

CARIBBEAN DEVELOPMENT BANK



STRATEGIC PLAN 2005-2009

March 2006

MISSION STATEMENT

“CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our borrowing members, and other development partners, towards the systematic reduction of poverty in their countries through social and economic development”.

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CURRENCY EQUIVALENT

Dollars (\$) throughout refers to United States dollars (USD) unless otherwise stated.

ABBREVIATIONS

BOD	-	Board of Directors
BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CARICOM	-	Caribbean Community and Common Market
CDB	-	Caribbean Development Bank
CFD	-	Caribbean Forum for Development
CMP	-	Change Management Programme
CRNM	-	Caribbean Regional Negotiating Machinery
CPAs	-	Country Poverty Assessments
CPD	-	Corporate Planning Division
CPI	-	Continuous Performance Improvement
CSME	-	Caribbean Single Market and Economy
CSP	-	Country Strategy Papers
DFID	-	Department for International Development
DMFC	-	Disaster Mitigation Facility for the Caribbean
DRM	-	Disaster Risk Management
DRR	-	Disaster Risk Reduction
ECCB	-	East Caribbean Central Bank
EOV	-	Evaluation and Oversight Division
EU	-	European Union
F&CPD	-	Finance and Corporate Planning Department
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
HIV/AIDS	-	Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome
HR	-	Human Resource
HRM	-	Human Resource Management
ICR	-	Interest Coverage Ratio
ICT	-	Information and Communications Technology
IDB	-	Inter-American Development Bank
IT	-	Information Technology
KM	-	Knowledge Management
M&E	-	Monitoring and Evaluation
MDB	-	Multilateral Development Banks
MDG	-	Millennium Development Goals
MfDR	-	Managing for Development Results
mn	-	million
NDMSOG	-	Natural Disaster Management Strategy and Operational Guidelines
OCR	-	Ordinary Capital Resources
ODA	-	Official Development Assistance
OECS	-	Organisation of Eastern Caribbean States

ABBREVIATIONS CONT'D

p.a.	-	per annum
PBL	-	Policy-based Lending
PFD	-	Project Financing Division
PPES	-	Project Performance Evaluation System
PRS	-	Poverty Reduction Strategy
PSD	-	Project Supervision Division
PSDD	-	Private Sector Development Division
RAS	-	Resource Allocation Strategy
RBM	-	Results-based Management
RLR	-	Reserves-to-loans Ratio
ROUC	-	Return on Usable Capital
RPGs	-	Regional Public Goods
SDF (U)	-	Unified Special Development Fund
SERU	-	Social and Economic Research Unit
SFR	-	Special Funds Resources
SwAps	-	Sector-wide Approaches
SPARC	-	Support for Poverty Assessment and Reduction in the Caribbean
TA	-	Technical Assistance
TEER	-	total equity-to-exposure ratio
USAID	-	United States Agency for International Development
UWI	-	University of the West Indies
VP(F)	-	Vice-President (Finance)
VP(O)	-	Vice-President (Operations)
WB	-	World Bank

SYMBOL

% - percent

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1. INTRODUCTION

“A Call To Arms: . . . to encourage an urgent rethinking of our strategies and policies in the field of development in this age of globalisation. . . . The period ahead requires us to summon all of our energies and commitment for the development task ahead.”

- Sir Alister McIntyre: Inaugural William G. Demas Memorial Lecture – Barbados, October 2000

1.01 The closing years of the 20th Century saw considerable changes in the global economy, which had far-reaching implications for the Caribbean Development Bank (CDB's) Borrowing Member Countries (BMCs). Many of these changes related to the liberalisation of international trade and a parallel erosion of Caribbean access to traditional export markets through the removal of trade preferences, and a general reduction in official development assistance (ODA). At that time, these countries were faced with significant levels of unemployment and poverty, a high degree of vulnerability to natural disasters and economic shocks, and in some of them, a relatively high debt profile.

1.02 The solutions to these challenges were thought to lie in the implementation of major economic transition and adjustment reforms to improve competitiveness, and in the development and strengthening of safety nets against natural disasters and further loss of gainful employment. CDB's role as embodied in its Strategic Plan 2000–2004 was to “position CDB so it can continue to respond to the requirements of its member countries and other key stakeholders, in particular, the peculiar requirements of BMCs as they restructure their economies to compete in a world devoid of preferences.” The Plan also recognised the significant changes in the global environment that occurred since the crafting of the Bank's Charter in 1970 and the influence of those changes on the needs and priorities of both borrowing and non-borrowing members of the organisation.

1.03 In this context the Bank felt compelled to give a new interpretation of the development tasks, which it had set for itself and to which all of its stakeholders could continue to subscribe. As a result, the Bank's new mission statement would be:

“CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our borrowing members, and other development partners, towards the systematic reduction of poverty in their countries through social and economic development”

1.04 To realise this mission, CDB sought to reposition itself to face the many existing challenges by becoming more responsive to its clients, improving its operating efficiency and strengthening its institutional capacity. As part of the initiative to reposition itself, CDB undertook an Operations Audit, which was completed in March 2000. The objective of the Audit was to provide management with the information necessary to identify opportunities for streamlining its structure and work processes and any other areas in which efficiency and productivity gains could be realised. A Change Management Programme (CMP) was subsequently initiated to accelerate the implementation of the approved recommendations of the Operations Audit.

1.05 Since the time of crafting and agreeing to the Strategic Plan 2000–2004, the international development agenda, which sets donors' objectives and priorities, has become increasingly complex. The Bank has committed itself to improving its effectiveness through the use of results-based management approaches as well as through Managing for Development Results (MfDR). In addition, the focus of

development attention has been expanded to include the adoption of the Millennium Development Goals (MDGs), with changes made to the ways in which development agencies relate to their borrowers/clients.

1.06 All these changes have taxed the Bank's limited resources, and in response the Bank has increasingly leveraged its competitive advantages and close relationship with other development partners in the Region to mobilise more and better resources, and to address the challenges facing its BMCs. In this regard, it has worked towards the development of more collaborative partnerships with donor agencies, the adoption of more harmonised approaches, policies and procedures for assisting BMCs, as well as greater alignment of its development assistance with the development plans and strategies of the BMCs. The new thrusts and focus have compelled a rethink and adjustment of the Bank's mission statement for the new Strategic Plan period to –

“ ... CDB intends to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with our borrowing members and other development partners, towards the systematic reduction of poverty in their countries, through social and economic development.”

1.07 During the period 2000–2004, various elements of the CDB's strategic and operational guidance system have been enhanced and given greater focus through the adoption and revision of several sector and thematic policies, strategies and programmes. The financing of the Bank's operations through the blending of Ordinary Capital Resources (OCR) with that of the Special Development Fund Unified [SDF (U)] has also meant that the agreement (Report of Contributors) reached with Contributors to SDF (U) (Fifth Cycle) also forms a significant part of the institution's guidance system.

1.08 Five years into the 21st Century, and at the end of the Strategic Plan 2000–2004, there is the recognition that although there has been significant social and economic progress in BMCs, much work remains to be done. The World Bank's (WB) Report, “A Time to Choose – Caribbean Development in the 21st Century”, describes the BMCs' current circumstances in the following terms – *“Formidable Challenges lie ahead. While poverty has declined in the past, it remains high in many countries,.... Unemployment, particularly of youth, is a major issue..... as well as drug trafficking and addiction. Another challenge is coping with natural disasters and economic volatility.... Still another challenge is reducing crime, which is affecting the larger islands and increasingly the smaller ones... Meeting these challenges is complicated by the massive increase in public debt in the last few years - the Caribbean now has the dubious distinction of having many of the most indebted countries in the world.”*

1.09 On the positive side, many BMCs have already begun to plan and implement economic adjustment and fiscal reform measures aimed at increasing sustainable economic growth. Improving the investment climate and creating an enabling environment for private sector development remain high on these countries' development agenda. There is general recognition of the imperative to boost competitiveness, encourage diversification and niche market development.

1.10 The success of such strategies will be dependent on improving the quality of human resources; improving economic infrastructure; enhancing regional cooperation and promoting regional public goods (RPGs); building environmental and other mitigation mechanisms designed to offset vulnerabilities to natural disasters; and improving the efficiency and effectiveness of development assistance for promoting these efforts. There is also agreement on the need for BMCs to give priority to sustaining and improving growth and competitiveness, and that growth is the main plank through which these countries might achieve their social goals.

1.11 This Strategic Plan sets out the proposed medium-term strategic framework and direction for the Bank over the period 2005–2009. The Plan will seek to build on the gains made through the pursuit of

the objectives set in the Strategic Plan for 2000–2004 and the implementation of the agreed strategies. It also incorporates the agreements detailed in the Report of Contributors to SDF 6 entitled “Reducing Poverty in the Caribbean and Targeting the Millennium Development Goals”. This Report of Contributors recognises the need to complete the unfinished business from SDF 5 and mandates new development options for the SDF 6 period. It also provides the objectives and strategic priorities to guide SDF 6 operations, and a strong basis for achieving and assessing results during the Plan period.

1.12 The approach to the development of the new Strategic Plan involved several participatory fora organised specifically for soliciting the views and suggestions from various stakeholders. These consultations included retreats held separately and jointly for senior and middle management, and Directors of the Board.

1.13 The opportunity is taken in Section 2 to review the environment in which the Bank operates, to restate the challenges that the organisation will seek to address and to explore the new opportunities offered by changes to the operating environment. Section 3 outlines the strategic focus and priorities, which would be consistent with achieving the Bank’s mission. Section 4 examines CDB’s comparative advantages and the array of strategy, policy and programme choices which will be pursued as a result of that analysis; and Section 5 looks at the organisational capability, effectiveness and efficiency issues that will require attention if the proposed strategies, policies and programmes are to be implemented. Finally, the financial resource requirements and related implications are assessed in Section 6.

2. THE INTERNATIONAL AND REGIONAL ENVIRONMENT

“It is common place that small economies ... are much more open to the rest of the world, other things being equal than are large ones. ... It follows that small countries are much more vulnerable to shocks from the global economy than large ones. (In the Caribbean, one has to add that natural disasters – hurricanes, earthquakes, volcanic eruptions – are important further sources of exogenous shock.) Of course, this external openness or dependence can be a source of opportunities.... Some small countries have done extremely well ... Still, even these “success stories” have reason for concern over their vulnerability...”

– Poverty Reduction in Small Countries: What is to be done? Professor Gerry Helleiner at the Second Annual William G. Demas Memorial Lecture. Delivered at the 31st Annual Meeting of the Board of Governors of the Caribbean Development Bank – Castries, St. Lucia, May 24, 2001.

2.01 The analysis of the Bank’s operating environment benefits from extensive dialogue and consultations with its many stakeholders, studies developed by regional development experts and other development partners as well as works sponsored by the Caribbean Forum for Development (CFD) and CDB’s own economic and social research. The nature and extent of the challenges faced by CDB’s BMCs, the new and emerging opportunities offered by changes in the operating environment, CDB’s own comparative advantages and capacity to contribute to the development process, and the extent of its collaboration with other development partners are the principal drivers of the strategies and priorities, which will emerge from this plan.

