmental sustainability; and (c) promoting regional cooperation and RPGs. Gender equality, good governance and environmental sustainability were treated as cross-cutting themes to be mainstreamed in all Bank assistance. This section highlights some of the SDF projects approved under these themes and programmes in 2017 and provides an insight into the expected outcomes of the assistance.

Supporting the SDGs

2.08 Since 2001, global development goals have played a fundamental role in shaping the Region's development agenda, and supported the Bank's engagement with BMCs. For the SDF 9 cycle, the Bank agreed to support selected SDGs to advance regional transformation². The largest intervention in 2017 was a \$16mn grant to Haiti to improve the access and quality of basic education, consistent with SDG 4. Other assistance achieved congruence with SDGs 1, 2, 8 and 10 through approvals for agricultural and enterprise development initiatives in Grenada and Dominica. Importantly, the Bank was able to build on its commitment to partnership and cooperation with other development partners to maximise development outcomes in BMCs. Consistent with SDG 17, the Bank partnered with the WB in the education sector in Haiti and with International Fund for Agricultural Development (IFAD) in agriculture in Grenada. Table 5 below highlights some SDF interventions in 2017 and related SDGs.

Building Resilience to Climate Change and Natural hazard Events, and Promoting Environmental Sustainability (SDG 13)

2.09 The Region's vulnerability to natural hazards such as hurricane, flood, earthquake and landslides has been well documented. The Caribbean Regional Technical Assistance Centre (CARTAC) (2017) indicated that Caribbean countries are among the top 25 most vulnerable in the world and over the period 1970 to 2016 had been hit by 324 disasters (on average 5 per year), killing 250,000 persons and affecting 24 mn people. In the absence of appropriate mitigation and adaptation measures, the situation will be exacerbated by the effects of climate change, which include changes in precipitation patterns; increased air temperatures and sea surface temperatures; and higher incidences of extreme weather, including the increasing intensity of hurricanes. The increased incidence of natural hazards in 2017 led to a marked increase in assistance being approved to restore quality of life and productive capacity. During the year, the Bank approved approximately five emergency relief grants to Anguilla, Antigua and Barbuda, the Bahamas, BVI and Guyana; five immediate response loans comprising three to BVI, one to Antigua and Barbuda, one to St. Lucia; and two reconstruction loans to BVI and Antigua and Barbuda. Indeed, the SDF loan component of assistance (\$13.7 mn) accounted for more than half of concessional lending in 2017. These interventions are not only critical in returning countries to a positive growth trajectory but also in improving resilience to future natural hazard events.

² SDG 1 – End poverty in all its forms everywhere; SDG 2 – End hunger, achieve food security and improve nutrition and promote sustainable agriculture; SDG 4 – Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all; SDG 5 – Achieve gender equality and empower all women and girls; SDG 6 – Ensure availability and sustainable management of water and sanitation for all; SDG 7 – Ensure access to affordable, reliable, sustainable and modern energy for all; SDG 8- Promote inclusive and sustainable economic growth, full and productive employment and decent work for all; SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation; SDG 10 – Reduce inequality within and among countries; SDG 11- Make cities and human settlements inclusive, safe resilient and sustainable; SDG 13 – Take urgent action to combat climate change and its impacts; SDG 17 – Strengthen the means of implementation and revitalize the global partnership for sustainable development.

TABLE 5: KEY SDF INTERVENTIONS AND EXPECTED OUTCOMES

Country	Selected Interventions	Key Activities	Expected Outcomes	SDF-targeted SDGs
Dominica	Consolidated Line of Credit (\$2mn)	On-lending for student loans, mortgage finance; strengthening capacity in climate risk assessment and gender credit analysis of loans by the Dominica Agricultural Industrial and Development Bank and the Student Loan Advisory Council.	An increase in the number of students graduating from post-secondary and training programmes; improved housing for low and middle-income households; strengthened institutional capacity to assess and manage climate change risks and GE in the project appraisal.	4,5,8,13
Grenada	Climate Smart Agriculture and Rural Enterprise Programme (joint with IFAD) (\$5mn).	CDB components were mainly for the rehabilitation and climate proofing of rural roads and drainage systems; the rehabilitation and/or expansion of off-farm irrigation systems incorporating climate resilient measures; training of farmers/farmer groups in irrigation system operations and management.	Increased capacity of rural communities to sustain their livelihoods	2,5,6, 8,9,10,17
Haiti	Quality enhancement in Public Education. Part of wider programme funded by WB (\$16mn).	Assistance to strengthen the technical capacity of relevant units in the Ministère de l'Éducation Nationale et de la Formation Professionnelle MENFP, including the directorates of primary and secondary education, designing and implementing community education plans, school feeding, including deworming and nutritional supplements; providing instructional and content knowledge enhancement for teachers, student enrolment grants.	Improved quality of and access to non-public and publicly-supported basic education, particularly in poor and vulnerable communities.	1,2,4,5,10, 17
Suriname	Neighbourhood policing - safety and security, enjoyed, respected, and valued by everyone	This intervention targets some of the key settlements in Suriname. It emphasises proactive problem-solving policing, partnership and relationship building and crime prevention. The Ministry of Justice and Police through Korps Politie Suriname will seek to strengthen institutional and individual capacity by building on existing initiatives at the institutional and community levels	To strengthen the capacity of the Korps Politie Suriname and the neighbourhood watch groups to implement a gender-responsive, inclusive and participatory neighbourhood policing programme at the community level with a view of improving safety, security and overall wellbeing of residents.	11

2.10 Other CDB interventions in this theme have focused on, *inter alia*, supporting DRM and CC in Haiti, institutional strengthening to assist BMCs in securing concessional financing, facilitating the Caribbean's agenda at international conferences, and identifying opportunities for entrepreneurs in the area of environmental sustainability/CC. The grant to Haiti of around \$4.6mn is multifaceted. It is intended to (a) increase the capacity of central government, local authorities and communities to engage in planning for climate resilience and DRM in Ile a Vache primarily through the completion and integration into national agencies of DRM; (b) strengthen capacity to implement viable and sustainable fisheries; (c) improve access to potable water and information for effective water resources management; and (d) increase access to efficient, affordable electricity for households, businesses and public administrative services.

2.11 The United Nations Environment Programme Adaptation Finance Gap Report (2016), estimated that the cost for developing countries to adapt to CC could range from \$140 billion (bn) to \$300 bn by 2030. Given ongoing fiscal constraints and capacity limitations, ensuring that BMCs are able to take advantage of concessional financing to lessen the impact of CC is paramount. In 2017, the Bank approved resources for a regional technical workshop aimed at strengthening the capacity of BMCs to develop Green Climate Fund projects in the water and urban sectors. Resources were also approved to enhance BMCs' understanding of the Adaptation Fund's project development process/project cycle and project proposal requirements.

Regional Cooperation and Integration

2.12 For Caribbean islands, regional integration and the adoption of regional approaches to common problems offer tremendous opportunities to overcome challenges associated with small size. In this regard, CDB approved a grant to the Regional Security System (RSS) to conduct an organisational and strategic review of the RSS and for the development of a policy on corruption, fraud and bribery and a risk management system (including training and guidelines for implementation). The expected outcomes of the assistance are to enhance both the integrity framework of the RSS as well as the operational effectiveness and efficiency.

2.13 The issue of de-risking has been particularly vexing given the disruption to private sector operations and the potential impact on remittances especially for those countries that are heavily dependent such as Jamaica, Haiti and Guyana. Given the shared impact on BMCs, a regional approach was deemed to be most efficacious. There are three components to the Bank's assistance in correspondent banking namely: (i) supporting BMCs in strengthening compliance with international financial integrity standards and the Financial Action Task Force through national risk assessments that will feed into national action plans and the upgrading of laws; (ii) strengthening the technical capacity of financial institutions (banks and credit unions) to conduct Customer Due Diligence and adopt best practices for the collection of Beneficial Ownership information; and (iii) improving public-private sector coordination with regulators to more effectively address de-risking and develop an on-going mechanism for dialogue.

2.14 The capacity of the Region to compete in an increasingly competitive environment requires that labour is not only skilled, but that labour markets are flexible. The Bank therefore approved resources to undertake a detailed review of the three components of the factor mobility regime: (i) the rights of establishment; (ii) free movement of service providers for the temporary provision of services; and (iii) free movement of skills.

CDB IN HAITI

2.15 At the strategic level, the Bank made two significant gains with respect to country engagement in Haiti in 2017. The first, was the work towards establishing a physical presence outside of host country Barbados and in this regard, the Bank expects that its Haiti office will be launched in 2018. Additionally, the Haiti CSP (2017-2021) was approved in December 2017 with emphasis on: (a) boosting agricultural production through upgrading production and marketing infrastructure and services, and capacity enhancement; (b) increasing access to sustainable energy options; and (c) improving the quality of human capital and strengthening public sector capacity. CDB will also ensure that GE, environmental sustainability and energy are mainstreamed across all interventions. The CSP will provide the overarching framework for the utilization of the set-aside under SDF 9 as well as indicative concessionary loan funding up to \$55mn.

2.16 In 2017, with the commencement of construction on four primary schools in the Education for All Phase 2 Project, CDB brought the Government of Haiti closer to its goal of promoting greater participation of the state in the delivery of education services across the country. It is expected that these schools will be completed by mid-2018 and will open under the leadership of MENFP to serve their communities in September 2018.

2.17 Implementation of a number of aspects of the project was curtailed as a result of the need to reallocate funds to support the emergency response in the education sector following the impact of Hurricane Matthew in October 2016. Activities impacted included teacher training and capacity building for MENFP. CDB agreed to a reallocation of \$2.25 mn to, *inter alia*, rehabilitate significantly damaged infrastructure, provide additional school feeding, and replace damaged resources. While these emergency response activities continued well into 2017, implementation of a number of other components of the project was completed. These include the tuition

waiver programme in which CDB facilitated the participation of 24,163 students to complete the primary cycle of schooling, exceeding the target of 20,000 students set at appraisal. Targets for school feeding were also exceeded. Twenty-one thousand, six hundred and twenty students were supported under the regular programme and another 6,607 were fed as part of the Hurricane Matthew emergency response, significantly exceeding the 6,000 students originally targeted.

2.18 A number of activities to strengthen the capacity of MENFP to manage the system were also completed. These include collection of national census data, piloting of a Quality Assurance System, capacity building for officers responsible for multi-grade programming, development of the 2016-2020 Operational Plan for the sector, development of a scorecard for the evaluation of non-public schools receiving donor support and the undertaking of technical studies to track the impact of individual project components. The instruments developed will be used in the Quality Enhancement in Public Education project approved in December 2017 to incentivise and enable non-public schools to achieve minimum standards, as MENFP seeks to demand accountability from non-public entities delivering services in the sector.

2.19 CDB launched the Technical and Vocational Education and Training (TVET) Enhancement Project aimed at expanding the supply of skilled and employable labour for the priority sectors, through increased and equitable access to high quality and relevant TVET for both males and females. The Project will support the reconstruction of the largest TVET Centre in Port-au-Prince, the St. Martin TVET Centre, which will have the capacity to provide skills development to over 1,500 trainees annually. The initiative will also provide support for at-risk learners, the participation of women in non-traditional TVET programmes and the development of a National Qualifications Framework and a Gender Strategy for TVET in Haiti.

BNTF - SDF RESOURCES ADDRESSING THE NEEDS OF THE REGION'S MOST VULNERABLE

2.20 BNTF is CDB's main poverty reduction programme, providing grant financing to reduce the incidence of poverty in low-income vulnerable communities primarily by improving access to new and upgraded basic social infrastructure and training.

2.21 During 2017, activities of the BNTF Implementing Agencies (IAs) in the ten BNTF PCs of Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and Turks and Caicos Islands (TCI), focused primarily on project completion under the concurrent BNTF 7 and 8 programmes. A reduction in disbursement in 2017 to \$16.7mn when compared to 2016 mainly reflects the winding down of projects under BNTF 7 and 8. Additionally, disbursements were impacted by the destructive Category 5 Hurricane Maria which struck the island of Dominica on September 19, 2017, which was still recovering from the impact of Tropical Storm Erica on August 29, 2015. The departure of experienced BNTF Project Managers in Grenada, St. Vincent and the Grenadines, and Guyana and the long period to fill these positions also slowed implementation and reduced the disbursement rate.