THE INTERNATIONAL ENVIRONMENT

2.02 *Changes to the international trading environment* brought about by globalisation and liberalisation have posed the most profound challenges for Caribbean countries. Trade preferences are being eroded with respect to the Region’s traditional export commodities, tariff revenues are in decline as new agreements are brought into force and efforts at improving competitiveness have been slow, uneven and inadequate. In short, these changes have accelerated the dismantling of the Region’s old economy based on bananas, sugar, rum and rice long before any restructuring has been completed to replace it.

2.03 This new international trading framework however offers some prospects for BMCs to improve economic performance and sustain growth. Their capacity to exploit any new opportunities will depend on, among other factors, continuing efforts to improve competitiveness, identify new goods and services exports, and to generally build on areas of comparative advantage including their proximity and traditional ties to major markets in Europe and the United States of America. In addition, the success of current efforts to expand economic activities in tourism, internet gaming, financial services and offshore education, highlights the potential for further expansion into service exports.

2.04 *The resurgence of cross-border private capital flows*, in the form of foreign direct investment (FDI), is a major source of much needed investment financing and has had a huge impact on the economic fortunes of some Caribbean countries. In some instances, these flows have forced a rethink of the role and relevance of multilateral institutions as financial intermediaries. However, the narrow selectivity in terms of their destination has resulted in some regional countries deriving greater benefit than others. Table 1 – Net Inflow of FDI to CDB’s BMCs – shows that over the period 1995–2004 three countries, The Bahamas, Jamaica and Trinidad and Tobago, benefited from 83.3% for the FDI flows into all BMCs.

TABLE 1: NET INFLOW OF FDI TO CDB's BMCs
(\$ mn)

Item	1995-1999	2000	2001	2002	2003	2004	Total
Anguilla	140	48	46	n.a	n.a	n.a	234
Antigua and Barbuda	127	31	30	n.a	n.a	n.a	188
Bahamas	697	251	n.a	n.a	n.a	n.a	948
Barbados	115	14	13	n.a	n.a	n.a	142
Belice	115	18	17	n.a	n.a	n.a	150
British Virgin Islands	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Cayman Islands	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Dominica	123	16	15	n.a	n.a	n.a	154
Grenada	170	37	36	n.a	n.a	n.a	243
Guyana	315	67	64	n.a	n.a	n.a	446
Jamaica	1,427	468	614	481	721	605	4,316
Montserrat	17	2	2	n.a	n.a	n.a	21
St. Kitts and Nevis	149	38	36	n.a	n.a	n.a	223
St. Lucia	230	75	72	n.a	n.a	n.a	377
St. Vincent and the Grenadines	239	76	73	n.a	n.a	n.a	388
Trinidad and Tobago	3,026	472	835	791	616	1826	7,566
Turks and Caicos Islands	n.a	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL	6,890	1,613	1,853	1,272	1,337	2,431	15,396

Source: Foreign Investment in Latin America and the Caribbean, UN, Cepal, ECLAC — 2003 and 2004

2.05 The Caribbean has historically attracted a significantly high level of FDI relative to its size and income level. However, these investments have been concentrated in the traditional economic sectors of tourism, mineral extraction and agriculture. The challenge which must be faced is to provide the kinds of incentives that would encourage FDI inflows to high value, high quality investments which contribute to economic diversification.

2.06 Private capital flows also take the form of the purchase of equities in domestic stock markets by foreign private investors, commercial bank lending and bond issues by borrowers in developing countries. For many developing countries, however, access to these cross-border private capital flows remains extremely difficult, and bilateral and multilateral sources of capital continue to be essential.

2.07 *The tendency towards the establishment of regional trading blocs* as part of the process of participation in the globalised economic space has brought mixed results. Some benefits of belonging to these trading blocs are derived from resource efficiencies and economies of scale which improve international competitiveness, the opportunity to learn the tricks of the trade before full participation in global trading arrangements and the enhancement of the business environment for attracting FDI through enlargement of the market. Participating countries however run the risk of imbalances in the distribution of benefits and costs among members, as may arise from tariff-revenue losses and the differential burden of carrying the transaction costs of regional institutions and meeting regional commitments and targets.

2.08 The principal international trading blocs which are the focus of BMCs' attention are the Free Trade Area of the Americas, the European Union (EU)/African, Caribbean and Pacific countries, Organisation of Eastern Caribbean States (OECS) and the Caribbean Single Market and Economy (CSME). For the Caribbean, the persistence of non-tariff barriers in developed country markets, inadequate regional infrastructure, weaknesses in the regional institutional framework and inadequate

coordination of macroeconomic and sector policies among BMCs are some of the challenges that must be overcome in order to realise the potential benefits. However, membership of these trading blocs offers regional countries opportunities which are consistent with pursuing a sustainable model of development through an orderly and systematic integration into larger markets and ultimately the global economy.

2.09 ***The information and communications technology (ICT) revolution*** has presented small economies like CDB's BMCs with unprecedented opportunities for increasing their rate of knowledge and skills acquisition, introducing new economic activities and modes of production, and promoting cutting-edge efficiencies across a broad range of societal pursuits and at lesser cost than was hitherto envisaged. Apart from effects on production, the opportunity to enhance equality of access to education and training can improve the capacity of BMCs to participate in the world economic system and to reduce poverty. To leverage these technological advances for increasing economic growth and reducing poverty, BMCs will need to facilitate rapid improvement to their technology infrastructure and related regulatory framework.

2.10 Telecommunications infrastructure and services are critical to the development of services export and improving the competitiveness of firms in BMCs. Countries are already realising significant benefits from improvements in the telecommunications regulatory framework, liberalisation of the telecommunications market, and the aggressive expansion of internet and mobile telephone access at relatively lower charges. Future efforts must be targeted at leveraging these improvements to enhance business competitiveness and opening new areas for investment, employment and income generation.

2.11 Cultural industries have great potential to add new value, create jobs and stimulate growth in the economies of BMCs. These creative industries can provide avenues for engaging youth positively by creating new jobs, increase exports and improve social and economic welfare. New digital technologies are significantly restructuring how creative expressions can be developed, distributed and marketed; however, the Region lags in the diffusion of such technologies due to their high cost and inadequate telecommunications infrastructure.

2.12 **New dimensions to the definition of social and economic development, and the increasingly complex development agenda related to its achievement**, have increased the pressure on development agencies to expand their mandate at the same time as demands are made for increased development effectiveness and results. As a result of the dialogue on this expanded development mandate, the importance of reducing poverty and inequality has become central to the international development agenda. In addition, the Millennium Declaration, signed by 189 countries in September 2000, has led to the adoption of the MDGs. These goals represent the consensus of the world community on targets for eradicating extreme poverty and other sources of human deprivation and for promoting sustainable growth.

2.13 **The global community's commitment to the MDGs** has been further developed in a series of major international meetings in Doha, Monterrey and Johannesburg, which have contributed to a shared understanding of the strategies and policies needed to achieve the MDGs. The International Conference on Financing for Development in March 2002 adopted the *Monterrey Consensus*, which sets out the basic elements of a new global partnership, with improved policies and good governance in developing countries and the provision of increased aid and trading opportunities by developed countries. The Consensus includes recognition of the importance of strengthened regional and sub-regional institutions as vital sources of knowledge and expertise on economic growth and development for their developing member countries, and a commitment to ensure that adequate resources are at the disposal of the international financial system, including regional and sub-regional institutions. These resources would allow them to adequately support sustained economic and social development, technical assistance (TA) for capacity-building, and social and environmental protection programmes.

2.14 The success of the world community in meeting the commitments made at these various fora has been mixed. The World Bank, in its Global Monitoring Report 2005, calls on both developing and developed countries to give greater focus to meeting the MDGs, and further states that there needs to be a substantial increase in aid. The report advises that two actions are critical; one is the provision of more and better aid^{1/}, and the second is an ambitious and timely outcome to the Doha Round of Trade Negotiations to expand markets for the exports of developing countries. The Report warns that “unless there is early and tangible action on the part of the international community to accelerate progress, the MDGs will be seriously jeopardised”.

2.15 The successful completion of negotiations for the replenishment of CDB’s SDF (U) and agreement among contributors (regional and international donors) on the programmes to be supported through these resources provide a sound basis for assisting BMCs to continue their efforts at poverty reduction and the promotion of equity, as well as to meet their MDG obligations.

THE REGIONAL AND DOMESTIC ENVIRONMENT

2.16 The principal development challenges faced by most BMC economies arise from their small size, and high level of vulnerability to external economic shocks, natural disasters and environmental hazards. *The effects of small size on economic growth and development prospects* are related to:

- (a) the higher per capita cost of providing public goods and infrastructure services;
- (b) difficulties in achieving sufficient flexibility in product mix in order to adapt in timely fashion to changing demand conditions;
- (c) difficulty of achieving economies of scale and competitiveness in many production activities;
- (d) high and inflexible product costs structure; and
- (e) the observed trend of **very small developing states** to strive and compete internationally on the basis of a narrow specialisation based on their natural advantages, and of **small developing states** not being small enough for their economies to rely only on exports of a few commodities or services, and their size is not large enough to reap the benefits of economies of scale or to successfully diversify into dynamic products.^{2/}

2.17 Notwithstanding their small size, Caribbean countries have made substantial progress by most recognised yardsticks of development. These countries have achieved impressive growth in per capita incomes, as well as high levels of per capita income. Many of the characteristics, which were applied to attain these successes, include favorable geographic location and climatic conditions, a reasonably well-

^{1/} Global Monitoring Report: Findings on Progress since Monterrey indicates that ODA as a share of Donor Gross National Income in 2003 was 0.25%. Five countries – Denmark, Luxembourg, Netherlands, Norway and Sweden – have achieved ODA/GNI ratios of 0.7% or more, and six countries – Belgium, Finland, France, Ireland, Spain and the United Kingdom - have announced a timetable. Even on pledges, Development Assistance Committee donors’ aid effort is expected to reach only 0.32% by 2010, below the level of the early 1990s.

^{2/} Small Economies in the face of Globalisation – Third William G. Demas Memorial Lecture delivered by Jose Antonio Ocampo, Cayman Islands, May 14, 2002. Ocampo defines **Very Small Economies** as those with fewer than one million inhabitants in 1990 and **Small Economies** as those with between one and ten million inhabitants.

educated and trainable workforce, strong democratic traditions and functioning governance structures, and fairly well developed physical infrastructure to support economic activities. Although there are concerns about the need for modernisation and adjustment, these endowments form invaluable assets for tackling the development challenges that lie ahead.

2.18 Separate studies of vulnerability undertaken by the Commonwealth Secretariat, the United Nation's Committee for Development Policy and CDB, although using different methodology, show similar results. They concluded that small states were highly vulnerable to external economic forces and environmental hazards, and all ranked Caribbean states as among the most vulnerable in the world. In the Commonwealth Vulnerability Index, 111 countries were ranked in terms of their overall vulnerability. Some 28 countries were ranked as highly vulnerable and of these, 10 were CDB BMCs. In the vulnerability index developed by the United Nation's Committee for Development Policy, of the 12 BMCs included, more than half were in the top 40 percent (%) of the world's most vulnerable countries. In the study undertaken by CDB, 11 were ranked in the 20 most vulnerable countries, and another 4 are included in the top 30.