2.22 Nevertheless, during the year, PCs completed 163 sub-projects under BNTF 7 and 8, a 220% increase over 2016, and delivered early benefits to targeted groups and communities. Some countries like Dominica, Guyana and St. Lucia were timely in programming savings realised from completed sub-projects or completed commitment of remaining resources under all other components of their Projects. Some 18 additional sub-projects (8 under Education and Human Resource Development, 8 in Water and Sanitation and 2 in Basic Access and Drainage) were approved for a value of \$4.76mn (\$3.14mn under BNTF 7 and \$1.62mn under BNTF 8).

2017 Results

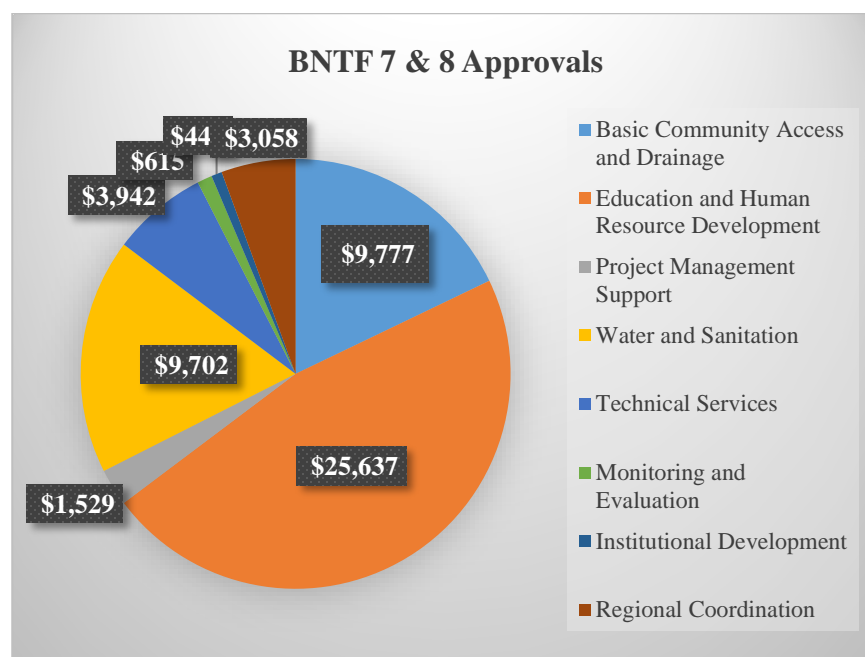
2.23 A total of 119 sub-projects were completed under BNTF 7 while 44 were completed under BNTF 8. For 2017, indicators of success are aligned with SDF Level 2 and BNTF specific indicators.

- 51,101 students (30,803 males and 20,298 females) benefited from the construction or upgrading of 282 classrooms with additional educational support facilities such as bathrooms, administrative spaces, and facilities for the disabled.
- 351 teachers (79 males and 272 females) received training and certification in specific areas of early childhood education.
- 8,071 beneficiaries (4,326 females and 3,745 males) of community-based citizen security interventions under the Youth at Risk – Violence Prevention against Children in Jamaica.
- A total of 22,021 persons (11,764 males and 10,257 females) graduated from various training activities across the BNTF PCs, a significant number with National or Caribbean Vocational Qualifications in the area of training.
- A total of 9,309 households benefitted from expansion in their water systems including 12,644.1 m³ of additional water storage capacity and 52.149 km of new water supply lines.
- 16,611 persons (7,638 males and 8,973 females) benefited from 22.9 km of new or upgraded community road infrastructure including farm access roads.
- Approximately 11,302 (5,096 male and 6,206 females) benefitted from 6 newly constructed or upgraded basic community infrastructure in St. Lucia.
- Some 0.043 Megawatts of renewable energy capacity was installed in the hinterland regions of Guyana and Belize mainly on new or upgraded indigenous schools and water systems.

2.24 By the end of 2017, an additional \$3.14mn was approved for 13 sub-projects under BNTF 7 from balances, savings on completed sub-projects or from sub-project cancellations. Approximately 97% of the BNTF 7 country allocation has been approved. Under BNTF 7, cumulative disbursement increased by \$10.7mn. Similarly, during the same period, an additional \$1.62mn for five sub-projects under BNTF 8, was approved. Approximately 97% of the BNTF 7 country allocation has been approved. Under BNTF 8, cumulative disbursement increased by \$5.9mn.

**TABLE 6: BNTF 7 & 8 ALLOCATIONS, APPROVALS AND DISBURSEMENT
AS AT DECEMBER 31, 2017**

Item	Revised Allocation	Approvals	Allocation Approved	Disbursement		Rate of Disbursement
	(\$'000)	(\$'000)	%	(\$'000)	%	%
Countries						
Belize	7,706	7,643	99.2	6,769	15.9	88.6
Dominica	5,711	5,409	94.7	3,367	7.9	62.2
Grenada	3,299	3,300	100.0	2,934	6.9	88.9
Guyana	7,851	7,826	99.7	7,167	16.8	91.6
Jamaica	8,715	8,297	95.2	7,689	18.0	92.7
Montserrat	2,243	2,201	98.1	1,998	4.7	90.8
St. Kitts and Nevis	2,108	1,896	90.0	1,832	4.3	96.6
St. Lucia	6,352	6,240	98.2	5,602	13.1	89.8
St. Vincent and the Grenadines	5,177	5,059	97.7	4,644	10.9	91.8
Turks and Caicos Islands	786	759	96.6	633	1.5	83.4
Sub-Total	49,948	48,630	97.4	42,635	100.0	87.7
Regional Coordination	7,172	6,193	86.4	5,430		87.7
Total	57,120	54,823	96.0	48,065		87.7



Feature: A New Era of Rehabilitation and Reintegration under Project Reach

“The process of just locking somebody up does not cut it, but if you find something for them to do, looking for avenues to occupy their time, you would be able to help.” Mr. Christopher Stroude, Social Worker, Her Majesty’s Prison.



The life of prisoners in Grenada consisted mainly of idleness, depression, frustration and non-productive activities prior to the introduction of Project Reach in 2013. However, with the second installation of the programme between 2015 and 2016, the positive reputation of that project as a rehabilitation and reintegration intervention was cemented. Utilising funding obtained through the BNTF Programme in Grenada, 28 inmates aged 18 – 35 years, slated for release, benefitted from training in soft skills, community sports, small business

training and direct vocational skills training. Specific focus was paid to soft skills such as life skills, literacy, numeracy and spiritual development all complemented by the provision of weekly counselling services either in groups or individually. The small business training included, Small Business Labs, Small Engine Repairs, Crop Production and Poultry Rearing. A total of XCD175,000 was allocated to support these activities. Of the 28 inmates who started the programme, 26 inmates completed the training, all receiving various levels of Caribbean Vocational Qualification certification in the various disciplines. Additionally, upwards of 66 Correctional Officers of Her Majesties Prison staff also received training in life skills, helping to craft a more facilitative environment for the rehabilitation efforts underway at Her Majesties Prison and leading to improvements in officer/inmate relationships. Further, in order to provide one-on-one aftercare and support for prisoners upon release, 19 case managers were trained, creating a critical link to resources and services which ex-inmates may require as they reintegrate into society. Some impacts of the projects are detailed below in the words of the inmates themselves:

“The first time I came to prison, I never really worked on myself. Project Reach helped me to really look within myself and pull it out and be a better person. Check myself so to speak.” Inmate 1
“That training make me focus businesswise. I want to have my business. Be on my business and not waste time.” Inmate 2

BNTF Partnering Against Poverty

2.25 In March 2017, Contributors to SDF 9 approved a contribution of \$40 mn to the Ninth Programme of the Basic Needs Trust Fund (BNTF 9) for eight PCs of Belize, Dominica, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Vincent and the Grenadines and Suriname. An amount of \$0.78mn was subsequently approved to include Montserrat in BNTF 9 operations. Government of the nine PCs will provide an additional \$6.778mn in counterpart resources. During 2017, approximately \$0.058mn was disbursed. BNTF 9 is expected to be fully implemented by December 31, 2020.

TABLE 7: BNTF COUNTRY ALLOCATIONS

Item	Revised Allocation
	(\$'000)
Countries	
Belize	4,540
Dominica	2,939
Grenada	2,543
Guyana	6,145
Jamaica	7,521
Montserrat	780
St. Lucia	2,967
St. Vincent and the Grenadines	2,945
Suriname	800
Unallocated Incentive	5,200
Sub-Total	36,380
Regional Coordination	4,400
Total	40,780

2.26 Project launch workshops were completed in the last quarter of 2017 in five PCs with the other launch workshops planned for early in 2018. PCs are also in the process of preparing their country policy framework documents which will guide the use of BNTF resources in each PC. An institutional and organisational assessment was initiated in August 2017 to establish a governance mechanism for the delivery of BNTF programming in Suriname, BNTF's newest PC.

CARIBBEAN TECHNOLOGICAL CONSULTANCY SERVICES NETWORK – 2017

2.27 In 2017, CDB approved and disbursed \$0.806mn and \$0.646mn, down from \$1.3mn and \$0.9mn the previous year. These resources facilitated the implementation of 45 TA development activities for MSMEs under the Bank's CTCS Network. These activities comprised primarily workshops and in-plant assistance aimed at enhancing the managerial capacity and operational efficiency of MSMEs, as well as institutional strengthening of business support organisations.

2.28 As at December 31, 2017, a total of 23 TA activities were completed, while 15 were under implementation. Consequently, 863 business people (531 men and 332 women) benefitted from completed and ongoing activities some of which are highlighted below. An assessment of the outcomes of completed activities revealed that 90% (487 men and 289 women) of beneficiaries confirmed that their knowledge and skills had increased and 51% (224 men and 183 women) of beneficiaries confirmed that they were equipped to improve their operations.

2.29 CTCS Network also prioritised compliance with international standards by MSMEs as an important mechanism to boost competitiveness, and continued to provide support in this important area. One such project completed in 2017, was the development of a quality management system for the Citrus Research and Education Institute laboratory in Belize that is compliant with ISO/International Electrotechnical Commission 17025, and which would allow MSME citrus growers in Belize and across the Region to have improved access to affordable and accredited testing services. The Plant World Nursery also received training to meet the requirements for ISO 9001 for accreditation for specified tests. A total of eight persons (4 men and 4 women) were trained and the Plant World Nursery will pursue accreditation in 2018.

2.30 CTCS Network also continued to collaborate with the Caribbean Tourism Organisation to provide training for the Hospitality Assured Certification Programme for the Caribbean to improve the competitiveness of tourism-related MSMEs. The Hospitality Assured Certification Programme for the Caribbean is aimed at promoting a culture of quality, service excellence and continuous improvement. At the end of 2017, a total of 12 MSMEs from Belize, Guyana, St. Lucia, St. Kitts and Nevis and St. Vincent and the Grenadines, had already signed on to the Programme and have started receiving in-plant TA to restructure internal processes and institute systems as prerequisites for assessment to obtain Hospitality Assured Certification.

2.31 Cognizant of the importance of promoting innovation in sustainable agriculture development, the Bank also approved Capacity Building Support for Aquaponics Farmers and Trainers in Jamaica, which should result in at least 20 extension officers and 45 potential and existing farmers being trained in aquaponics farm management and the development of an online training programme that can be utilised by other BMCs. Additionally, two five-day workshops, Managing an Apiary and Recordkeeping and Marketing for Beekeepers, were conducted in Guyana to increase the understanding of apiary and business management among women and youth so that they may use the knowledge gained to start apiaries. A total of 25 persons (22 men and 3 women) were trained.



*Managing an Apiary Workshop:
Bee Wax after harvesting at Long Creek Apiary, Guyana*

2.32 CTCS Network continued its efforts to support the cultural and creative industries, recognising the potential contribution of the sector towards addressing high unemployment levels, particularly for youth in its BMCs. In this regard, the Bank conducted Business of Music in the Caribbean Developmental Workshops. During 2017, one workshop was completed in Jamaica, which focused on Women in Music, Fundamentals of the Business of Music, Negotiating and Managing Contracts, and Accessing International Markets. A total of 398 persons were trained (229 men and 169 women). The workshops are expected to be replicated in Belize and Trinidad and Tobago in 2018.



Business of Music workshop: Panel discussion with facilitators

2.33 As part of CDB’s revised Energy Sector Policy and Strategy, the Bank revisited its lending products to better support its BMCs in transforming the energy landscape and achieving security in the energy sector. To this end, CDB developed a pilot loan product for development finance intermediaries to facilitate energy efficiency (EE) and renewable energy (RE) lending to MSMEs. In 2017, six MSMEs in Belize benefited from full energy audits which were conducted to provide an assessment of their current state of the energy performance, and identify cost-effective and feasible EE and RE measures that can be implemented to improve EE in their operations. The energy audits will, therefore, facilitate those MSMEs in securing funding for EE and RE projects.

2.34 Recognising the potential opportunities for MSMEs to benefit from procurement opportunities, CTCS Network facilitated training of Artisans and Small Contractors in TCI to improve bid competitiveness, project management and costing techniques. A total of 69 artisans and small contractors (56 men and 13 women), inclusive of technical students of the Community College and technical officers of the Ministry of Infrastructure, Housing and Planning in TCI were trained in the use of Computerised Job Estimation Techniques, a computerised tool, which was developed by CTCS Network specifically for artisans and small contractors.



Computerised Job Estimation Techniques Workshop in Turks and Caicos Islands: Participants

2.35 Training in Managing for Development Results (MfDR) to Business Support and Community Development Organisations in Haiti: CTCS Network, in collaboration with Société Financière Haïtienne de Développement S.A (SOFIHDES), conducted a five-day workshop in MfDR for business support and community development organisations that provide financing and TA to MSMEs in Haiti.

2.36 Thirty officials (26 men and 4 women) comprising mid-level to senior staff engaged in the design and/or implementation of MSME development programmes and projects. Participants were equipped to design results-focused projects, taking into consideration gender equality perspectives and principles and gender reporting. In addition, they were provided with programme and project thinking tools, which can be applied in MfDR, including designing and working with Results Monitoring Framework (RMF). The workshop included a strong element of a Train-the-Trainer approach so that participants can train others in their organisations and other relevant organisations in their respective communes/departments, thus effectively cascade the training and add a considerable multiplier effect to the overall impact of the workshop.



MfDR Workshop in Haiti – Participants, including facilitators

A summary of the number of beneficiaries from CTCS Network activities in 2017 is provided in Table 8 below.

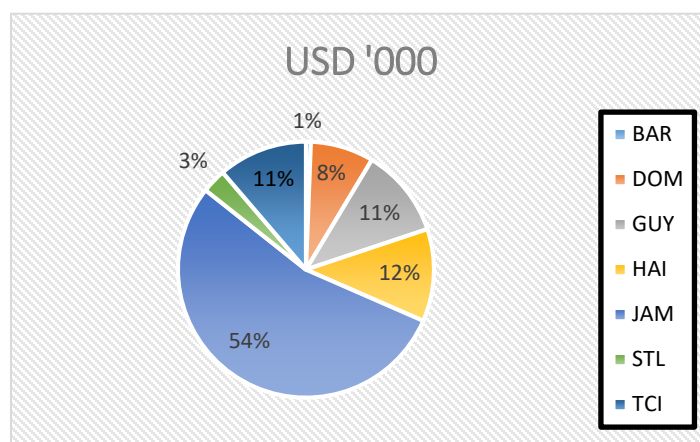
TABLE 8: CTCS TECHNICAL SKILLS TRAINING CONDUCTED (2017)

Sector/Sub-Sector	No. of Beneficiaries		
		Women	Men
General management and business development	28	17	11
Agriculture and agro-processing	28	4	24
Construction related activities	303	77	226
Tourism-related activities	40	33	7
Creative industry-related activities	398	229	169
Institutional strengthening	66	32	34
Total	863	392	471

**TABLE 9: DISTRIBUTION OF CTCS NETWORK
APPROVALS AND DISBURSEMENTS BY COUNTRY (2017)**

Country	Approvals	Disbursements
Belize	-	36,124
Dominica	39,351	34,497
Grenada	-	6,700
Haiti	56,805	121,325
St. Lucia	14,680	14,580
TCI	54,574	54,945
Bahamas	-	3,150
Barbados	2,950	25,811
Guyana	55,004	57,518
Jamaica	264,209	98,490
Regional	318,689	192,801
Total	806,262	645,941

BENEFICIARY BMCs' SHARE OF CTCS APPROVALS (2017)



SDF PORTFOLIO ANALYSIS

Introduction

2.37 The quality and performance of the SDF portfolio is measured by a Project Performance Index (PPI), using a composite score derived from the application of the Project Performance Evaluation System (PPES). This composite score is an indicative measure of the likely impact of the project relative to the Bank's development assistance objectives, and is the sum of the weighted scores of six core criteria: *strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact, and sustainability*.

2.38 The performance rating of the SDF portfolio in 2017 could be categorised as favourable. There were 43 projects in the portfolio with a value of \$315mn compared with 51 with a value of \$330.3mn in 2016. Approximately two-thirds of the projects were highly satisfactory while 30% were satisfactory and 2% (1 project) were marginally unsatisfactory. Notably, this project was fully disbursed in 2017. This performance

rating compares with 52.9% of the portfolio scoring highly satisfactory and 47.1% satisfactory in 2016. The overall performance score for the portfolio in 2017 was 6, up from 5.8 in 2016.

2.39 When analysed by sector, the preponderance of the portfolio was in environment and disaster risk reduction (38.1%) reflecting the Bank’s efforts to respond to the inherent vulnerability of BMCs. Other significant sectors in the portfolio were education (19.5%) and transport and communication (11.7%). Further details on the SDF portfolio are presented in Appendix V.

Projects “at risk” (Flagged by Project Performance Management System)

2.40 PPES includes criteria to identify those projects deemed to be “at risk³” of not achieving stated objectives. As at December 31, 2017, 8 projects were deemed to be ‘at risk’ compared with 9 in 2016. Table 10 below identifies the projects “at risk” and summarises the key issues affecting implementation. The Bank continues to work with BMCs of projects identified “at risk” to strengthen implementation capacity and where necessary, re-scope, to ensure delivery of results.

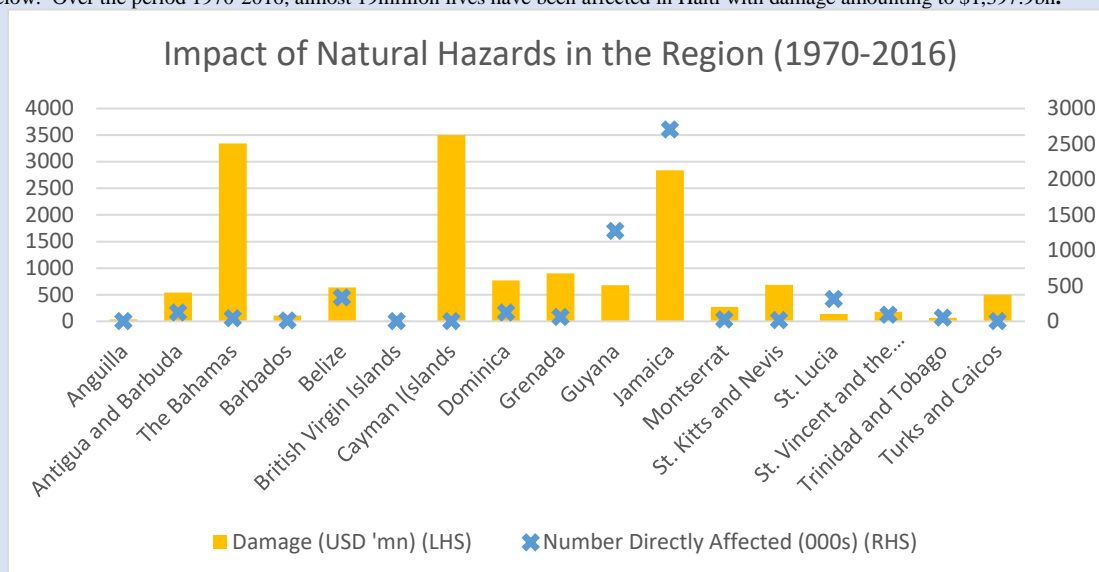
TABLE 10: SUMMARY OF PROJECTS FLAGGED “AT RISK” FOR 2017

Name of Project and Approved Value (\$'000)	Country	Cumulative Disbursement as at Dec. 31, 2017 (\$'000)	Age	Key Issues
1. Belize Education Sector Reform II (\$35,000)	BZE	551 (2%)	2.2	<ul style="list-style-type: none"> Changes in project management staff and the time required for new staff to navigate the learning curve slowed implementation progress.
2. Natural Disaster Management (NDM) – RRL—Tropical Storm Ophelia (\$4,100)	DOM	100 (2%)	5.8	<ul style="list-style-type: none"> Inadequate capacity in the line ministry. Procurement of services and works suspended due to the passage of Hurricane Maria. Further delays are expected as a reformulation exercise might be required for the three projects.
3. NDM—RRL—Layou Flood Event (\$10,887—revised upwards to \$13,114)	DOM	1,097 (8%)	5.9	
4. NDM—RRL—Tropical Storm Erika (\$30,000)	DOM	- (0%)	1.8	
5. NDM—RRL—Extreme Rainfall (\$8,612)	GRN	554 (9%)	5.8	<ul style="list-style-type: none"> Limited capacity in line ministry.
6. Settlement Upgrading (\$6,233)	STL	322 (5%)	5.5	<ul style="list-style-type: none"> Delays in engaging construction supervision consultant have affected the start-up of construction activities.
7. St. Lucia Consolidated Line of Credit (\$20,000)	STL	10,773 (54%)	8.0	<ul style="list-style-type: none"> High liquidity levels and weak demand for agriculture and industrial credit/lending have negatively affected project implementation. Discussions are ongoing with CDB and Executing Agency aimed at cancelling the undisbursed balance on the loan.
8. Technical Vocational Education and Training (TVET) Development (\$5,000—revised to \$12,317)	SVG	1,603 (13%)	5.9	<ul style="list-style-type: none"> Weak inter-agency coordination. Delays in engaging consultants to prepare design work have hindered the start-up of the civil works component.

³ The PPES evaluates project performance at the various stages of the project cycle – preparation/appraisal, supervision and completion. The PPES uses six criteria to rank or gauge performance. These are Strategic Relevance, Poverty Relevance, Efficacy, Cost Efficiency, Institutional Development Impact and Sustainability. Projects are deemed at risk if project performance exhibit more than two of the following six risk criteria: weighted score for any criterion is equal to or below 0.5; a composite performance score below 4.0; a decline in any project performance rating score by more than 15%; timing performance more than 15% behind target; CDB performance unsatisfactory, and Borrower performance unsatisfactory.

Box 1: Natural Hazards in BMCs in 2017

The vulnerability of the Region to natural hazards, has been clearly established. Indeed the Region is well known to be vulnerable to, *inter alia*, flooding, hurricanes, storm surge, earthquake, tsunami, volcanic eruption, and drought. These incidents have the potential to not only erode the social and economic gains made over decades but severely constrain the Region's development prospects going forward as countries are saddled with unplanned debt to finance reconstruction. CARTAC (2017) notes the average cost of a hurricane in the Region is 81% of GDP compared to 6% in the rest of the world. The table below provides an indication of the impact of natural hazards in the Caribbean. Given the scale of the impact of natural hazards in Haiti, it is not shown in the chart below. Over the period 1970-2016, almost 19million lives have been affected in Haiti with damage amounting to \$1,397.9bn.