2.19 *Economic vulnerability assumes increasing importance in the wake of rapid changes in the economic environment, including globalisation and trade liberalisation*, with the loss of traditional preferential access in major EU markets. The banana and sugar exporting countries among the Bank's BMCs have been severely affected by the dismantling of EU trade preferences. The economies are also vulnerable to oil price shocks. In these circumstances, aggressive economic restructuring, improvements in the investment climate and changes in the production system to achieve greater production flexibility are required.

2.20 *A critical aspect of vulnerability in the Caribbean is that of hurricanes and other natural hazards*. Fourteen of the BMCs have suffered serious natural disasters since 1988, in some cases on several occasions. The most frequent disaster has been tropical hurricanes, and the most critical consequences of these repeated hurricane strikes are their effects on production and employment, and raising infrastructure investment costs and capital/output ratios. Table 2 summarises the effect of some of the major natural disasters since 1988.

TABLE 2: NATURAL HAZARDS IMPACTING BMCs, 1988–2005

Hazard	Year	Magnitude	Estimated Cost	Countries Affected
Hurricane Gilbert	1988	5	US\$1,100 million (mn), 65% of Gross Domestic Product (GDP)	Jamaica
Hurricane Hugo	1989	5	US\$3,600 mn, 200% of GDP for Montserrat	Antigua and Barbuda, St. Kitts and Nevis, Montserrat, British Virgin Islands
Tropical Storm Seth	1993	n.a.	n.a.	Belize
Tropical Storm Debby	1994	n.a.	US\$79 mn, 18% of GDP	St. Lucia
Hurricanes Iris/Marilyn/Luis	1995	Iris (Category 3/4) Marilyn (Category 1) Luis (Category 3)	US\$700 mn	Anguilla, Antigua and Barbuda, Dominica, Montserrat, St. Kitts and Nevis
Hurricane Georges	1998	Category 3	US\$450 mn (not including Dominica) ^{3/}	Antigua and Barbuda, Dominica, St. Kitts and Nevis
Hurricane Mitch	1998	Category 5	n.a.	Belize, Jamaica, Cayman Islands
Hurricane Floyd	1999	Category 4	n.a.	The Bahamas
Hurricane Lenny	1999	Category 4/5	US\$274 mn	Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Hurricane Keith	2000	Category 4		Belize
Tropical Storm Chantal, Tropical Storm Iris	2001	Chantal (Category 2), Iris (Category 3)	n.a.	Belize
Tropical Storm Lili	2002	n.a.	EC\$21 mn EC\$26 mn	Grenada St. Vincent and the Grenadines
Tropical Storm Earl	2004	n.a.	n.a.	St. Vincent and Grenadines Grenada
Hurricanes Charley/ Frances/ Ivan/Jeanne	2004	Charley, Frances (Category 4) Ivan (Category 5) Jeanne (Category 4)	US\$1,700 mn ^{4/}	The Bahamas, Cayman Islands, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago
Other Events				
Volcano	1995 to present		1995 Negative growth - 7.61% 1996 Negative growth - 20.2% - population reduced to 50% of 1995 level and usable land area reduced to 34% of the original amount available.	Montserrat
Earthquakes/Tremors	2000-2004;	4.5 & 3.3	n.a.	Antigua and Barbuda, Belize and Trinidad
	2003;	6.1	n.a.	Leeward Islands and Dominica
Les Saintes Earthquake	and 2004	6.3	n.a.	Dominica, Montserrat, Antigua and Barbuda, St. Kitts and Nevis, St. Vincent and the Grenadines
Landslides	2002		\$116 mn	Jamaica
Floods	2005			Guyana

Sources: CDERA, UWI Seismic Research Unit and CDB

2.21 The impact of natural hazards is profound. National income is lost through destruction of current output, as well as through destruction of production capacity. The result is not only a loss of employment and labour income, but also a reduction in income from the disruption of business activity through loss of direct production assets, utility services and essential infrastructure. These immediate disruptions to

^{3/} Not including Haiti.

^{4/} Not including Haiti, which was very severely affected.

employment and income also have adverse implications for personal consumption, government revenues and expenditures, and the balance of payments position. A natural disaster also invariably places the country on a lower growth trajectory, depending on the severity of the disaster and whether and how quickly productive capital is replaced.

2.22 CDB, in collaboration with United States Agency for International Development/(USAID), established the Disaster Mitigation Facility for the Caribbean in 2000 with the objectives of assisting BMCs with adopting and institutionalising disaster mitigation policies and practices; to strengthen CDB's capacity to effectively implement its 1998 Natural Disaster Management Strategy; to modify this strategy as appropriate; and to integrate this Strategy into all CDB policies and programmes. In this regard, the Bank's initiatives in this area will seek to address the prevention and mitigation of disasters that occur as a result of natural hazards; and post-disaster response to the impact of natural hazard events.

2.23 *The health status of the countries is of economic significance because of its implications for the quantity and quality of human resources, labour productivity and financial resource use.* The Report of the Caribbean Commission on Health and Development identified the rise of chronic diseases and Human Immuno-deficiency Virus/Acquired Immune Deficiency Syndrome (HIV/AIDS) as major negative factors. The Caribbean Region has the second highest HIV/AIDS prevalence rates in the world, second only to Sub-Saharan Africa. The ravages of the epidemic are shown in the increasing mortality rates within the productive age cohorts of the Region's populations. Statistics also indicate a rapid feminisation of the epidemic, with 48.8% of females among infected adults, and a trajectory of the epidemic in the Caribbean towards the poorer socio-economic segments of the society. The UNIFEM Caribbean Report on Gender and the MDGs state that the gendered nature of the disease can be gauged from the fact that the rate of increase in HIV/AIDS among women, and especially among girls, is higher than it is among men. Economic factors are of major importance in explaining the spread of the disease. Young women are often at high risk of going into sex work, the drug trade and practicing transactional sex in the name of family survival - all impacting on the HIV/AIDS transmission.

2.24 It is clear that if countries are unable to reverse this pandemic, the prospects for the successful implementation of development strategies and programmes could be seriously compromised. In this regard, the Caribbean is benefiting from a major initiative under the umbrella of the Global Fund to Fight HIV/AIDS, Tuberculosis, and Malaria. With the establishment of the Pan-Caribbean Partnership against HIV/AIDS in 2001, the fight against the disease is better resourced and coordinated, and a more comprehensive strategy has been adopted which views HIV/AIDS as an economic development issue as well as a health, social and gender issue.

2.25 **Compounding this challenge are the unacceptably high levels of poverty and inequality existing in BMCs.** Table 3 shows the extent of poverty, in terms of *income poverty* (inability to afford minimum sustainable living standards) and in terms of *indigence* (inability to afford even minimum food costs alone), for those of the Bank's BMCs for which Country Poverty Assessments (CPAs) are available. The data shows a stark picture of high levels of true poverty, somewhat masked in the aggregated economic data for the Region by a more prosperous group at the top of the income scale. Four of the countries have 15% or more of their population with less income than it takes to eat the simplest, least expensive diet that can sustain health. *Almost all of the countries have more than 20% of the population below the poverty line, 8 have more than 30% in poverty, and in 2 of the countries the percentage is over 60%.*

TABLE 3: SELECTED POVERTY INDICATORS

Item	Population 2003 (‘000)	Year of Country Poverty Assessment	Poverty Indicators			
			% of Population Below Poverty Line	% of Population Below Indigence Line	Gini Coefficient of Inequality	Poverty Gap ^{5/}
Anguilla	12.2	2002/2003	23.0	2.0	0.31	6.9
Barbados	271.6	1997	13.9	n.a.	0.39	n.a.
Belize	269.0	2002	33.5	10.8	0.40	11.2
British Virgin Islands	21.3	2002/2003	22.0	0.5	0.23	4.1
Dominica	71.2	2002/2003	39.0	15.0	0.35	10.2
Grenada	104.8	1999	32.1	12.9	0.45	15.3
Guyana	752	1999	35.0	19.0	n.a.	12.4
Haiti	8,440.0	1997	65.0	n.a.	n.a.	n.a.
Jamaica	2,635.4	2002	19.7	n.a.	0.38	n.a.
St. Kitts and Nevis	47.3	2000	31.3	14.0	0.38	2.5/2.8
St. Lucia	160.6	1996	25.1	7.1	0.50	8.6
St. Vincent and the Grenadines	105.0	1996	37.5	25.7	0.56	12.6
Suriname	438.0	2000	63.1	20.0	n.a.	n.a.
Trinidad and Tobago	1,282.4	1997	24.0	8.3	0.39	n.a.
Turks and Caicos Islands	22.05	1999	25.9	3.2	0.37	5.7
Overall weighted average			33.0	n.a.	n.a.	-

2.26 These are conservative estimates and do not capture many of the transient poor, who may spend much of their lives living in and out of poverty. Similarly, they do not adequately capture the numerous severe impacts of frequent natural disasters and external economic shocks.

2.27 Poverty in the Caribbean continues to be gendered despite improvements that women have made over the last three decades. Despite women’s increasing labour force participation, they are less visible than men, operate in a stratified labour market, tend to have higher unemployment rates, encounter greater barriers to entering the labour force and perform a disproportionate level of unpaid labour in the household and the agricultural sector. In addition, there is a confirmed relationship between household poverty and women’s work. Regional country reports identify women’s traditional responsibility for caring-work in the household, for children, the elderly and the sick as a significant factor in the high incidence of poverty among women and female-headed households. Not only is this work unwaged (not captured in national statistics) but it reduces the amount of time women have for pursuing paid employment, limits their income-earning ability, increases their economic dependence and impacts on the survival chances of their families and dependants.

2.28 Also at Table 3, **the Gini ratios show levels of income disparity that are quite extreme in many BMCs.** One regional expert explains this condition in the following terms “Economic inequality fills the well of social discontent. Social discontent is evident in the rise of labor market disruptions such as work stoppages. It is particularly evident in the surge of crime across the Caribbean. Criminal offences against persons and property, and the seeming ineffectiveness of law enforcement agencies, undermine confidence of investors and workers alike, destroy human capital and physical capital, and divert public and private resources from productive uses into security and protection and into medical

^{5/} The poverty gap is based on the aggregate poverty deficit of the poor relative to the poverty line. It indicates the depth of poverty, i.e., the extent to which the incomes of poor households fall below the poverty line.

attention for victims of crime. There has been social progress but insufficient in its distribution across households and districts to cap the wells of discontent that threaten the sustainability of future economic growth.”^{6/}

2.29 The 2006 edition of the Annual World Development Report observes that high levels of economic and political inequality lead to economic institutions and social systems that systematically favour the elite – those with more influence. Inequitable institutions impose economic costs and make society, as a whole, more inefficient. The report says that the adverse effects of unequal opportunities and political power on development are all the more damaging because the economic, social and political inequalities are reproduced across generations, and may lead to ‘inequality traps’ where the cycle of underachievement continues.

2.30 Since 1999, CDB has adopted the systematic reduction of poverty in BMCs as its overarching mission and a number of programmes funded through SDF (U) are directly targeted at the poor, e.g.: Basic Needs Trust Fund (BNTF). Furthermore, through use of the poverty prism, the Bank has been improving the poverty focus of its project interventions during design, appraisal and implementation stages. High priority has been accorded programmes of assistance to BMCs for undertaking CPAs and poverty reduction strategies (PRSs), for capacity enhancement to empower poor persons to take advantage of economic opportunities, vulnerability reduction to prevent the poor from worsening their circumstances, improving the quality of governance to address the causes of social exclusion and inequity, and strengthening capacity for social policy development.

2.31 ***High levels of debt and fiscal distress in many BMCs have led to the emergence of debt sustainability and fiscal management as central concerns.*** Fourteen (14) Caribbean countries are among the 30 most indebted emerging market countries in the world. Five of these countries (all CDB’s BMCs) are regarded as very highly indebted, with public debt to GDP ratios exceeding 90% at the end of 2004 (refer to Table 4 – ‘BMCs’ Total Debt as a Percentage of GDP’) and the average fiscal deficit was nearly 6% at the end of 2003. Average fiscal performance in every country deteriorated in 1998–2003, compared with 1991–1997, and a rise in expenditures, rather than a fall in revenues was the main cause of the worsening fiscal accounts. The scope for sustaining such expansionary fiscal policies is limited because not only has public debt risen rapidly but global interest rates have begun to rise^{7/}.

^{6/} Refer to the Address by Dr. Compton Bourne to the Thirty-Fifth Annual Meeting of CDB’s Board of Governors entitled “The Soft Underbelly of Caribbean Economic Progress” (Guyana, May 2005).

^{7/} IMF Working Paper - Stabilisation, Debt, and Fiscal Policy in the Caribbean by Ratna Sahay

TABLE 4: BMCs' TOTAL DEBT AS A PERCENTAGE OF GDP

Item	1999	2000	2001	2002	2003	2004
Anguilla	8.6	8.2	9.0	8.8	10.2	24.4
Antigua and Barbuda	89.9	90.0	87.5	87.6	63.2	-
Bahamas	51.9	51.1	52.7	62.7	66.8	67.3
Barbados	58.7	63.2	72.6	79.8	74.8	73.5
Belize	52.1	69.2	85.0	88.2	102.2	101.1
British Virgin Islands	4.1	3.5	4.4	4.3	4.9	-
Cayman Islands	7.2	7.5	10.2	0.8	-	-
Dominica	70.7	83.3	82.3	96.4	93.7	87.5
Grenada	48.5	52.5	56.5	84.2	85.0	96.8
Guyana	210.3	206.5	209.0	211.5	190.2	176.0
Jamaica	100.5	101.4	130.6	138.1	140.9	149.6
Montserrat	22.6	25.0	20.6	12.8	10.5	8.9
St. Kitts and Nevis	112.5	121.7	140.1	160.5	169.3	170.2
St. Lucia	38.7	36.3	36.5	51.3	57.9	62.2
St. Vincent and the Grenadines	62.9	46.1	44.4	45.7	43.9	44.0
Trinidad and Tobago	45.5	39.3	37.0	36.8	31.6	28.2
Turks and Caicos Islands	2.1	3.8	3.1	7.1	-	-

2.32 Regaining fiscal and debt sustainability in the most affected BMCs is fundamental for resuming growth and safeguarding macroeconomic stability, particularly in the OECS. The East Caribbean Central Bank (ECCB) has established fiscal benchmarks for individual countries, including minimum budget current balance of 4-6% of GDP, budget deficit of 3%, and maximum central government debt of 60%, to be achieved by 2007. In 2003, none of the countries had achieved the debt targets. The required measures will involve a combination of reforming tax policy, improving tax administration and expenditure reduction and control. Past and on-going work in these areas has been supported by the Bank through a mix of TA financing and policy advice.

2.33 All these challenges, though formidable, are not insurmountable. The Bank's approach to assisting BMCs to address these issues will continue to be based on delivery of a mix of products consistent with its principal functions of financial resource mobilisation, financing of essential infrastructure, capacity building, institutional development and knowledge management, and promoting regional cooperation and integration, and the provision of RPGs. In the delivery of all these services, the Bank is committed to working collaboratively with all its development partners.

3. COMPARATIVE ADVANTAGE AND IMPROVING DEVELOPMENT EFFECTIVENESS

“...The Bank’s key strength is that it is in the Region, of the Region and for the Region.”^{8/}

3.01 CDB’s approach to dealing with the challenges faced by BMCs and the determination of its strategic focus and priorities requires the examination of what constitutes the Bank’s comparative advantage. This analysis will include an assessment of the more significant characteristics of the organisation, its relationships with clients and stakeholders, as well as the skills, competencies and experiences that CDB possesses for confronting these challenges and pursuing its development objectives. In this section, an examination is also made of the Bank’s strengths and weaknesses and relatedly of the nature of its comparative advantage.

Strengths

3.02 The Bank is well respected in the international capital markets as a Triple “A”-rated financial institution, staffed with dedicated professionals who provide valuable developmental services to its clients. The Bank’s main financial strength is its ability to mobilise funds to its BMCs on more attractive terms and conditions than they are able to access as individual countries. The ability to attract significant amounts of concessionary resources provides the Bank with additional opportunities for enhancing the terms of its loan funding to clients as well as to finance some development activities on a non-reimbursable basis.

3.03 CDB understands the Region and its challenges. Its location, ownership and governance structure which give majority shareholding to the BMCs, along with a staff of primarily regional professionals, gives the institution a perceived advantage in understanding the BMCs and their problems. This is reinforced by the ability to combine technical “know-how” with knowledge of “how things work” and “what is possible”. Direct informal bonds between CDB’s staff and BMC political directorates and senior public and corporate officials also underscore CDB’s strength in this regard.

3.04 As a regional institution with non-regional members, CDB is positioned to bring global perspectives, experiences and resources into the Region while at the same time reflecting and responding to the BMCs’ particular requirements. By virtue of its multilateral character the Bank is well positioned to serve as an intermediary between its BMCs and other development partners. CDB has worked closely with many other development agencies, and has longstanding partnership relationships with these institutions. These partnerships allow the Bank to develop relationships and networks through which it can mobilise expertise to deliver assistance in areas in which it does not itself have such expertise.

3.05 From its inception, the Bank has been directly involved in community-based project initiatives, including extension-type services, to provide feeder roads and other infrastructure to the agriculture sector. Since 1979, BNTF has been one of CDB’s principal programmes in the fight against poverty. It has employed people-centred development principles as well as significant beneficiary participation to set objectives and implement projects. For more than 20 years CDB has employed the CTCS as a key tool to support the development of the micro-, small-, and medium-sized enterprises through technology transfer, and building skills and capacity.

^{8/} Reply of Temporary Alternate Governor for the United Kingdom on behalf of non-regional members to welcoming address from the Leader of Government Business, Cayman Islands – CDB Annual Meeting of the Board of Governors, May 2002.

3.06 Through these initiatives, the Bank has developed considerable expertise and institutional “know-how” in the cost-efficient design, appraisal and supervision of small- and medium-sized investments and community-based social projects and programmes. As a result, CDB has become a preferred conduit for the delivery of resources from other development agencies/partners, particularly in circumstances where cost-efficiency and development impacts are primary considerations.

3.07 The provision of TA resources and services are essential to support the design and implementation of development programmes and projects. TA facilities are, for the most part, provided on a non-reimbursable basis and allow the Bank to support country and regional initiatives as well as civil society groups. As a whole, the non-reimbursable TA has been critical to the role of the Bank for executing its development agency function and to the promotion of many of its priorities, particularly in the areas of direct poverty interventions, governance and institutional development, and environmental management.

3.08 On account of its continuing presence among BMCs and its institutional stability, CDB has been able to provide continuity in the pursuit of various development objectives. Public policies are likely to have the greatest impact where a consistent direction can be maintained over time. The Bank’s ability to persist and stay the course is of considerable value to the regional development process.

3.09 CDB is a rules-based organisation, fully accountable to its shareholders and stakeholders. Its governance arrangements embrace the principles of transparency, inclusiveness and consensus and its interventions are unhindered by partisan considerations. The Bank has acquired a reputation for good governance practices, which it can use to advance a similar agenda in BMCs.

3.10 The strong regional character of the Bank allows it to be a trusted partner in helping to improve governance structures, and enable partnerships between the public and private sectors. It has demonstrated its ability to deal with regional problems and issues through using its brokering capacity to foster dialogue and consensus, spreading best practice and disseminating information, supporting regional cooperation efforts, and addressing environmental issues in the planning and implementation of projects.

Weaknesses

3.11 CDB’s relatively small size creates some opportunities for flexibility and nimbleness in response to development issues. However, the relatively small level of resources available to CDB limits the scope of its responses to some of the economic and social transformation needs of the BMCs. In this regard, it is a small player particularly in the context of its larger member countries, which are also members of the much larger regional Multilateral Development Banks (MDBs). The relatively small size of CDB’s balance sheet necessitates lower levels of financial intervention as well as lower risk tolerances than clients both in the public and private sectors may sometimes expect.

3.12 Expansion of the Bank’s membership, both borrowing and non-borrowing, is an imperative that is being actively pursued in order to address the issue of size. Success in this endeavour should yield benefits that go beyond the increase of the Bank’s ordinary capital and concessionary resources. New borrowing members should lead to a more risk-diversified loan portfolio, while new non-borrowing membership will serve to increase the pool of donors, widen the choice of procurement sources, and the pool of technical expertise from which the Bank could draw to support its development programmes.

3.13 In its response to the needs of its borrowing members, CDB has been able to forge partnerships with various multilateral institutions which provide additional financial resources. For example, the Inter-American Development Bank (IDB) provides resources for CDB to on-lend to the Windward Islands,

which are not members of the IDB, on highly concessionary terms and conditions. Other collaborations of a bilateral nature have also expanded the Bank's pool of in-house expertise as well as financial resources [e.g. collaboration with Department for International Development (DFID) on Social Development Assistance] and serve to mitigate the negative impact of the institution's small size. The leveraging of the Bank's accumulated expertise in the design and implementation of community-based projects, i.e., BNTF, has resulted in the significant expansion of this programme through the provision of additional resources by the Canadian International Development Agency and is another instance of CDB extending its reach beyond the capacity of its own resources.

3.14 The amount of OCR available to the Bank also imposes the need for a disciplined risk-based approach to income targeting to ensure that lending interest rate spreads are sufficient to cover CDB's borrowing costs, meet administrative expenses and have a large enough margin to grow the capital base sufficiently to cover future country credit risks. The Bank's cost of borrowing is less attractive than that of other MDBs operating in the Region (i.e., IDB and WB). Some of the factors contributing to this circumstance include the smaller size of CDB's bond issues, the relative illiquidity of the financial paper, and differences in the quality of CDB's callable capital compared with other MDBs.

3.15 An even bigger challenge is the increasing availability of private regional and international market finance to some BMCs on terms and conditions that are approximate to that available to CDB in the same market, even with its superior credit rating. CDB's ability to offer competitive rates and terms to many of its current borrowers will have to be addressed through strategies to reduce the Bank's borrowing costs, as well as increasing its operating efficiency.

3.16 Complaints have often surfaced about the unnecessarily bureaucratic nature of CDB's appraisal and disbursement processes and procedures. The procedures of the Bank are indeed bureaucratic as they are based on formal manuals, detailed processing instructions, multiple layers of review and procurement rules. Borrowers are increasingly sensitive to the time dimension of the development equation and are calculating the "time price" of working with development institutions. In recognition of the need to improve its responsiveness to the clients' concerns on these issues, CDB commissioned an Operations Audit and a number of process studies in order to identify opportunities for streamlining its structure and work processes, and any other areas in which productivity gains could be made.