Source: EM-DAT: OFDA/CRED International Disaster Database

The 2017 Atlantic hurricane season was one of the most active and devastating observed in recent times, with unprecedented storm events above average in number and intensity. The season featured multiple Category 5 hurricanes; Harvey, Irma and Maria; and is likely to be the costliest on record (in excess of \$5bn). Hurricane Irma was the strongest hurricane ever recorded to form in the Atlantic Ocean and hit the Caribbean on September 6. Less than two weeks later, Maria, the 13th named hurricane of the season became a Category 5 hurricane near the Leeward Islands on Monday, September 18, 2017. BMCs affected were Dominica, Antigua and Barbuda, St. Kitts and Nevis, BVI, Haiti, Turks and Caicos, and the Bahamas. The impact on the Region has been catastrophic, with lives lost in Dominica, BVI, and Antigua and Barbuda, and damages in excess of 300% of GDP in the BVI and 200% of GDP in Dominica. The table below gives an indication of the damage in selected BMCs from the 2017 hurricane season. The social and economic fallout was severe, and the recovery effort will take years, exacerbating already weak public finances. Virtually no sector was spared, with crippling damage being recorded in, *inter alia*, housing, health, education, transport, telecommunications, electricity, water, tourism, agriculture, fisheries, financial services, and public administration.

DAMAGE FROM NATURAL HAZARDS IN 2017

Country	Damage (% of GDP)
Anguilla	96
Antigua and Barbuda	10
BVI	330
Dominica	226
St. Kitts and Nevis	6
Turks and Caicos Islands	56

Source: Country Reports

With CC set to exacerbate the frequency and intensity of weather-related events, the issue of disaster financing becomes increasingly important. While governments have long been advised to adopt ex-ante financing instruments/methods such as building fiscal buffers or contingency funds as a type of self-insurance and utilising catastrophe insurance, the uptake has been inadequate. This is largely the result of insufficient mainstreaming of DRM principles in development planning, and adverse debt dynamics that already impede countries' ability to invest in capital programmes and other critical social development expenditures. The result is that countries have typically relied on ex-post financing of natural hazards e.g. commercial credit (including bond placements) and emergency finance from multilaterals like the International Monetary Fund, WB and CDB. CDB debt study "Public Sector Debt in the Caribbean: An Agenda for Reduction and Sustainability" highlights that in addition to off-budget expenditures, financing natural disasters has been a major cause of rising debt. Given that BMCs' average effective interest rate on debt is around 7% with comparatively low growth rates of less than 2% and small primary surpluses, the availability of concessionary finance becomes vital in mitigating the effects of debts incurred to fund large expenditures. While CDB has provided ERGs, IRLs, RRLs and most recently PBLs in support of emergency and reconstruction efforts, given that ex-post financing is likely to dominate disaster funding in the foreseeable future, significant resource gaps will emerge. The provision of highly concessional funding would greatly reduce the extent of the debt overhang from these events and provide countries with the space to continue implementing their development agenda.

Box 2: Supporting Good Governance - A New Set-aside Under SDF 9

Introduction

The issue of governance is one that requires urgent attention by policy-makers given the far reaching implications for the efficient functioning of government institutions and by extension, economic performance and attainment of development outcomes. Cognisant of this, a grant set-aside dedicated to governance-enhancing initiatives was approved in SDF 9. This box highlights some of the early interventions approved by the Bank under this new rubric. One of the key constraints to government effectiveness is the implementation deficit that can be found in some BMCs. To address this issue, the Bank has adopted a two-pronged approach which will see it supporting delivery initiatives in countries, as well as through TA assistance *inter alia* in procurement reform and a pilot project for parliamentary training in public expenditure scrutiny.

Delivery Initiative

This is based on the principle of “deliverology” which is a performance management approach attributed to Sir Michael Barber that at its core identifies and removes the barriers to support implementation of high priority initiatives. It requires: (a) a clear view of what success looks like across the organisation and with relevant development partners; (b) clear accountabilities; (c) the setting of clear targets that are owned by management and supported appropriate resources; (d) timely reporting to track effectiveness; (e) performance dialogues that are focused, fact-based and action-oriented; and (f) actions are taken to improve performance. The Bank’s actions to date have focused on building awareness through a presentation to the Caribbean Community (CARICOM) Heads of Government. This was followed by a conference in September 2017 “*Caribbean Leadership and Transformation Forum (CLTF): Delivering Result*” that provided policy makers with practical tools and techniques to building core skills and attitudes that are necessary for improving effectiveness in implementing key strategies and priorities. This was followed by a publication “*Implementation: Delivering Results to Transform Caribbean Society (2017)*”, and an online course “*Leading Transformation to Achieve the Sustainable Development Goals*”, launched in January 2018 in partnership with the University of the West Indies, the State University of New York, and the Malaysia-based Performance Management and Delivery Unit Associates. The Bank also conducted readiness assessments in Trinidad and Tobago and TCI to: (i) identify the main issues hindering the countries’ ability to deliver on their development mandate; and (ii) provide useful evidence-based information for further support to strengthen implementation.

Other Selected Governance-enhancing Initiatives conducted in 2017

Procurement Reform

Effective resource mobilisation is critical to the attainment of a country’s development outcomes, and in this regard, an efficient, fair and transparent procurement process is paramount. The Region has been plagued with procurement challenges ranging from outdated legislation or legislation that has been passed but not enacted, to slow project implementation ratios. In 2017, the Bank approved funds to strengthen procurement systems and capacity in Anguilla, Antigua and Barbuda, BVI, Montserrat, and St. Kitts and Nevis. The intervention will comprise an assessment of the public procurement system and a post-assessment workshop to consider findings and examine the scope for harmonised approaches. Importantly, there is also scope for downstream reform to draft or revise procurement laws, regulations, develop manuals/guidelines and support capacity building as needed.

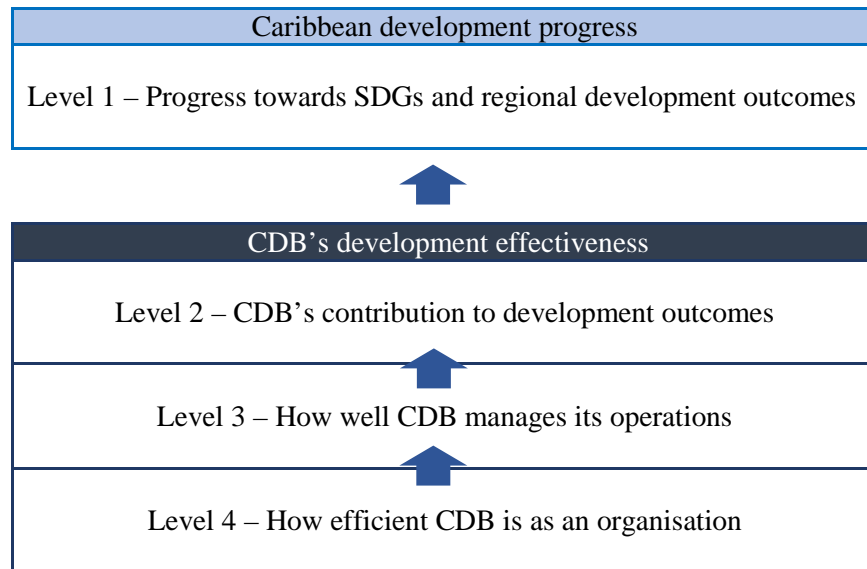
Public Expenditure Scrutiny Training for Members of Parliament

The national budget is an important policy tool of a government, and provides a comprehensive statement of government priorities. Effective participation in the budget process provides checks and balances that are crucial for transparent and accountable government and ensuring efficient delivery of public services. Greater parliamentary scrutiny would help ensure that Governments follow correct procedures and allocates scarce resources in line with agreed development priorities, taking into account the various the needs of key stakeholder groups. It would improve oversight during implementation of the budget, and ensure that value for money considerations and lessons learned are taken into consideration. Consequently, CDB approved funding to Guyana to strengthen the capacity of Members of Parliament to scrutinise all aspects of the budget cycle so as to enable them to better conduct their fiduciary responsibilities and enhance overall budget effectiveness. The expectation is that once successfully piloted in Guyana, CDB would be able to roll-out the training in other BMCs.

3. REPORTING ON SDF 9 RESULTS

3.01 This chapter of the report presents a summary discussion of the results achieved within the context of the SDF 9 Results Management Framework (RMF). A more detailed exposition can be found in the companion publication, the Development Effectiveness Review 2017. The RMF tracks progress at four distinct stages. At the highest stage is Level 1 - The Caribbean's Progress towards Development Goals and Outcomes, Level 2 captures CDB's Contribution to Development Outcomes, Level 3 tracks how well CDB Manages its Operations and Level 4 measures How Efficient CDB is as an Organisation. Figure 3 below shows the relationship between levels of the RMF.

FIGURE 3: THE STRUCTURE OF CDB'S RMF










3.02 In the past two decades, the Caribbean's progress towards development goals and indicators (Level 1) has been sluggish, owing to a challenging social and macroeconomic environment. This situation is precipitated by several factors including: (a) protracted slow growth in the global economy which threatens to become the new normal and now exacerbated by the inward-looking policies of several developed economies; (b) structural weaknesses in the Bank's BMCs including the need for ongoing institutional and policy reforms to enhance governance systems and improve competitiveness; (c) significant debt overhang in some countries which stifles growth; (d) adverse commodity price movements in some resource rich countries; and (e) the ever-present vulnerability to natural hazards and the need to build resilience to climate change. Notwithstanding these challenges, some BMCs have shown marked improvement in their economic situation (e.g. Jamaica and Grenada) as a result of sustained commitment to a comprehensive reform agenda supported by development partners including CDB.




3.03 With respect to Level 2, the Bank made significant strides in helping BMCs to meet their development objectives in 2017. The Bank advanced the wellbeing of persons through interventions in the areas of economic and social infrastructure, agriculture, education and training, environmental sustainability, private sector operations, governance and accountability and regional cooperation and integration. Perhaps the most notable outcomes were in the areas of economic and social infrastructure development where over 108,000 persons (of which 54,000 females) benefitted from the construction and rehabilitation of 59 kilometres of road. Additionally, investments in water and sanitation have improved the quality of life of over 9,000 households through the provision of safe and reliable water supply and upgraded/installed water systems. The Bank has

also improved life-chances through investments in the education sector. In 2017, 23,599 students benefitted from improved physical classroom conditions, enhanced teacher competence, and access to loan financing.

3.04 Level 3, CDB Organisational Effectiveness and Operational Efficiency, improved in the areas of project disbursement and processing time. The disbursement ratio increased from 13% to 18% at the end of 2017 while processing time declined from an average of 3 months to 1.6 months. These gains are attributable in part to CDB's responsiveness in addressing the devastation caused by the hurricanes and the use of advances to accelerate implementation. CDB also recorded improvements in implementation performance largely as a result of the completion of several ageing projects that were over seven years under implementation and with at least one revision to their final/terminal disbursement date. Importantly, the Bank showed progress (from 58% to 71%) in resource allocation and utilisation through the use of the performance-based allocation system. Nevertheless, the Bank continues to struggle with preparing and completing evidence-based PCRs. This hinders the learning process and weakens the self-evaluation system as information which could have been used to improve the implementation of ongoing projects and the design of future projects is not incorporated in a timely manner. See Table 11 below for summary score card

TABLE 11: SUMMARY SCORE CARD OF LEVEL 3 AND LEVEL 4 RMF

Level 3: How well CDB manages its operations	
	Operational processes and practices, and portfolio performance
	Resource allocation and utilisation
	Strategic Focus
	Disclosure, transparency and risk management
Level 4: How efficient CDB is as an organisation	
	Capacity utilisation
	Use of administrative budget resources
	Harmonisation, alignment and partnerships

-  On track – more than half of all indicators on track to achieve the 2019 target.
-  Watch – half or fewer of all indicators not progressing as desired but are within reach of the 2019 target.
-  Off track – more than half of indicators are not progressing as needed to reach the 2019 target.

3.05 Level 4 , How Efficient CDB is as an Organisation showed notable progress in 2017 as it relates to increasing capacity utilisation especially with respect to professional staff, and a reduction in the use of administrative budget resources (per \$1mn of project disbursements). A key strategic priority for the Bank is resource mobilisation. During 2017, CDB mobilised additional resources totalling \$128mn under the second phase of the EIB/CALC Programme, with continued focus on CC and RE/EE initiatives. This increase is in keeping with the global commitments made under the Paris Climate Agreement to scale up finance towards addressing the needs of SIDS including adaptation and mitigation and the SDGs. In 2017, 24% of CDB's financing was invested in projects using common arrangements or procedures. Indeed CDB's financing model continues to reflect growing strategic partnerships with other development partners in areas such as climate change and resilience including energy, private-sector development, and PPPs. See Table 12 for summary score card.