3.17 CDB has worked hard at implementing the results of these studies as well as remaining open to the ideas and suggestions from various other stakeholders. The Bank is often seen as approachable, sympathetic and knowledgeable with a natural tendency to respond positively to requests from borrowers. However, these tendencies can be problematic, lead to a dispersion of effort, a reduction of effectiveness in dealing with requests for assistance, and disappointment over the high expectations raised by these relationship qualities. Careful management and prioritising of the Bank's responses is required to ensure that the best interests of all stakeholders are properly served.

3.18 CDB's development role requires a combination of TA, policy advice, training programmes, and institution building. However, the circumstances associated with the small balance sheet are also reflected in the limited in-house expertise available to deal with the ever-widening range of development issues. This deficiency can lead to disappointment in the expectations of clients about what the Bank can and cannot do. As a consequence of its small size, the Bank is not always able to support all initiatives with the same depth of human and institutional resources as its larger development partners. Efforts to mitigate this shortcoming will involve intensifying and expanding the kind of collaboration described earlier in this section. However, the Bank will need to further prioritise both the nature and scale of its interventions in order to improve its efficiency and development effectiveness.

THE NATURE OF CDB'S COMPARATIVE ADVANTAGE

3.19 The concept of comparative advantage seeks to identify those areas in which the Bank has the clear potential to do better than another institution, public or private, and to be a country or institution's first choice for assistance when embarking on a new project or programme. Comparative advantage should be a guide to what the Bank does exceptionally well but should not be the sole determinant of what it should try to do. Furthermore given the Bank's diverse membership and the development environment in which it operates it is likely that its clients will need services at which the Bank may be merely competent and not solely in areas where it holds a comparative advantage.

3.20 The close relationship with BMCs, including easy access to BMC policymakers and administrators as well as institutions of civil society, and CDB's knowledge and understanding of the problems and dynamics of the Region, allows the Bank to be more responsive to the requirements of BMCs than some competitors. Stable partnerships with BMCs and development institutions built, and persisted with, should position CDB to continue to be at the centre of the development process in the Region.

3.21 CDB is part of the regional institutional network consisting of the Caribbean Community (CARICOM), University of the West Indies (UWI), OECS and ECCB - all institutions that are owned by and enjoy the confidence BMC-governments have in their own regional institution, and CDB's physical location in the Region and proximity to many of the BMCs. This positions the Bank to enjoy a particular advantage in working on projects and programmes that support regional integration and cooperation. Such projects and programmes require complex negotiations and involve building delicate political consensus among regional and international stakeholders. The Bank also has longstanding and supportive relationships with other Caribbean institutions and agencies, having played a major role in facilitating the establishment of the Caribbean Court of Justice, which is an essential element of CSME and provides operational support to the Caribbean Centre for Technical Assistance, the Caribbean Regional Negotiating Machinery (CRNM), and CFD. Such relationships reinforce the Bank's unique advantage in the area of regional integration and cooperation.

3.22 The Bank has a recognised comparative advantage in its substantially lower costs for the appraisal and supervision of projects of the size that characterise the economies of the Caribbean. It also undertakes grant and loan TA, public sector lending and private sector operations within a single small organisation, and can take advantage of various synergies and flexibilities not easily attainable in larger MDBs. Its exclusive focus on the Caribbean and closeness to its BMCs give it a special role in relation to regional cooperation and integration and to the strengthening of governance and the institutions of civil society, as well as a high acceptability as a partner in poverty reduction at the national level.

3.23 The Bank has gained substantial experience over more than 20 years in the design and delivery of community-based programmes directly targeted to the poor, as well as in a range of programming instruments of direct relevance to the poor, including rural development, low-cost housing, early childhood education, environmental planning and sustainability, strengthening of small- and medium-size private business enterprises, and small-scale credit. Considerable work has been done by the Bank on the policy and institutional elements that are essential for strengthening pro-poor governance, including CPAs and the development of national poverty reduction plans and strategies.

3.24 The Bank's particular experience in working with its BMCs extends to institutional strengthening of development finance companies, where it has made a major contribution, the strengthening of the operational and technical capacities of public utilities, in particular electrical power and water, and various aspects of economic and fiscal management, programme delivery and institutional strengthening.

3.25 Comparative advantage is dynamic and can be enhanced or eroded over time depending on the disposition of the organisation. It is a function of the Bank's experience and capacities, as well as its relationships with the BMCs and with other institutions in the same line of work. The Bank is well positioned to work in areas where relationships and sensitivity to local/regional circumstances are important and in areas where "being in for the long haul" is a key success factor. In addition, a key strength of the Bank is its ability to mobilise expertise from both internal and external sources to solve development problems. To enhance this capacity CDB has to further develop its relationships, networking and problem-solving skills to be able to continue to assemble technically competent teams in response to request for assistance. This process will amount to an effort in joint learning between the Bank, BMCs and other partners, and is essential to maximising the Bank's comparative advantage. To this end, CDB will also promote itself as a learning organisation that is willing to tackle new problems together with shareholders and other development partners.

4. STRATEGIC FOCUS AND PRIORITIES

“To maintain their relevance to a growing diversity of stakeholders, and to their shareholders in particular, MDBs will need to articulate, multiple strategies to respond to disparate, conflicting and shifting demands.”

- A Foresight and Policy Study of MDBs, University of Sussex

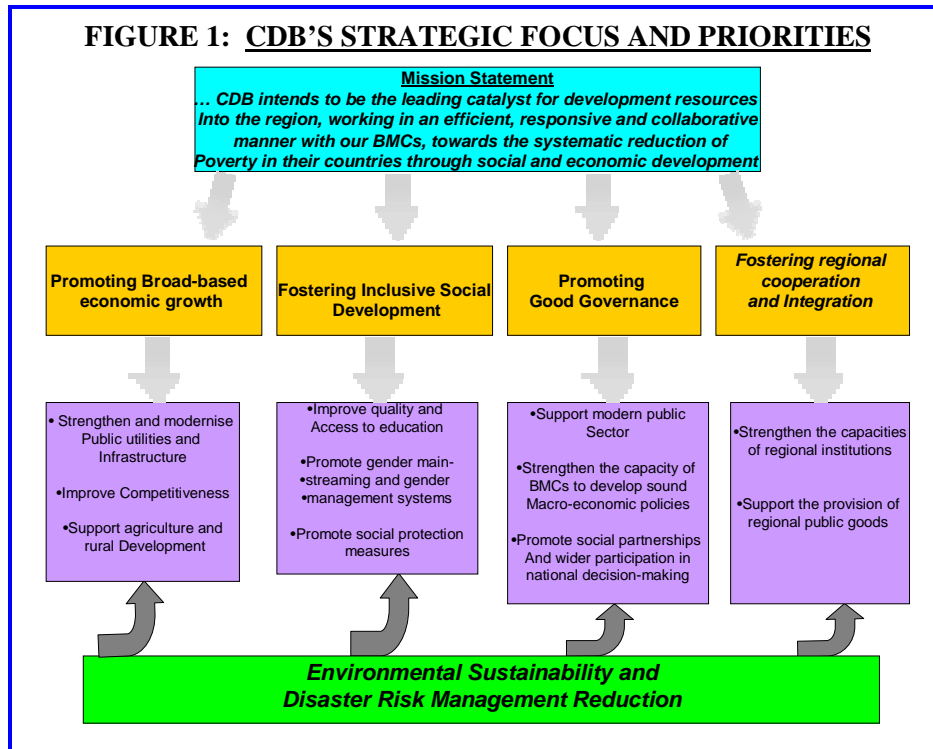
4.01 CDB’s poverty reduction strategy, which sets out the nature and characteristics of poverty in the Caribbean, also outlines a broad framework for achieving the Bank’s central mission of poverty reduction. The poverty reduction strategy reflects the view that poor people share a common dilemma – they lack the essential assets and opportunities to improve their living conditions and to achieve a quality of life that can be considered even minimally acceptable.

4.02 More particularly, it recognises that poverty in the Caribbean is not simply a “have and have not” situation. Broad segments of society are vulnerable to deprivation. The most vulnerable and deprived households, a large percentage being female-headed, live in chronic poverty, while others move into and out of poverty with varying degrees of regularity. Extreme vulnerability of many economies in the Caribbean to frequent natural disasters and economic shocks disproportionately affects the poor and increases the risk of deprivation of the near poor.

4.03 The Bank’s strategic focus over the next five years will continue to be that of assisting its BMCs to reduce poverty and improve the quality of life of their citizens, by promoting broad-based and sustainable economic growth. CDB has also committed itself to the MDGs as an integral part of its policy framework and to their use as strategic benchmarks against which the Bank plans its operations and measures and manages its performance. Many of the MDGs represent a major challenge for the BMCs, particularly Haiti. In some instances, there is a need for more relevant targets and indicators. In this regard, a proposed set of Caribbean-specific targets and indicators have been developed that are more relevant for use in the country assistance strategies of institutions such as the Bank^{9/} (refer to Appendix A for a Matrix of MDGs’ Caribbean-specific Targets and Indicators).

4.04 The Bank’s strategic agenda for assisting BMCs to reduce poverty and resolve their other development challenges is presented at Figure 1 and articulated through the strategic objectives, cross-cutting themes and priorities.

^{9/} CDB, in collaboration with BMCs and other development partners - such as UNDP, has been facilitating the development of Caribbean-specific MDGs and indicators. Whenever MDG targets and indicators are mentioned in this document, it can be taken as reference to the Caribbean-specific targets and indicators unless otherwise indicated.



A. PROMOTING BROAD-BASED ECONOMIC GROWTH

4.05 There is general agreement among the stakeholders that broad-based economic growth is a prerequisite for reducing poverty in the BMCs. A recent report^{10/} by WB (A Time to Choose – Caribbean Development in the 21st Century) characterises the Region’s pattern of economic growth as reasonable with average per capita GDP growth for a median Caribbean country of 2.8%, which was a better performance than for Latin America in every decade from 1961–2002. However the report pointed to worrying issues that needed to be addressed. First average growth has been slowing down in each decade since the 1970s, 2.1% in the 1980s, to 1.7% in the 1990s. Second, the gap between the rich and the poor countries within the Region has widened over time, with growth performance varying more widely within the Caribbean than within Latin America. Over 1960–2002, the slowest growing countries in the Region were Haiti, Jamaica, Guyana and Suriname, also the four of the five poorest in terms of per capita GDP. Third, there has been a sharp decline in productivity gains between the 1980s and 1990s and fourth, there has been a build-up of debt in most Caribbean countries, in many cases to levels that test the limits of sustainability.

4.06 Taken as a whole the pattern described above means that the Region and the Bank confront a diverse set of economic development challenges, which may require that different approaches be adopted for individual countries or group of countries. A ‘one-size-fits-all’ approach does not appear to be appropriate. In the face of this prognosis, the Bank will seek ways to assist each BMC to accelerate growth, increase productivity and competitiveness and increase incomes. These goals can only be accomplished through the fostering of the appropriate enabling environment and the development of sound economic policies and adequate infrastructure. To this end and for the next five years, the Bank

^{10/} The report covers fifteen Caribbean countries of which all are CDB’s BMCs except the Dominican Republic and Suriname.

will focus on the following priorities as appropriate to meeting each BMC's economic development objective:

- (a) strengthen and modernise public utilities and infrastructure that support economic development;
- (b) improve the competitiveness of business enterprises, in particular tourism and other small and medium-sized enterprises; and
- (c) support agriculture and rural development.