3.06 A review of the Bank's development effectiveness also highlighted some challenges. In addition to the delays in completing PCRs, other issues included lengthy start-up and project implementation periods and the need to deepen country dialogue to improve service delivery. Actions proposed and underway to address these issues include: (a) organisational restructuring to improve project supervision; (b) enhancing the quality of PCRs through the consistent use of evidence to support ratings and giving PCR completion the same level of priority as the project appraisal process; (c) engaging short-term consultants to support project implementation in country; (d) implementing delivery mechanisms in selected BMCs; and (e) the opening of the first country office in Haiti to improve Bank's responsiveness to the needs of our most vulnerable BMC.

4. FINANCIAL RESOURCES AND PROGRAMME LEVELS

SDF 9 PROGRAMME LEVEL

4.01 The SDF 9 programme level approved by the Contributors amounted to \$355mn, up slightly from \$348mn in the previous cycle. It comprised a base programme of \$314mn and an unallocated structural gap of \$41mn. The base, or minimum programme consisted of internally generated resources of \$132.4mn (inclusive of brought forward commitment authority), pledged contributions of \$166.6mn, and an allocation from OCR net income of \$15mn. The remaining \$41mn is expected to be financed from prospective new members and Contributors.

4.02 Current projections suggest that the Fund is on track to achieve the base programme level as higher commitment authority at the start of the cycle offset lower projected internally generated resources arising from the decline in net income. (See Table 12 below). Other sources of commitment authority, namely OCR income and pledges are expected to materialise as planned. The structural deficit remains at \$41mn and is still anticipated to be filled by new contributions.

TABLE 12: SDF 9 PROGRAMME LEVEL
(\$mn)

Item	Per Contributors' Report	Position as at December 31, 2020	Difference
Commitment Authority at beginning of cycle	6.5	7.7*	1.2
Internally generated resources	125.9	124.7	-1.2
Allocation from OCR Net Income	15.0	15.0	0.0
Pledged contributions	166.6	166.6	0.0
Base Programme Level	314.0	314.0	0.0
Structural Gap	41.0	41.0	0.0
Overall Programme Level	355	355	

*Actual balance as at 1 January 2017

COMMITMENT AUTHORITY

4.03 Funds available for commitment in 2017 amounted to \$76.2mn. This comprised \$43mn in commitments from pledged contributions, \$30.1mn in repayments, \$7.7mn in commitment authority at the beginning of the 2017, and a reduction for the \$4.6mn loss incurred during the year. Of the funds available for commitment, \$13.2mn in net loans and \$42.6mn in net grants were approved. Consequently, at the end of 2017, \$20.4mn was carried over to 2018. Over the life of the cycle, an additional \$41mn in new contributions is expected in support of the Bank's development mandate.

TABLE 13: COMMITMENT AUTHORITY AND USE OF FUNDS**\$mn**

Item	SDF 8	SDF 9				
	Total	2017	2018(p)	2019(p)	2020(p)	2017-2020
Commitment authority at beginning of period	3.3	7.7	20.4	19.4	28.2	7.7
Net income	(5.3)	(4.6)	2.7	3.7	4.9	6.7
Repayments	99.1	30.1	28.7	28.7	30.4	118.0
Commitment authority from pledged and new contributions	205.9	43.0	56.5	56.5	51.7	207.6
Allocation from OCR	18	0.0	5.0	5.0	5.0	15.0
Funds Available for commitment	321.0	76.2	113.3	113.3	120.2	355.0
Approvals for SDF Loans (Net)*	223.6	13.2	68.5	59.7	88.3	229.7
Approvals for SDF Grants (Net)*	89.7	42.6	25.4	25.4	25.6	119.0
Available Commitment authority at end of period	7.7	20.4	19.4	28.2	6.3	6.3

*net of cancellations

a/ Revised

b/ BNTF approval will be allocated over the cycle so as not to breach commitment authority in any given year.

ALLOCATION AND USE OF RESOURCES

4.04 For SDF 9, \$155mn was allocated for individual country lending, \$25mn for natural disaster response and regional projects and \$119mn set-aside for regional grants. In 2017, only Dominica and Grenada accessed their loan allocations. Other loans approved formed part of the Bank's support to address the effects of natural hazards which given the frequency and severity of the damage resulted in 68.3% of the allocation being utilised in 2017. The grant performance was also relatively brisk, but this was accounted for mainly by specific set-asides to Haiti and BNTF. The remaining grants approved accounted for approximately 30% of their allocation (see Table 14 below).

TABLE 14: SDF 9 ALLOCATION AND UTILISATION OF RESOURCES

Item	Indicative Allocations at January 2017		Actual Commitment (2017)		Utilisation of Available Resources
	\$'000	%	\$'000	% of allocation	%
Country Allocations- Loan					
Group 1:					
Anguilla	-	-	-	-	-
Antigua and Barbuda	-	-	-	-	-
Bahamas	-	-	-	-	-
Barbados	-	-	-	-	-
British Virgin Islands	-	-	-	-	-
Cayman Islands	-	-	-	-	-
Turks and Caicos	-	-	-	-	-
Trinidad and Tobago	-	-	-	-	-
Montserrat					
St. Kitts and Nevis					
Group 2:					
Belize	22.8	7.6	-	-	-
Dominica	14.7	4.9	2.0	13.6	0.7
Grenada	12.7	4.3	5.9	45.9	2.0
Guyana	30.8	10.3	-	-	-
Jamaica	37.7	12.6	-	-	-
St. Lucia	14.9	5.0	-	-	-
St. Vincent/Grenadines	14.8	4.9	-	-	-
Suriname	6.6	2.2	-	-	-
Sub-total Country Allocations	155.0	51.8	7.9	5.1	2.6
Set-Aside Resources (Loans)					
Natural Disaster Mitigation and Rehabilitation	20.0	6.7	13.7	68.3	4.6
Regional Projects	5.0	1.7	-	-	-
Total Lending	180.0	60.2	21.5	12.0	7.2
Grants:					
BNTF	40.0	13.4	40.0	100.0	13.4
Haiti	45.0	15.1	24.1	53.6	8.1
Technical Assistance:					
Capacity Building	9.0	3.0	1.2	13.5	0.4
CTCS	3.0	1.0	0.8	26.2	0.3
BMC Capacity Building, Statistics and Governance	6.0	2.0	2.0	33.4	0.7
Agriculture	3.0	1.0	1.3	43.3	0.4
Regional Integration and RPGs	4.0	1.3	1.8	45.2	0.6
Environmental Sustainability / Climate Change/Energy	3.0	1.0	0.9	30.0	0.3
Immediate Disaster Response	3.0	1.0	1.6	54.3	0.5
Private Sector Enabling Environment	3.0	1.0	0.6	20.0	0.2
Total Grants	119.0	39.8	74.3	62.5	24.9
TOTAL Resources Available	299.0		95.9		32.1
Structural Gap	41.0				
OCR Allocation	15.0				
Approved Programme Level	355.0				

5. FINANCIAL PERFORMANCE AND PROJECTIONS

FINANCIAL RESULTS

5.01 The financial performance of the SDF (U) was weaker in 2017 when compared with 2016. Net income deteriorated as the increase in administrative expenses outpaced the gains made in income generation. Loans outstanding remained on par with the previous year's levels owing to the near equality between disbursements (\$30.0mn) and repayments (\$30.1mn).

5.02 Undisbursed balances increased by 2% as lingering capacity issues in-country impeded project implementation. The Bank is addressing this issue by strengthening in-house monitoring and supervision practices; and building BMC capacity to manage project planning and implementation. Consistent with the limited movement in amounts outstanding, loan income was virtually unchanged from 2016 levels. On the other hand, investment income almost doubled in 2017 on account of higher yields associated with rising US interest rates.

5.03 Administrative expenses rose by \$4.2mn to \$20.1mn largely on account of an increase in pension obligations following a change in basis for the determination of the applicable discount rate in the actuarial valuations, as well as increased staff costs from filled vacancies and new hires.⁴ As a result, the fund incurred a net loss of \$4.6mn in 2017. Table 15 below provides a summary of key indicators of SDF performance.

TABLE 15: SUMMARY OF FINANCIAL RESULTS 2013-2017 (\$mn)

Item	2013	2014	2015	2016	2017
Loans Outstanding	503.5	529.9	543.4	543.1	543
Undisbursed balances	201.2	217.1	236.9	226.8	231.4
Cash and Investments	278.3	273.3	294	319.8	329.4
Loan Income	11.6	11.6	12.1	12.4	12.3
Investment Income	0.5	1.5	1.1	2.3	4.4
Administrative Expenses	13.7	13.6	16.8	15.9	20.1
Net Income	(1.8)	0.4	(2.9)	(1.0)	(4.6)*
Yield on Av Cash and Investment (%)	0.2	0.5	0.4	0.7	1.4

*Includes extraordinary pension increase. See Footnote 4 below.

NOTES, ENCASHMENTS AND DRAWDOWNS

5.04 Promissory notes were issued by seven countries in 2017, amounting to \$19.5mn or \$2mn more than in 2016. Total encashments were \$13mn, or \$9.6mn less than in 2016. Conversely, notes receivable rose by \$7.5 to \$74.6mn. Total approved contributions to SDF (U) from the time of its establishment amounted to \$1,303.3mn. See Appendix VI-3 for details.

FINANCIAL PROJECTIONS

5.05 Driven by the Bank's ongoing efforts to strengthen project implementation in-house through enhanced supervision, as well as in BMCs by strengthening procurement capacity, loans outstanding are projected to increase by 3.8%. Largely on this basis, a gradual pick-up in loan income is expected over the

⁴ In 2017, an actuarial valuation conducted by the auditors determined that the Bank needed to adjust the discount rate in order to appropriately provision for its pension obligations. The analysis was conducted for the years 2015, 2016, and 2017, and the adjustment reflected in the 2017 financial statements as an extraordinary increase.

medium term, as the average lending rate will remain unchanged at 2.5% for the purpose of these projections. The rising trend in global interest rates is expected to impact the income statement positively and is the principal assumption behind the rise in investment income. Following the increase in 2017 on account of the pension adjustment, administrative expenditures are expected to normalise, and this, along with efforts by the Bank to contain spending, should reduce expenses in 2018, with only a marginal rise over the medium term (See Table 16 below).

TABLE 16: SUMMARY OF PROJECTED FINANCIAL RESULTS 2018-2020

Item	2018	2019	2020
Cash and Investments	325.1	326.8	315.4
Long-term Loans	544.4	567.2	607.3
Investment Income	6.0	7.1	8.2
Loan Income	13.2	13.3	13.7
Administrative Expenses	16.5	16.7	17.0
Net Income	2.7	3.7	4.9

THE UNIFIED SPECIAL DEVELOPMENT FUND

Background

Established in 1970, the *Special Development Fund* (SDF/the Fund) is the Bank’s largest pool of concessionary resources. The facility offers loans with longer maturities and grace periods and lower interest rates than those applied to the Bank’s ordinary operations. Initially, the various contributors to the Fund applied an assortment of terms and conditions which created complexities and inefficiencies in the Fund’s operation. As a result, in 1983, the decision was taken to set up a fund with a uniform set of rules, and the SDF (U) was formed. With consistent terms, objectives and procurement conditions, SDF (U) sought to overcome the problems associated with individual donors and funding arrangements.

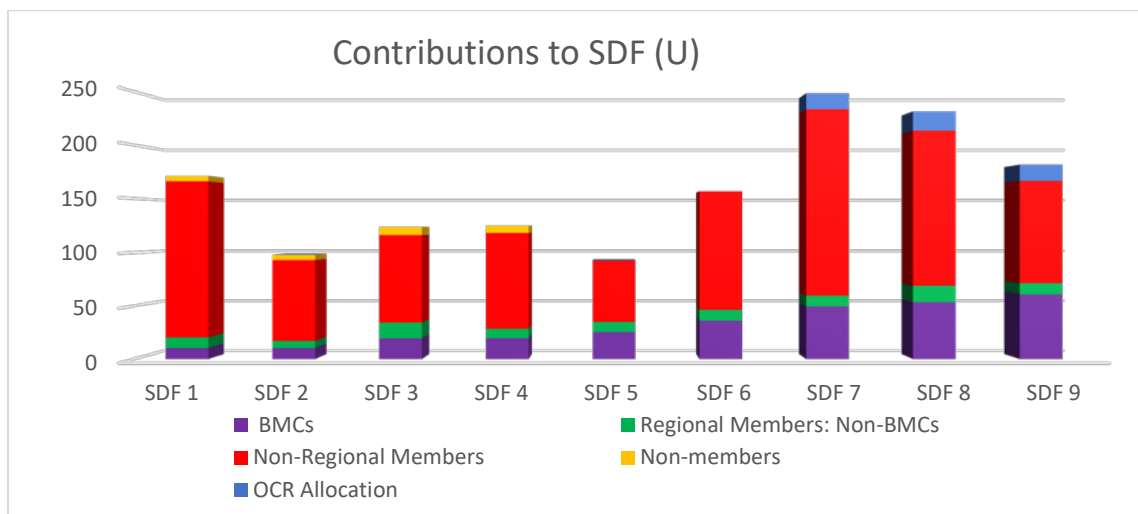
All members of the Bank are required to contribute to SDF (U) and contributions are also sought from non-members. Contributions are interest-free and provided on a multi-year basis, for an indefinite term. To focus the Fund’s operations, a supplementary governance structure which includes an Annual Meeting of Contributors was created. Non-members are also invited to participate as observers in meetings of the Bank’s Board of Directors and Board of Governors.

SDF (U) has a four-year replenishment cycle except for the third replenishment cycle (SDF 4) which was extended by an extra year as a result of additional contributions from a new member of the Bank. The ninth cycle of the Fund commenced on January 1, 2017 and will end December 31, 2020.

Funding

Over the nine cycles, contributions or pledges of \$1,427.8mn have been made to the operations of SDF (U). A total of \$285mn (20%) of the contributions/pledges came from borrowing members with non-borrowing members and non-members accounting for \$1,071.4mn (75%), and \$23mn (1.6%), respectively. A total of \$48mn (3.4%) in allocations from the net income of the Ordinary Capital Resources (OCR) was pledged to fund SDF cycles 7, 8 and 9.

Contributions pledged for the Special Development Fund (Ninth Cycle) (SDF 9) totalled \$181.6mn, inclusive of the allocation from the OCR Net Income of \$15mn, with borrowing members pledging \$60.9mn and non-borrowing members, \$105.7mn. Contributions to each cycle by category of membership are shown in the chart below. Details are presented in Appendix II.

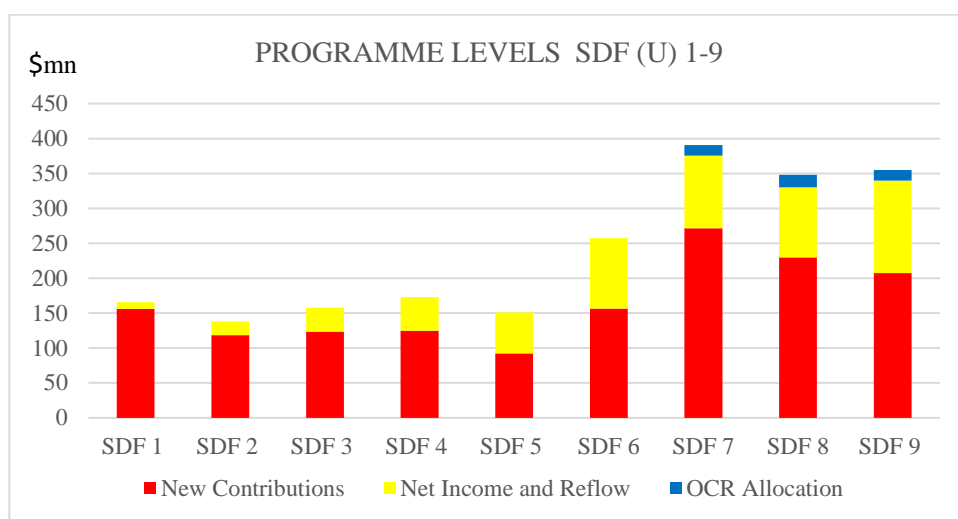


Themes and Priorities

During negotiations of each cycle, Contributors and the Bank agree on the priorities and issues to be addressed. These discussions focus on the most appropriate entry points through which the Bank can support sustainable poverty reduction initiatives in eligible countries. In recent cycles, SDF has given significant support to thematic areas such as environmental sustainability and advancing the climate change CC agenda; building capacity and maritime transport in beneficiary countries. RCI and enhancing the Bank’s development effectiveness have also been key priorities. For SDF 9, the core themes, which are detailed in the Box entitled *SDF 9 Operational Strategy*, are selected SDGs, RCI and Building Resilience and Supporting Environmental Sustainability.

Programme Levels

The programme level for each SDF (U) cycle is financed with new pledges from Contributors, net income generated by the Fund, reflows from loan repayments, and since SDF 7, an allocation from the OCR Net Income. The programme levels over the nine cycles of the Fund are shown in the chart below. For SDF 9, Contributors approved an overall programme level of \$355mn, details of which are given in Appendix II.



Eligibility of Countries

The Bank’s BMCs are assigned to one of three country groups⁵ based on their relative per-capita incomes. The country groups help to determine the terms and conditions for SDF lending (refer to Appendix III). While all BMCs are eligible for SDF resources, countries in Group 1 do not receive a country allocation and can only benefit from regional projects and support for RPGs and assistance in the event of a natural disaster.

Allocation of Resources

Since 2001, a Resource Allocation Strategy has been used to allocate both SDF loan resources to eligible countries and BNTF resources to participating BMCs. The resource allocation formula used by CDB is comprised of a *country performance or effectiveness component* and a *needs component*. The country performance element of the formula recognises that countries which have relatively strong policy and institutional frameworks are likely to make more effective use of concessionary resources, especially with regard to poverty reduction and broad-based sustainable growth. It therefore acts as an incentive for improved policy and institutional performance. The *needs component* of the formula includes a CDB-developed measure of *vulnerability*, and with effect from SDF 8, a variable representing the number of poor people in a country as an indicator of country need.

⁵ There were four country groups during SDF 1 - SDF 7

APPENDIX II

CONTRIBUTIONS TO THE UNIFIED SPECIAL DEVELOPMENT FUND

(after transfers from earlier SDF and other adjustments)

(\$mn)

Item	SDF 1 ^{a/}	SDF 2 ^{a/}	SDF 3 ^{a/}	SDF 4 ^{a/}	SDF 5	SDF 6	SDF 7	SDF 8	SDF 9
Regional Members: BMCs									
Trinidad and Tobago	2.5	2.5	3.9	3.9	5.0	7.5	10.2	10.6	11.1
Jamaica	1.4	1.4	3.9	3.9	5.0	7.5	10.2	10.6	11.1
Guyana	1.4	1.4	2.2	2.2	2.8	4.2	5.7	5.9	6.2
Bahamas, The	1.4	1.4	2.2	2.2	2.8	4.2	5.7	5.9	6.2
Barbados	1.4	1.4	2.2	2.2	2.8	4.2	5.7	5.9	6.2
Suriname ^{b/}	---	---	---	---	---	---	---	2.2	6.2
Antigua and Barbuda	0.3	0.3	0.2	0.3	0.3	0.4	0.6	0.6	0.7
Belize	0.3	0.3	0.7	0.7	0.8	1.1	1.4	1.4	1.5
Dominica	0.3	0.3	0.7	0.7	0.8	0.8	1.4	1.4	1.5
Grenada	0.3	0.3	0.7	0.7	0.8	0.1	0.6	0.6	1.5
St. Kitts and Nevis	0.3	0.3	0.7	0.7	0.8	1.1	1.4	1.4	1.5
St. Lucia	0.3	0.3	0.7	0.7	0.8	1.1	1.4	1.4	1.5
St. Vincent and the Grenadines	0.3	0.3	0.7	0.7	0.8	1.1	1.4	1.4	1.5
Cayman Islands	0.1	0.1	0.2	0.3	0.3	0.4	0.6	0.6	0.7
Anguilla	0.1	0.1	0.3	0.3	0.3	0.4	0.6	0.6	0.7
Turks and Caicos Islands	0.1	0.1	0.3	0.3	0.3	0.4	0.6	0.6	0.7
British Virgin Islands	0.1	0.1	0.3	0.3	0.3	0.4	0.6	0.6	0.7
Montserrat	0.1	0.1	0.3	0.3	0.3	0.4	0.6	0.6	0.7
Haiti ^{b/}	---	---	---	---	---	0.7	0.9	0.9	1.0
Sub-total	10.4	10.4	19.4	19.6	25.4	36.2	49.5	53.5	60.9
Regional Members: non-BMCs									
Brazil	---	---	---	---	---	---	---	5.0	
Colombia	5.0	3.3	5.0	3.0	3.6	3.6	3.6	3.5	3.5
Mexico ^{c/}	---	---	5.0	3.0	3.0	3.0	3.0	3.5	3.5
Venezuela	5.0	3.3	5.0	3.0	3.0	3.6	3.6	3.5	3.5
Sub-total	10.0	6.7	15.0	9.0	9.6	10.2	10.2	15.6	10.5
Non-Regional Members									
Canada ^{d/}	60.9	15.0	20.0	16.8	25.2	44.0	69.8	66.4	52.9
United Kingdom ^{d/}	42.8	15.0	20.0	16.8	25.2	44.0	69.8	51.8	19.4
France ^{e/}	21.0	10.0	14.0	11.8	---	---	---	---	---
Italy	21.0	10.0	14.0	8.7	3.2	5.0	7.1	3.2	3.0
Germany	---	26.0	14.0	11.8	--	12.2	18.8	16.0	13.7
China ^{f/}	---	---	---	24.0	4.0	5.2	8.1	7.0	6.3
Sub-total	145.7	76.0	82.0	89.8	57.6	110.4	173.7	144.5	95.2
Non-Members									
Netherlands	5.0	5.0	7.0	6.3	---	---	---	---	---
Allocation from OCR	---	---	---	---	---	---	15.0	18.0	15.0
Sub-total	5.0	5.0	7.0	6.3	--	---	15.0	18.0	15.0
TOTALS	171.04^{d/}	98.0	123.4	124.7	92.5	156.7	248.4	231.5	181.6

^{a/} At exchange rates as of dates of payment.

^{b/} Suriname joined the Bank in September 2013 and Haiti in 2007.

^{c/} Mexico contributed \$5 mn and \$3.33 mn to SDF Other in 1984 (SDF 1) and 1988 (SDF 2).

^{d/} SDF 1 contributions include amounts originally contributed to earlier special funds.

^{e/} No longer a member as of October 2000.

^{f/} Joined in 1998 subsequent to the Replenishment Negotiations on SDF 4.

APPENDIX III

SDF 9 PROGRAMME LEVEL, COUNTRY GROUPS AND TERMS OF LENDING

SDF 9 PROGRAMME LEVEL

Contributors approved a total programme of \$355mn, comprising \$211mn in country loans, \$20mn in natural disaster mitigation and rehabilitation and \$5mn in regional projects. Grant set-asides amounted to \$119mn, the bulk of which were earmarked for BNTF and Haiti.

COUNTRY GROUPS AND TERMS OF LENDING

Country groups are used to determine both country eligibility to SDF resources and the terms and conditions of lending. The table below shows how lending terms vary according to Country Grouping. Under SDF 9, Contributors approved a reduction in the lending rate - for Groups 1 and 2, the lending rate was lowered from 2.5% to 1%, and for Group 3 countries, from 2% to 1%.