4.07 CDB will join other development partners operating in the BMCs to work towards assessing its performance against the MDG of eradicating extreme poverty and hunger and the related economic welfare targets of:

- (a) halving between 1990 and 2015, the proportion of people who fall below the absolute poverty line; and
- (b) halving between 1990 and 2015, the proportion of people who suffer from hunger.

B. FOSTERING INCLUSIVE SOCIAL DEVELOPMENT

4.08 Some of CDB's BMCs are regarded as middle-income countries, which have achieved high levels of human development. However, unacceptably high levels of poverty accompanied by problems of high inequality of income and wealth and social exclusion of a significant proportion of the population, particularly the youth, plague many BMCs. The Bank, in recognising the gender dimensions of poverty, vulnerability and social exclusion, will work towards strengthening key social, economic and community institutions to address the inequities that impede poor men and women from equitable participation in the development of their societies.

4.09 Concerted actions are needed to enhance access of the poor to productive assets, increase their productivity, and improve their quality of life. Education plays a key role in reducing poverty and inequality. Good health contributes to a higher standard of living, as a healthy workforce is more likely to be a productive one. Protection of the poor from the shocks of economic crises, unemployment, natural disasters and epidemics can improve the welfare of poor people faced with sharp drops in income. Simultaneous with its support for BMCs' efforts to promote economic growth is the need to support investments in human and social capital for advancing the well-being of the citizens of all BMCs.

4.10 CDB's interventions to foster inclusive social development must lead to outcomes that enhance individual capabilities, and reduce the vulnerabilities of deprived social groups to economic volatility, natural and man-made hazards and other risks that impact on income and well-being. In this regard, the Bank will define broader principles and strategic actions for mainstreaming gender equality objectives into its operations. A gender and development policy and strategy will be developed during this Strategic Plan period.

4.11 Inclusive social development is a key instrument for supporting the Bank's efforts to promote economic growth. Over the next five years, the Bank's priorities will be to:

- (a) improve the quality of, and opportunities for, access to education and training;

- (b) promote gender mainstreaming and the establishment of gender management systems; and
- (c) promote social protection measures and programmes.

4.12 In collaboration with other development partners, CDB will assist BMCs to achieve the following MDGs related to social development, recognising the interdependence of these goals:

- (a) achieve universal primary education;
- (b) promote gender equality and empower women;
- (c) reduce child mortality;
- (d) improve maternal health; and
- (e) combat HIV/AIDS, malaria and other diseases.

C. PROMOTING GOOD GOVERNANCE

4.13 The quality of governance is critical for the reduction of poverty, the development of economic and social policies to address the causes of social exclusion and inequity, and the promoting of broad-based, sustainable growth. Equality in participation is important to ensure fair representation of interests of all, inclusive of men, women and marginalised groups. The Bank will give support to mechanisms for equitable representation by all groups in defining PRSs in communities, promote awareness of the appropriateness of infrastructure and services in the design of mechanisms, for protection from social risks and violence faced by women, girls, and children.

4.14 Good governance provides effective economic management, promotes societal cohesion, stronger commitment to common goals and enhances the prospects for achieving national objectives such as increases in investment and incomes, decreases in crime and violence, and improvements in social indicators. Good governance is required to ensure that economic development policies have the desired effect.

4.15 Some of the most heavily-indebted developing countries in the world are in the Caribbean. In particular, the impact of the high debt ratios and resulting high debt service has significantly reduced the fiscal space of these countries to address urgent issues of development and economic transition. Addressing the issues of fiscal stress and debt sustainability requires the strengthening of good governance mechanisms, if the countries are to effectively make the transition in the new global environment.

4.16 In some BMCs, crime and violence have assumed major importance as obstacles to development. The issue of public security as an element of good governance and a primary public good has now become central to these countries' development paradigm. The Bank must give consideration to measures for reversing these trends, including working collaboratively to improve security infrastructure and the criminal justice systems.

4.17 CDB's interventions in this area will be guided by the strategies outlined in the Bank's Strategy for Governance and Institutional Development and the related operational guidelines. The Bank's priorities for the next five years in the area of governance will consist of:

- (a) supporting the creation of a *modern, effective and accountable public sector* capable of delivering valued public services;
- (b) strengthening the capacity of BMCs to develop sound macroeconomic policies, improve fiscal and debt management, and
- (c) promoting *social partnerships and wider participation* in national decision-making and consensus-building, including support for private sector and civil society institutions.

4.18 CDB will, in collaboration with other development partners operating in the Region, assist BMCs to contribute towards developing a global partnership for development and the specific targets to:

- (a) develop an open, rules-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development and poverty reduction both nationally and internationally);
- (b) address the special needs of the least developed countries (includes tariff and quota-free access for exports, enhanced programme of debt relief for, and cancellation of, official bilateral debt, and more generous ODA for countries committed to poverty reduction);
- (c) deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term; and
- (d) in cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies.

D. FOSTERING REGIONAL COOPERATION AND INTEGRATION

4.19 Support for regional cooperation and integration is an integral part of the Bank's mandate and has assumed increased importance with the changes in the global economy and the response of BMCs in embarking on the creation of a CSME.

4.20 Economic integration has become a critical and necessary response to the changing global economic and trading environment and the need for economic transformation in many countries in the Region. The prospects for broad-based economic growth, employment generation, and consequently poverty reduction will be heavily influenced by the extent to which this can be successfully implemented.

4.21 In order to deepen regional integration and trade, the Region will need to improve regional infrastructure, support institutional development, establish realistic roadmaps and timetables, and strengthen macroeconomic coordination. There are difficult issues involved, however, including those of economic adjustment, and policies and mechanisms that contribute to reducing economic disparities and regional vulnerabilities.

4.22 To support the pursuit of these priorities, a regional cooperation strategy and operational guidelines will be developed that builds on the paper which was discussed and endorsed by contributors to the sixth replenishment of the SDF entitled – 'Supporting Regional Cooperation and Integration'.

4.23 The Bank's priorities for the strategic planning period will be aimed at:

- (a) strengthening the capacities of regional institutions that promote regional economic integration; and
- (b) supporting the provision of RPGs.

E. CROSS-CUTTING THEMES

ENVIRONMENTAL SUSTAINABILITY

4.24 Over time, CDB has sought to broaden and deepen the impact of its strategic interventions by mainstreaming some key themes and issues. The choice of environmental sustainability as the strategic cross-cutting theme is based on the recognition that substantial segments of BMCs' economic activities (especially tourism, agriculture and fisheries) are reliant on their environmental quality and natural resource base. Furthermore, these natural resources are the basic capital that will sustain economic growth and competitiveness in the long run, and help to reduce poverty and improve the quality of life for Caribbean citizens.

4.25 Rising pollution caused by the continuing usage of fossil fuels and inappropriate land-use practices has contributed to climate change with dire potential consequences for small island states such as those of the Caribbean. The more significant manifestations of these changes have been :

- (a) increases in air temperature;
- (b) increases in sea surface temperature;
- (c) increases in sea level;
- (d) changes in rainfall (precipitation); and
- (e) more extreme weather conditions.

4.26 These events have increased the risk to BMCs from environmental hazards such as coastal, river and rain-induced flooding, hurricanes, and storm surges. Rapid deterioration of environmental and natural resource capital is evidenced by denuded water sheds, pollution of surface and groundwater resources, and pollution and destruction of sensitive marine habitats. Frequent natural disasters compound this deterioration and threaten to undermine economic and social progress. A radical approach is required to effectively address the poverty and environmental degradation cycle before the problem increases to an unmanageable level.

4.27 The Bank's current environmental interventions are based on its sector policy paper on the environment approved in 1993, and various mandates of the Fifth Replenishment of SDF (U) 2001. The Contributors Agreement for the Replenishment of the USDF (Sixth Cycle) also mandates increased resources for this area. Given the many international agreements and protocols signed by BMCs before and since that time, and the many challenges for sustainable development which they need to address, the requirement for a cross-cutting Environmental Strategy has become extremely urgent.

4.28 Improving environmental policies and mitigating the environmental impact of sectoral policies are integral elements of the MDGs. If Goal 7 - environmental sustainability - is not ensured, progress

towards the other MDGs is unlikely to be successful. Box 1 shows potential programme areas through which the Bank can assist BMCs to address Goal 7 of the MDGs and the associated target set out in the Bank's indicative MDG framework for BMCs.

BOX 1: DEVELOPING A PROGRAMME FOR ENVIRONMENTAL SUSTAINABILITY	
MDG 7: ENSURE ENVIRONMENTAL SUSTAINABILITY	
Indicative Targets for the Caribbean	Potential Programme Areas
Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.	National Environmental Action Plans/Sustainability Plans, Integrated Development Plans
	Establishment of appropriate national institutional and legislative arrangements for improved environmental management
	Incorporate energy conservation measures in relevant project, and support where feasible renewable energy projects
	Watershed management projects
	Development and management of protected areas
	Urban revitalisation and cultural heritage projects/ Financing for Micro and Small Enterprises
	Disaster mitigation policies and programmes/ projects
Halve by 2015 the proportion of people without sustainable access to safe drinking water and proper sanitation.	Investment in improvements or expansion of municipal water and waste systems
Achieve by 2020 a significant improvement in the lives of at least 70% of persons living in poor communities.	Urban revitalisation projects/slum and squatter housing upgrading
	Investment lending for solid waste management projects
Construct and implement a vulnerability index for the Caribbean within the next five years, which is sensitive to economic, social and environmental vulnerabilities.	TA, jointly with development partners, for development of an improved vulnerability index for the Caribbean

4.29 The adoption of environmental sustainability as a cross-cutting theme necessitates a comprehensive review of the current policy document and the development of an environment strategy which would be applied to all aspects of the Bank's activities and allow the Bank to become more effective in supporting its overarching goals of poverty reduction and sustainable economic growth. This exercise is scheduled for the early half of the Strategic Plan period.

DISASTER RISK MANAGEMENT AND REDUCTION

4.30 Repeated occurrences of disaster events over the last decade have demonstrated the real potential threat of such extreme hazard events to the economic sustainability of the Region as well as their devastating impact on the most vulnerable social groups, including the poor and women. Experience in the recent past, most notably in 2004 and 2005, have reinforced our understanding of the direct effects of disaster risk on human sustainability (in terms of economic and social development) as well as

environmental sustainability of the Region. Given the predictions of sea level rise associated with global climate change, highly populated coastal development in BMCs are also likely to be exposed to greater disaster risk in the next decades. These risk scenarios highlight the need for greater attention to be assigned to the social and economic dimension of natural hazards and disasters as a requirement for effective disaster risk management and reduction (DRM/DRR).

4.31 In the context of the indicated risk scenarios and of the achievement of the MDGs in BMCs, it is recognised that effective DRM/DRR must be viewed from the broader perspective of its impacts on the four strategic objectives of the 2005–2009 Strategic Plan *vis-à-vis* broad-based economic growth, inclusive social development, good governance and regional cooperation and integration. Accordingly, DRM/DRR has been strategically positioned as a cross-cutting theme.