APPROVED PROGRAMME LEVEL FOR SDF 9 (\$mn)	
LOANS	
Country Loans Using Performance-based Resource Allocation System	211
Natural Disaster Mitigation and Rehabilitation	20
Regional Projects	5
GRANT SET-ASIDES	
BNTF	40
Haiti	45
TA	
of which	
BMC Capacity Building	9
CTCS (small-scale private sector)	3
Immediate Disaster Response	3
Agriculture and Rural Development	3
Private Sector Enabling Environment	3
BMCs Capacity Building (Statistics and governance)	6
RCI and RPG	4
Environmental Sustainability, CC and Sustainable Energy	3
TOTAL	355

COUNTRY GROUPS AND TERMS OF LENDING FOR SDF 9		
Country Group	Country	Terms of Lending
Group 1 <i>(Mainly OCR)</i>	Anguilla Antigua and Barbuda Bahamas, The Barbados British Virgin Islands Cayman Islands Montserrat St. Kitts and Nevis Trinidad and Tobago Turks and Caicos Islands	Interest rate – 1% Maximum Grace Period– 5 years Maximum Overall Maturity–20 years
Group 2 <i>(Blend of SDF and OCR)</i>	Belize Dominica Grenada Guyana Jamaica St. Lucia St. Vincent and the Grenadines Suriname	Interest rate – 1% Maximum Grace Period– 5 years Maximum Overall Maturity–25 years
Group 3 <i>(Mainly SDF)</i>	Haiti ^{a/}	Interest rate – 1% Maximum Grace Period– 10 years Maximum Overall Maturity– 30 years

a/ Set-aside allocation will be used instead of the resource allocation formula

APPENDIX IV**SDF 9 COMMITMENTS 2017***(Classified by SDF 9 Themes)*
(S'000)

PROJECT	DATE APPROVED	NET APPROVED FROM SDF	TOTAL CDB FINANCING
LOANS APPROVED			
<u>SUPPORT FOR THE SDGs</u>			
<i>DOMINICA</i>			
Ninth Consolidated Line Of Credit (SDG 8)	17-May	2,000	12,035
<i>GRENADA</i>			
Strengthening Food Safety Management Systems (SDG 2, 8)	17-Jul	850	1,100
Climate Smart Agriculture And Rural Enterprise Programme (SDG 2,8))	17-Dec	5,000	5,000
<u>BUILDING RESILIENCE TO CLIMATE CHANGE AND NATURAL DISASTER EVENTS, AND PROMOTING ENVIRONMENTAL SUSTAINABILITY</u>			
<i>ANTIGUA AND BARBUDA</i>			
NDM - Immediate Response Loan - Hurricane Irma	17-Oct	750	750
NDM - Rehabilitation And Reconstruction (Hurricane Irma)	17-Dec	4,913	28,761
<i>BRITISH VIRGIN ISLANDS</i>			
Rehabilitation And Reconstruction Loan - Hurricane Irma	17-Dec	5,000	65,291
NDM -Immediate Response Loan - Hurricane Irma	17-Dec	750	750
NDM - Immediate Response Loan - Hurricane Maria	17-Dec	750	750
NDM - Immediate Response Loan - Torrential Rainfall Event	17-Dec	750	750
<i>ST. LUCIA</i>			
NDM - Immediate Response Loan – Tropical Storm Matthew	17--Jul	750	750
TOTAL LOANS APPROVED		21,513	115,937

PROJECT	DATE APPROVED	NET APPROVED FROM SDF	TOTAL CDB FINANCING
GRANTS APPROVED			
<u>SUPPORT FOR THE SDGS</u>			
<i>BARBADOS</i>			
CTCS	17-Jul	3	3
<i>DOMINICA</i>			
CTCS (SDG 8)	17-Mar	17	17
Ninth Consolidated Line Of Credit (SDG 8)	17-May	35	35
Rapid Training Of Artisans In Dominica In Repairing And Rebuilding Roofs And Timber-Framed Walls (SDG 8)	17-Oct	22	22
<i>GRENADA</i>			
Assessment For The Enhancement Of The T. A. Marryshow Community College(SDG 4, 8)	17-May	500	500
Strengthening Food Safety Management System (SDG2, 8)	17-Jul	250	250
<i>GUYANA</i>			
Development Of An Evidenced-Based Gender Equitable Framework For Climate Smart Agriculture Interventions (SDG2, 5, 8)	17-Jul	345	345
CTCS (SDG 8)	17-Oct	36	36
Combating Trafficking In Persons – Guyana (SDG 11)	17-Oct	150	150
Capacity Building For Local Government Reform (SDG 17)	17-Dec	218	218
<i>HAITI</i>			
CTCS (SDG 8)	17-Oct	57	57
Quality Enhancement In Public Education(SDG 4)	17-Dec	16,000	16,000
<i>JAMAICA</i>			
CTCS (SDG 8)	17-May	117	117
CTCS (SDG 8)	17-Oct	111	111
CTCS (SDG 8)	17-Jul	37	37
<i>REGIONAL</i>			
BNTF (SDG 1)	17-May	40,000	40,000
CTCS (SDG 8)	17-May	223	223
CTCS (SDG 8)	17-Dec	41	41
CTCS (SDG 8)	17-Dec	55	55

PROJECT	DATE APPROVED	NET APPROVED FROM SDF	TOTAL CDB FINANCING
Establishment of a Cultural and Creative Industries Innovation Fund (SDG 8)	17-Jul	600	2,600
Capacity-Building Of Civil Society Organisations To Address Childhood Obesity Prevention In Borrowing Member Countries (BMCs) (SDG 2)	17-Jul	150	150
Facilitating Environmental Change Through Accessible Learning Resources (SDGs 4,13)	17-Oct	428	428
Support To The Twelfth Caribbean Institute In Gender And Development Training Programme (SDG 5)	17-Jul	84	84
Support for the Meeting of the Standing Committee Of Caribbean Statisticians And The CARICOM Advisory Group On Statistics And The Regional Census Coordinating Committee(SDG 17)	17-Oct	80	80
Public Procurement Reform of the Eastern Caribbean States (SDG 17)	17-Dec	700	700
Regional Conference On Early Childhood Development In The Caribbean (SDG 4)	17-Dec	149	149
Support to the Caribbean Development Bank (CDB) On Implementation Methodology And Delivery Of Results	17-Dec	150	150
Caribbean Leadership And Transformation Forum (CLTF): Delivering Results (SDG 17)	17-Dec	149	149
Public Expenditure Scrutiny Training For Members Of Parliament (SDG 17)	17-Dec	148	148
Caribbean Agriculture Sector Review and Development of the CBD Agriculture Sector Policy and Strategy (SDG 2)	17-May	450	450
ST. LUCIA			
CTCS (SDG 8)	17-Oct	15	15
SURINAME			
Institutional Strengthening - Ministry Of Environment – Suriname (SDG 13)	17-May	413	413
Neighbourhood Policing - Safety And Security, Enjoyed, Respected, And Valued By Everyone (SDG 11)	17-Jul	300	300
Technical Assistance: Agricultural Sector Value Chain Analysis (SDG 2)	17-Dec	215	215
TURKS AND CAICOS ISLANDS			
CTCS (SDG 8)	17-May	22	22
CTCS (SDG 8)	17-May	32	32
<u>PROMOTING REGIONAL CO-OPERATION AND SUPPORT FOR RPGs</u>			
REGIONAL			
Strengthening Financial Transparency: Rebuilding Trust In Correspondent Banking In The Caribbean	17-Mar	250	250
CARICOM Single Market And Economy (CSME) Factor Mobility Regime (FMR) - Performance, Constraints, Challenges And The Way Forward	17-Mar	150	150
Regional High-Level Meeting To Develop A Roadmap On Multi-Sectoral Action In Caribbean Countries To Prevent Childhood Obesity Through Improved Food And Nutrition Security.	17-Mar	12	12
Support To The Conference Entitled "Delivering Economic Growth Through Partnership - Private Sector Participation In Infrastructure Development" - Regional	17-Mar	25	25
Support To The Small Business Association Of Jamaica Limited (SBAJ) To Facilitate The Inaugural Caribbean Micro, Small And Medium-Sized Enterprise (MSME) Conference 2017 - Regional	17-Mar	50	50
Technical Assistance For A Regional Educational Leadership Conference And Workshop For The Organisation Of Eastern Caribbean States (OECS) Member States - Regional	17-May	49	49
Support For The Technical Committee On Sub-Regional Air Transport	17-May	150	150

PROJECT	DATE APPROVED	NET APPROVED FROM SDF	TOTAL CDB FINANCING
Procurement Reform Workshop For Organisation Of The Eastern Caribbean States - Regional	17-July	13	13
Review Of The Youth Development Context In Borrowing Member Countries And Preparation Of The Caribbean Development Bank's Youth Policy And Operational Strategy	17-Oct	287	287
Capacity Building For Regional Suppliers, Contractors And Consultants Through Procurement Fairs	17-Oct	71	71
Intervention To Further Procurement Professionalisation In The Caribbean	17-Oct	111	111
Project Closeout Workshop EPA And CSME Standby Facilities For Capacity Building	17-Oct	40	40
Thematic Study "Air Transport Competitiveness And Connectivity"	17-Dec	87	87
Technical Assistance: Enhancement Of The University Of The West Indies	17-Dec	130	130
Technical Assistance For Preparation Of A Conceptual Study/Proposal For The New Science And Technology Facility At The University Of The West Indies, Cave Hill Campus	17-Dec	150	150
Support To The Tech Beach Retreat On November 30 - December 2, 2017 In Jamaica.	17-Dec	35	35
<u>BUILDING RESILIENCE TO CLIMATE CHANGE AND NATURAL DISASTER EVENTS AND PROMOTING ENVIRONMENTAL SUSTAINABILITY</u>			
ANGUILLA			
Disaster Management Emergency Relief: Hurricane Irma (2017) - Anguilla	17-Oct	200	200
ANTIGUA AND BARBUDA			
Natural Disaster Management - Immediate Response Loan And Use Of Funds (Consultancy Services) - Hurricane Irma - Antigua And Barbuda	17-Dec	60	60
Disaster Management Emergency Relief Grant: Hurricane Irma (2017) Antigua And Barbuda	17-Dec	200	200
THE BAHAMAS			
Disaster Management Emergency Relief - Hurricane Irma (2017) – the Bahamas	17-Oct	200	200
BRITISH VIRGIN ISLANDS			
Disaster Management Emergency Relief Grant: Hurricane Irma (2017) - BVI	17-Dec	200	200
IRL - Consultancy Services - Hurricane Maria	17-Dec	20	20
IRL - Consultancy Services - Torrential Rainfall Event	17-Dec	20	20
IRL - Consultancy Services - Hurricane Irma	17-Dec	60	60
GUYANA			
Disaster Management Emergency Relief Grant: Hinterland Flooding Regions 7 (Cuyuni/Mazaruni) And 8 (Potaro/Siparuni) - Cooperative Republic Of Guyana	17-Oct	200	2,000
HAITI			
Building Capacity For Disaster Risk Management And Climate Resilience Project Ile A Vache	17-May	4,604	5,500
Support For Haiti To Meet Commitment To Caribbean Catastrophe Risk Insurance Facility 2017-2018	17-May	3,500	3,500
JAMAICA			
Establishing An Environmental And Social Risk Management System - Development Bank Of Jamaica	17-May	55	55

PROJECT	DATE APPROVED	NET APPROVED FROM SDF	TOTAL CDB FINANCING
REGIONAL			
Support To The Scientific Research Council - Caribbean Climate Innovation Centre	17-Jul	150	150
Logistical Support and Preliminary Damage Assessments of Hurricane Irma Impact	17-Dec	150	150
From the Caribbean To Paris: Supporting the Caribbean Agenda at the Twenty First Meeting of the United Nations Framework Convention on Climate Change Conference	17-Oct	150	150
Strengthening The Capacity Of Borrowing Member Countries To Develop Green Climate Fund Projects	17-Oct	47	47
Caribbean Regional Workshop For Enhancing Knowledge On The Adaptation Fund Project Development Process And Project Cycle	17-Oct	42	42
International Climate Change Conference For The Caribbean Region	17-Oct	63	63
Support To Emergency Operations And Preliminary Damage Assessments Post-Hurricane Maria	17-Dec	150	150
Emergency Relief For Water Supply And Sanitation Services	17-Dec	150	150
ST. LUCIA			
Consultancy Services Tropical Storm Matthew - St. Lucia	17-May	20	20
TOTAL GRANTS APPROVED		74,346	78,757
TOTAL APPROVED		95,859	194,979

SDF (UNIFIED) PORTFOLIO ANALYSIS – 2017

1. The quality and performance of the SDF portfolio is measured by a PPI, using a composite score derived from the application of the PPES. This composite score is an indicative measure of the likely impact of the project relative to the Bank’s development assistance objectives, and is the sum of the weighted scores of six core criteria: *strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact, and sustainability.*

TABLE 1: PROJECT PERFORMANCE RATINGS AND COMPOSITE SCORES

Composite Score	Project Performance Rating
8.0-10.0	Excellent
6.0-7.9	Highly Satisfactory
4.0-5.9	Satisfactory
2.0-3.9	Marginally Unsatisfactory
0.0-1.9	Unsatisfactory

2. The performance rating of the SDF portfolio in 2017 could be categorised as favourable. There were 46 projects in the portfolio with a value of \$315mn compared to 51 with a value of \$330.3mn in 2016. Approximately two thirds of the projects were classified as performing highly satisfactorily while 30% were satisfactory and 2% (1 project) were marginally unsatisfactory. Notably this project was fully disbursed in 2017. This performance rating compares with 52.9% of the portfolio scoring highly satisfactory and 47.1% satisfactory in 2016. The overall performance score for the portfolio in 2017 was 6, up from 5.8 in 2016 (See Table 2 below).