4.32 Over the previous Strategic Plan period, CDB's interventions in DRM/DRR have been guided by its Natural Disaster Management Strategy and Operational Guidelines (NDMSOG), approved in 1998. These interventions include the establishment in 2000, with support from USAID, of the Disaster Mitigation Facility for the Caribbean (DMFC) in its Projects Department, the establishment in 2003 of a Bank 'corporate priority' on natural hazard vulnerability reduction, and the identification of vulnerability reduction as one of three focus areas of its Poverty Reduction Strategy.

4.33 Significant progress has been made in strengthening the Bank's institutional capacity for disaster mitigation, through mainstreaming DRM/DRR into the Bank's operations, including through the integration of DRR into Bank-financed development projects as well as staff training in DRM. The Bank has also invested significant resources in assisting BMCs to mainstream DRM/DRR into development planning, primarily through support for national hazard mitigation policy and plan development, and in institutional strengthening and capacity building in DRR.

4.34 In response to the continuing vulnerability of BMCs and international and regional mandates for DRM/DRR in the context of small island developing states, over the next strategic period, the Bank will assign higher priority and accelerated action to the mainstreaming of DRM/DRR in fiscal and development planning in its BMCs, while continuing to strengthen its internal capacity for DRM/DRR. This will be achieved by building on the momentum created and experience gained through its DRR interventions in the previous strategic period. As first steps, the Bank will revise its 1998 NDMSOG, to reflect a greater focus on proactive DRM, and establish a permanent disaster mitigation function at CDB.

4.35 Programme areas in DRM/DRR through which the Bank will assist its BMCs include:

- (a) **hazard resistant design and construction** in the formal and informal sector, for new development projects as well as retrofitting of existing facilities, including support for safer building in BNTF sub-projects;
- (b) **institutional strengthening and capacity building in fiscal and development policy and planning.** This includes:
 - (i) development of national and sectoral DRR policies and plans, and their integration into national development plans;
 - (ii) improving public and private sector capacity for DRM, including support for the development of action plans and implementation strategies to facilitate the mainstreaming of DRR;

- (iii) strengthening development planning, education and practice in integrated DRM/DRR, through support for the incorporation of DRR in the curricula of undergraduate and postgraduate programmes in planning in tertiary education, and professional development for physical planners;
 - (iv) mainstreaming DRM into sector planning for water and sanitation; and
 - (v) strengthening legal and regulatory frameworks for DRR;
- (c) **integrating disaster risk into investment lending** through the incorporation of natural hazard impact assessment into country programming and environmental impact assessment;
- (d) **capacity enhancement in DRM/DRR in poor and vulnerable communities** through implementation of DRM programmes in BNTF communities; and
- (e) **support for catastrophe risk insurance.**

SECTOR AND THEMATIC STRATEGIES

4.36 During the five-year period 2000–2004, the Bank has devoted considerable staff resources to producing a set of thematic and sector strategies (refer to Box 2) for guiding the activities of the Bank in priority areas of development. The strategies identify in greater detail its specific actions required in each area and the instruments to be used for achieving the overarching objective. Together with the Report of Contributors to SDF V and SDF 6 these strategies, policies, and operational guidelines, provide strategic options and guidance for operations staff. They are formulated to confront and address the principal challenges to achieving sustainable economic growth and poverty reduction. It is intended that all these thematic and sector strategies be linked through the poverty reduction strategy.

BOX 2: CDB'S SECTOR AND THEMATIC STRATEGIES AND POLICIES	
Item	Year
Poverty Reduction Strategy	2004
Strategy on Governance and Institutional Development	2003
Natural Disaster Management Strategy and Operational Guidelines	2000
Private Sector Development Strategy	2003
Education and Training Policy and Strategy	2004
Urban Revitalisation Strategy and Operational Guidelines	2000
Environmental Policy (to be revised in 2006)	1993

4.37 The implementation of these objectives, cross-cutting, sector and thematic strategies will take account of the Bank's full range of products, i.e., (i) financial products in the form of capital and TA loans and grants; and (ii) non-financial products. Without these strategies, the organisation's staff and clients would be uncertain of what can or cannot be done in response to requests for assistance. In the circumstances, delays and frustration would likely arise as these requests become subject to considerable reviews and consensus building. However, in order to maintain relevance and improve its effectiveness, CDB would undertake a review of each of its sectoral strategies to ensure that they support the strategic objectives and to assess the value of each strategy to the attainment of the Bank's overarching objective of reducing poverty.

Managing for Development Results (MfDR)

4.38 Members of the international development community are increasingly adopting systemic approaches to delivering effective development assistance, which calls for greater donor co-ordination and for MDBs to take active leadership in promoting effective partnerships and harmonised efforts. More importantly, there are increasing pressures, especially from donor-countries, to show the results that development assistance achieves. MfDR has become an important objective for the international development agenda since the adoption of the MDGs and the Monterrey Conference on Financing for Development in 2002. Concepts and principles have been agreed internationally, and a global agenda and community of practice on MfDR has begun to emerge. All development agencies are making major efforts to implement a “Results Agenda” as a primary means of strengthening development effectiveness and working towards the MDGs.

4.39 CDB’s approach is based on selected actions at all three levels of the global Results Agenda: strengthening the capacity of developing countries to manage for and achieve development results, strengthening the institution’s own focus on managing for results, and strengthening partnerships with other development agencies and the BMCs.

4.40 A principal factor underlying the Bank’s agenda is the need to focus on key results areas that are:

- (a) essential to the implementation of the proposed Strategic Plan, SDF 6 programmes and action plans; and
- (b) within the Bank’s capacity for effective implementation.

The Bank’s limited staff resources and competing demands from the operational programme itself, make it necessary to concentrate on those activities that are likely to have the most significant “payoff” in terms of strengthening the Bank’s results-orientation and its contribution to the global and regional agenda for ownership, alignment, harmonisation, and results. The success of this agenda will also rely on a degree of collaboration with other development agencies operating in the Region.

4.41 The Results Agenda, therefore, is structured in terms of three pillars:

- Pillar 1: MfDR at Country and Regional Level;
- Pillar 2: MfDR at the Institutional or Corporate Level; and
- Pillar 3: MfDR through Partnerships, Harmonisation and Alignment.

Pillar 1: Country and Regional Level

4.42 Included in *Pillar 1* are steps to support BMCs in measuring, monitoring and evaluating (M&E) progress towards the MDGs, in undertaking CPAs and preparing PRSs, in strengthening economic management, and in implementing the CSME and planning for and achieving the benefits of RPGs. Country ownership and leadership is recognised as a key driver of development outcomes and unless BMCs themselves lead development efforts, external assistance will prove ineffective.

4.43 In broad terms, CDB will aim to strengthen in-country capacity to manage for results through improvements to public sector management. The expectation is that BMCs will play a far greater role in evaluating Bank-financed projects, and assessing their development effectiveness. The Bank will foster MfDR partnerships with other development institutions at the country level in order to improve

coordination with regard to country strategies, analytic work, policy dialogue and other lending and non-lending operations. In addition, CDB will intensify its dialogue with other MDBs on MfDR matters in order to share experiences, lessons learned and knowledge, harmonise approaches as appropriate, and explore the scope for coordinating staff training. Over the Strategic Plan period, CDB will focus on the following results areas:

CPAs and PRSs

4.44 An essential step in the development of targeted, results-oriented poverty reduction programmes is the undertaking of individual CPAs to provide adequate understanding of the nature, incidence and causes of poverty. The first round of CPAs for the Bank's BMCs is largely complete, and during this Strategic Plan period CDB will facilitate solely, or in collaboration with other development agencies, CPA updates in all BMCs.

Capacity-building and Institutional Development

4.45 During the Plan period, CDB will need to ensure the availability of technical and management capacity to engage in more intensive operations in the areas of social protection and safety nets, governance and continuous policy dialogue related to strengthening economic management. The Bank will continue to provide TA support for strengthening national economic management, fiscal sustainability and debt management, and governance. Greater emphasis will be given to spreading best practices and building policy-making capacities in BMCs.

Project Formulation and Project Management Training

4.46 CDB's programmes for the provision of training in project formulation and project management have been longstanding and well regarded. They were favorably assessed in the SDF Performance Review and the SDF 5 Contributors Agreement. These training programmes have benefited not only projects supported by CDB, but project development and implementation in the BMCs more generally, regardless of the source of financing. Such capacity development is an important part of strengthening development effectiveness through improved project quality and results. A reformulated training programme, involving outsourcing of design and implementation under close supervision by the Bank, will be launched during this Plan period.

Implementation of CSME and Capacity Building for RPGs

4.47 As an important economic institution within the community, CDB has an important role to play, although this will need to be selective, results-oriented, and complementary to and supportive of the work of the CARICOM Secretariat and other agencies. Establishment of a CSME is an overarching objective of CARICOM and the Bank's BMCs as a critical and necessary response to the changing global economic and trading environment, and the need for economic transformation in many of the countries of the Region. The prospects for broad-based economic growth, employment generation, and consequently poverty reduction will be heavily influenced by the extent to which the CSME can be successfully implemented. There are many issues involved, however, including those of economic adjustment and policies that contribute to reducing economic disparities.

4.48 Closely related is the need within the Region for increased attention to capturing the benefits of RPGs, in areas such as higher education, research and development, environmental protection, transport infrastructure, essential health programmes, shared regulatory regimes such as for financial services or telecommunications, economic policy development, and collaborative approaches to trade negotiations. Much recent analysis has underlined the comparative advantage of regional and sub-regional development

banks such as CDB in fostering the provision of such RPGs. The Bank's proposed approach in this area, including support for necessary capacity-building, is outlined in a paper entitled 'Supporting Regional Cooperation and Integration' which formed part of the case for the sixth replenishment of the SDF. This paper will be expanded into a strategy document that will guide the Bank's interventions in these areas. In the development and execution of all these programmes the Bank will work collaboratively with all development partners.

Pillar 2: Institutional or Corporate Level

4.49 CDB's success in achieving its development objectives will depend on its capacity to effectively and efficiently deliver high-quality programmes and projects, TA and on influencing country policies. This means that the Bank must strengthen its focus on results in its strategies, its financial and non-financial instruments and its monitoring, evaluation and reporting systems. It must build the internal capacities to respond to the changing demands of a more diverse set of shareholders. *Pillar 2* therefore, focuses on:

- (a) strengthening the Bank's country strategy process and undertaking an accelerated programme of results-based Country Strategy Papers (CSPs);
- (b) strengthening the resource allocation system;
- (c) further development of strategic planning and Results-based Management (RBM);
- (d) operationalising the Bank's strategies for poverty reduction, and governance and institutional development;
- (e) developing and/or updating strategies and operational guidelines for regional cooperation and integration;
- (f) planning for the implementation of BNTF 6; and
- (g) monitoring and evaluating the Bank's own projects and programmes.

Strengthening the Country Strategy Process

4.50 In the context of MfDR, the international development community and most development agencies have given considerable attention to the development of results-based country strategies and programmes. The principal report prepared for the recent High Level Forum on Aid Effectiveness sets out the key conclusion that "results-based country programming can be a powerful tool to improve strategic selectivity, enable a better allocation of resources to country priorities, and provide a framework to help achieve results. The process of designing a results-oriented country programme can improve the multi-sectoral dialogue toward outcomes, foster a dialogue with clients and partners on objectives, and promote a results focus across the programme."