TABLE 2: SDF (U) PORTFOLIO PROJECT PERFORMANCE RATING 2017 AND 2016

Composite Score	2017					2016				
	No of Projects	% of Portfolio by No of Projects	Value of Projects	% of Portfolio by Value of Projects	Overall PPI	No of Projects	% of Portfolio by No of Projects	Value of Projects	% of Portfolio by Value of Projects	Overall PPI
8.0-10.0	-	-	-	-	-	-	-	-	-	-
6.0-7.9	31	67	220.1	70	6.3	27	52.9	191.1	57.9	6.2
4.0-5.9	14	30	80.9	26	5.4	24	47.1	139.2	42.1	5.3
2.0-3.9	1	2	14	4	3.9	-	-	-	-	-
0.0-1.9	-	-	-	-	-	-	-	-	-	-
Totals	46	100	315	100	6.0	51	100	330.3	100	5.8

Country Portfolio Performance

3. Portfolio performance by country showed some improvement in 2017, with eight countries and a regional intervention ranked highly satisfactory compared to 5 in 2016. Relatedly, only four countries ranked as satisfactory, down from six countries and a regional intervention in 2016. Table 3 below summarises portfolio performance by country.

TABLE 3: SDF PORTFOLIO COUNTRY PERFORMANCE RATING FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2017

Performance Rating	2017	2016
Excellent	None	None
Highly Satisfactory	Antigua & Barbuda, Belize, British Virgin Islands, Dominica, Guyana, St. Kitts and Nevis, Suriname, Regional, Montserrat	Belize, Guyana, Montserrat, St. Kitts and Nevis, Suriname
Satisfactory	Grenada, Jamaica, St. Vincent and the Grenadines, St. Lucia	British Virgin Islands, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines, Regional
Marginally Unsatisfactory	None	None
Unsatisfactory	None	None

TABLE 4: SDF PORTFOLIO - COUNTRY PERFORMANCE RATING BY PPI

Country	2017		2016	
	No. of Projects	PPI	No. of Projects	PPI
Anguilla	-	-	-	-
Antigua and Barbuda	1	6.8	-	-
Barbados	-	-	-	-
Belize	9	6.2	10	6.2
British Virgin Islands	2	6.9	1	5.5
Cayman Islands	-	-	-	-
Dominica	6	6.2	8	5.8
Grenada	5	5.8	9	5.6
Guyana	3	6.2	4	6.0
Jamaica	1	5.4	1	5.3
Montserrat	1	6.2	1	6.2
St. Kitts and Nevis	3	6.1	2	6.4
St. Lucia	6	5.3	7	5.3
St. Vincent and the Grenadines	6	5.6	6	5.9
Suriname	2	6.5	1	6.8
The Bahamas	-	-	-	-
Trinidad and Tobago	-	-	-	-
Turks and Caicos Islands	-	-	-	-
Regional	1	6.2	1	5.3
Total	46	6.0	51	5.8
Overall PPI	Highly Satisfactory		Satisfactory	

TABLE 5: AVERAGE PERFORMANCE SCORES BY SECTOR

	2017			2016		
	No of Projects	% of Portfolio	PPI	No of Projects	% of Portfolio	PPI
Agriculture and Rural Development	1	0.6	6.0	4	7.8	5.2
Education	8	19.5	6.0	12	23.5	5.9
Energy	2	2.9	6.3	1	2	6.2
Environment and Disaster Risk Reduction	11	38.1	6.1	10	19.6	5.9
Financial, Business and Other Services	8	3.0	6.1	7	13.7	6
Health	0	0.0	-	0	0	0
Multi-Sector/Cross Cutting	0	0.0	-	0	0	0
Public Sector Management	1	4.3	3.9	2	3.9	4.5
Social Infrastructure and Other Services	4	9.9	6.2	2	3.9	6
Tourism	-	-	-	0	0	-
Transport and Communication	5	11.7	6.1	6	11.8	6.1
Urban Development and Shelter	1	1.9	4.9	1	2	5.2
Water and Sanitation	5	8.1	6.1	6	11.8	6.1
Total	46	100	6.0	51	100	5.8
Overall PPI Rating	Highly Satisfactory			Satisfactory		

APPENDIX VI

SDF FINANCIAL STATEMENTS

- VI-1: Summary Balance Sheets as at December 31, 2013-2017
- VI-2: Summary Income Statements for the years ending December 31, 2013-2017
- VI-3: Summary of Notes, Drawdowns and Encashment 2017
- VI-4: Projected Balance Sheets as at December 31, 2018-2020
- VI-5: Projected Income Statements for the years ending December 31, 2018-2020

APPENDIX VI-1

SUMMARY BALANCE SHEETS,
AS AT DECEMBER 31, 2013-2017

Item	2013	2014	2015	2016	2017
Assets:					
Cash and Investments	278.3	273.3	294.0	319.8	329.4
Contributions in Arrears	6.8	5.8	12.1	5.5	4.4
Non-neg. Demand Instruments	60.0	64.6	73.2	67.1	74.6
Loans Outstanding (Net)	503.5	529.9	543.4	543.1	543.0
Other Receivables	-	5.0	-	-	0.846
Total Assets	848.6	878.6	922.7	935.5	952.3
Liabilities:					
Contributions in Advance					
Payables	67.3	60.3	60.4	38.2	51.2
Contributions	667.8	659.9	691.8	712.3	715.9
Accumulated Net Income	55.0	61.4	52.5	51.5	46.9
TA Allocation	58.5	97.0	118.1	133.5	138.4
Total Liabilities and Funds	848.6	878.6	922.7	935.5	952.3

APPENDIX VI-2**SUMMARY INCOME STATEMENTS,**
FOR THE YEARS ENDING DECEMBER 31, 2013-2017
(\$ mm)

Item	2013	2014	2015	2016	2017
Revenue:					
Investment Income	0.5	1.5	1.1	2.3	4.4
Loan Income	11.6	11.6	12.1	12.4	12.3
Exchange	-	-	-	-	-
Total Revenue	12.1	13.1	13.2	14.7	16.7
Expenses:					
Administrative Expenses	13.7	13.6	16.8	15.9	20.1
Exchange	0.2	-0.9	-0.8	-0.2	1.2
Total Expenses	13.9	12.7	16.0	15.7	21.3
Net Income	(1.8)	0.4	(2.9)	(1.0)	(4.6)

APPENDIX VI- 3

SUMMARY OF NOTES, DRAWDOWNS, ENCASHMENTS 2017

Country	Notes Receivable 1/1/17	Notes Issued		Curr.	Encashments		Notes Receivable 31/12/17	Not Yet Made Available	Approved but not yet Effective	Cumulative Drawdowns	Approved Contribution (Curr Value)
	USD	Loc Cur.	USD		Loc Cur.	USD	US\$	USD	USD	USD	USD
Borrowing members (BMCs)											
Trinidad and Tobago	\$7,784			USD		-	\$7,784	11,079	-	\$45,935	\$57,014
Bahamas, The	12,595			(")			12,595		6,170	25,685	25,685
Barbados	2,832			(")			2,832		6,170	25,681	25,681
Jamaica	15,551		2,077	(")		1,909	15,719	9,001	-	45,833	54,834
Guyana	2,124		6,170	(")		1,469	6825	4,628	-	27,229	31,856
Antigua and Barbuda	777			(")			777		664	2,889	2,889
Belize	2,252			(")		349	1,903		1,513	6,575	6,575
Dominica	3,281			(")			3,282		1,513	6,315	6,315
St. Kitts and Nevis	2,494			(")			2,494		-	5,134	5,134
St. Lucia	2,487		378	(")			2,865	1,135	-	6,953	8,088
St. Vincent and the Grenadines	1,754		1,081	(")			2,835		1,513	6,588	6,588
Grenada	2,891		378	(")			3,269	1,135	-	4,355	5,490
Montserrat	-			(")			-		664	2,677	2,677
British Virgin Islands	-			(")			-		664	2,677	2,677
Turks and Caicos	-			(")			-	9	664	2,668	2,677
Cayman Islands	-			(")			-		1,901	1,340	1,340
Anguilla	571			(")			571		1,296	2,045	2,045
Haiti	-			(")			-		1,937	1,560	1,560
Suriname	1,080			(")			1,080	6170	-	2,160	8,330
TOTAL - BMCs	\$58,473		10,084			3,727	64,831	33,157	27,623	224,299	257,455
Non Borrowing members (NBMCs)											
Brazil				(")			-	2,625		5,000	5,000
Colombia	-			(")			-		-	31,533	34,157
Mexico	-			(")			-		7,024	17,000	17,000
Venezuela	-			(")			-		7,024	21,982	21,982
Canada	-			Cdn\$			-	38,807	-	335,898	374,703
China	-			USD			-	4,699	-	49,874	54,573
United Kingdom	-	4,500	5,931	Str	7,000	9,229	6,082	13,427	-	266,027	279,453
Germany	-	3,075	3,531	EUR			3,688	10,200	-	100,108	110,309
Italy	-			EUR			-	2,169	-	66,359	65,528
TOTAL - NBMCs	-	9,462	9,462			9,229	9,770	71,927	14,048	893,781	962,705
Non Members											
France	-			FF*			-	-	-	58,254	58,254
Chile	-						-	-	-	10	10
Netherlands	-			NG			-	-	-	24,902	24,902
GRAND TOTAL	67,100		19,546			12,956	74,601	105,084	41,671	1,201,246	1,303,326

APPENDIX VI-4

PROJECTED BALANCE SHEETS

AS AT DECEMBER 31, 2018-2020

(\$mn)

Item	2018	2019	2020
Assets:			
Cash and Equivalents	65.0	65.4	63.1
Securities-Prime	260.1	261.5	252.3
Long-term Loans	544.4	567.2	607.3
Other Assets	99.0	101.1	100.2
Total Assets	968.4	995.1	1,022.9
Liabilities:			
Current Liabilities	40.8	40.8	40.772
Contributions	738.9	761.9	784.9
Accumulated Net Income	188.7	192.4	197.3
Total Liabilities and Capital	968.4	995.1	1,022.9

APPENDIX VI-5

PROJECTED INCOME STATEMENTS

FOR THE YEARS ENDING DECEMBER 31, 2018-2020

(\$mn)

Item	2018	2019	2020
Revenue:			
Investment Income	6.0	7.1	8.2
Loan Income	13.2	13.3	13.7
Exchange	0.0	0.0	0.0
Total Revenue	19.2	20.4	21.9
Expenses:			
Administrative Expenses	16.5	16.7	17.0
Net Income	2.7	3.7	4.9