4.51 CDB will be seeking to incorporate results-oriented approaches in its development of CSPs, and a strengthened results orientation will be a principal objective. The Bank will work closely with other regional development partners in the development of the CSPs that would include a strong focus on monitoring and evaluation.

4.52 The CSP process will also address issues of governance and institutional and policy development strengthening, in order to identify areas where capacity development may be needed. This will need to

include consideration of policy development in respect of regional cooperation and the provision of RPGs. These steps will be an important part of defining and operationalising the Bank's strategies on governance and regional cooperation and integration.

4.53 The Bank's commitment to ensuring that a regular cycle of CPAs is maintained and to facilitating the preparation and updating of national PRSs has been referred to under *Pillar 1*. An important objective, in addition to assisting countries in the formulation, implementation and monitoring of their own policies and programmes, is to provide a stronger results-oriented basis for preparing, targeting and implementing CDB's country strategies, including project identification, design and M&E.

Resource Allocation Strategy (RAS)

4.54 Demand for concessionary resources, such as Special Funds Resources (SFR), is greater than the supply of funds. CDB has sought to allocate its concessionary funds among borrowers in a manner that best serves its overarching mission of poverty reduction.

4.55 Since 2002, CDB adopted a resource allocation system for apportioning SDF resources among BMCs. The broad objectives of the system are to direct resources to more needy countries, to situations where these resources are likely to be used most effectively, and to provide incentives for improved performance.

4.56 Experience with RAS has been good, and it has been used not only for setting and adjusting indicative SDF country allocations, but also for setting BNTF V allocations. CDB is committed to continuous efforts at improving this system and has been engaged in collaborations and the sharing of experiences with other MDBs that operate similar systems. It is expected that during the Plan period, the system will be reviewed and proposals for enhancements where necessary, submitted to the Board of Directors (BOD) for consideration.

Strategic Planning and RBM

4.57 CDB has given priority to the development of its strategic planning and results-based performance management system. Building on the initial strategic planning framework for 2000–2004, a strengthened operational planning and management system has been introduced, based on a cascade of objectives, corporate priorities, expected outcomes and corresponding performance indicators. The restructuring of the Work Programme and Budget for 2004 to reflect the new performance management structure has been followed by the introduction of a three-year budget cycle. This recognises the importance of multi-year planning and the Bank will introduce multi-year work programming to complement its current efforts in this regard.

4.58 Continuing improvements are being made to the Bank's system for assessing results, including performance indicators for measuring effectiveness at the project or programme level, the institutional level, and the country level, and the latter will be increasingly based on the results-oriented approach being developed for CSPs. Further work will include capacity-building within the Bank and in the BMCs to strengthen understanding of the benefits of RBM-based planning and management.

Operationalising the Key Strategies

4.59 Operationalising the Bank's poverty reduction strategy remains an essential priority. Staff resource and other constraints have contributed to delays in completing this important milestone. However, with the assistance of DFID, the exercise was completed in the last quarter of 2005. Further

work has also been done on operationalising the strategy on governance and institutional strengthening, and an operational document on applying the governance strategy will be also completed in 2005.

4.60 Operationalising a selective and targeted approach to support regional cooperation and integration and RPGs, as already noted, will require an operational policy and programme planning capability to parallel the country-focused policy and planning process centred on the newly strengthened CSP process. The need for such a capacity parallels the experience of other MDBs.

4.61 The Bank's work in all of these areas – *poverty reduction and social development, governance and institutional strengthening, and regional integration and RPGs* – requires a stronger policy planning capability that can complement the work of existing operational staff and help to mainstream CDB's policy objectives. This would assist the Bank in keeping in touch with a dynamic external environment, including the work of other MDBs, keep sectoral and thematic policies under review, and generally assist the Bank in keeping on the 'cutting edge' of the international development agenda and the adaptation of international best practice to the circumstances of the BMCs.

Strengthening and Modernising the Lending Policies

4.62 One of the principal roles of CDB in relation to its borrowers is that of mobilising financial resources on the most reasonable rates and terms. In this regard, the changing macro-economic climate and diverse needs of BMCs has compelled a rethinking of the Bank's approach to this function in order to remain useful and relevant. The Bank is embarking on a comprehensive review of its lending products and related policies so as to improve the fit between the capital demands from its clients and its range of financial products.

4.63 It will explore the needs of BMCs for policy-based lending (PBL) and a broader range of products suited to different country needs, and priced accordingly. The further imperative to consider providing resources to help BMCs facing financial difficulties also drives the Bank to explore new forms of mobilising financial resources and to give more attention to minimising non-interest costs which are passed on to BMCs.

Measuring the Development Effectiveness of CDB's Interventions

4.64 The MDGs provide the context, targets and monitoring framework for both the global development effort and CDB's planning and performance monitoring. Many BMCs lack the datasets and statistical capacity for the collection, production, analysis and monitoring of essential indicators for measuring and assessing progress towards the MDGs and the associated targets. Good quality statistical systems are important for the capability to make informed policy choices and develop strong analytical work. Priority will be given for country-level capacity development in the collection, monitoring and analysis of appropriate social indicators to permit measurement of progress towards the MDGs and associated country-specific targets and indicators.

4.65 CDB has undertaken a number of steps over the past four years to increase the priority for and internalisation of M&E, including the introduction of a new project performance evaluation system (PPES), a computerised project portfolio management system, a strengthened M&E capacity, and a new Evaluation and Oversight Division (EOV). The evaluation function is only as good as the resources that go into it and the use that is made of it. A well functioning evaluation process is an integral part of a learning organisation, one that constantly improves itself and where decisions reflect lessons learned. Evaluation can be a powerful decision-making tool, but to be effective this requires strong support of the organisation's leadership.

4.66 The framework for independent evaluations is well established at the project, programme, sector, thematic and policy levels. The Bank is committed to developing the capacity of EOJ over the strategic planning period. At the country level, a framework will be introduced for Country Strategy Evaluation with the implementation of results-based Country Strategy Papers. Self-evaluation is one of the Bank's internal functions that requires strengthening, and new initiatives will be put in place to improve self-evaluation at the project, policy and country levels.

4.67 Performance at the project level will be reported primarily through the Annual Review of Portfolio Performance which is a comprehensive review on the implementation results of all the Bank's project lending and TA activities. Efficiency and effectiveness measurements of all the Bank's operations will be monitored through the results based indicators and operational audits relating to the oversight activity of EOJ.

4.68 The Bank will continue to work closely with donor and partner countries to adopt harmonised performance assessment frameworks for measuring, monitoring and evaluating country outcomes, as well as to supporting capacity development for measuring, monitoring and assessing progress towards the MDGs.

Pillar 3: Partnerships, Harmonisation and Alignment

4.69 Development institutions have recognised that desired development outcomes cannot be achieved through their own individual efforts and that their activities must be closely coordinated with those of other development players and partner countries. Consistent with this view and on the basis of the Monterrey Consensus, developing countries and development agencies have agreed that development assistance programmes are more effective, and achieve better and more lasting results when they are designed and implemented in collaboration with all partners and stakeholders.

4.70 Fostering this global partnership on results is an important element of the international development community's commitment to manage for development results and is leading to harmonisation of approaches, policies and procedures at the institutional level, and to these institutions increasingly aligning their programmes of assistance with the country's development strategies and results frameworks.

4.71 *Pillar 3* sets out selected actions by CDB to strengthen partnership and joint action in support of the MDGs, poverty strategy development, and the broader harmonisation and alignment agenda. These actions will include the development of common approaches to support social protection for the poor and sector-wide approaches (SwAps) in sectors such as education, and the Bank's work in relation to CFD. Box 3 – Alignment, Harmonisation and Results Agenda – Indicators of Progress sets out some indicators and targets for measuring the Bank's progress in promoting the aid effectiveness agenda adopted in the Paris Declaration on Aid Effectiveness.

4.72 The historical relationship among the development institutions operating in the Region has involved a mixture of cooperation, rivalry and competition particularly for bankable projects in the BMCs. Nevertheless, there are many areas of substantial cooperation and CDB will continue to focus on strengthening these and initiating new ones during the strategic planning period.

4.73 At the country level, the Bank's partnership efforts with other development institutions will be concentrated on improving coordination related to country strategies, policy dialogue and financial and other non-financial operations. These actions will support the more efficient use of CDB's scarce human and financial resources as well as avoid duplication and over-burdening of BMCs' capacity.

4.74 The Bank will also intensify its collaboration with MDBs, in particular WB and IDB, on MfDR in order to share experiences, knowledge and lessons learned, harmonise approaches where appropriate, and explore the advantages of common staff training activities.

Poverty Strategy Development

4.75 Preparation of CPAs and development of national PRSs are at the core of the poverty reduction effort and the targeting of the MDGs. They require the cooperation of all development partners including BMC governments and a range of stakeholders. CDB will continue to proceed in close consultation with its partners and under the leadership of BMCs.

4.76 A coordinating group known as the Poverty and Social Sector Development Donors Group, consisting of donors represented in Barbados, together with CARICOM, OECS, and WB, has been active in this area. The group has developed and recently strengthened a coordinating framework known as Support for Poverty Assessment and Reduction in the Caribbean (SPARC) for initiatives to build capacity at the national level to assess poverty and social development, prepare and implement PRSs, and monitor and evaluate the effectiveness of those strategies. SPARC is intended to provide a coordinating mechanism for various projects over the period 2005–2008.

4.77 Through another coordinating mechanism, CDB is also involved in the inter-agency task force on gender and poverty. The task force has recently elaborated customised regional targets to reflect the cross-cutting nature of MDG 3 – Gender Equality, as commissioned by the Council for Social and Human Development. CDB’s support will be extended to build the capacity of national institutions for use of these indicators.

Harmonisation

4.78 The international development community has also recognised that differing donor requirements generate significant transaction costs for developing countries. Both multilateral and bilateral agencies are now working to improve operational coordination of their policies, procedures and practices. The objective is to improve development effectiveness by eliminating duplicative procedures and requirements and by providing assistance in line with the comparative advantage of the different agencies.

4.79 Two areas in which CDB has been active in the harmonisation agenda are in respect of MDB procurement procedures and the requirements for environmental assessment. CDB also expects to participate in the current harmonisation pilot among donors for CRNM, which involves development of a common performance management framework, common reporting requirements, and potentially coordinated financing modalities.

4.80 CDB intends to consider the possibility of developing common approaches to support for social protection for the poor in the Bank’s BMCs, which could potentially involve CDB, IDB, WB and DFID. This is an important area where a harmonised approach seems essential, but the most appropriate role for the Bank needs further consideration.

4.81 Sector-wide approaches or ‘SwAps’ are a tool that has been used increasingly in other regions, especially in the social sectors. The Bank will consider the use of SwAps in its BMCs, particularly for investment lending in the education sector, a sector that seems particularly suitable for such an approach.

BOX 3: ALIGNMENT, HARMONISATION AND RESULTS AGENDA – INDICATORS OF PROGRESS^{11/}	
Selected Indicator(s) for each category	Tentative Target for 2010
Ownership	
1. <i>BMCs with operational development strategies.</i> Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of BMCs.
Alignment	
2. <i>Strengthen capacity by coordinated support.</i> Percentage of donor capacity development support provided through coordinated programmes consistent with partners' national development strategies.	At least 50% of capacity development support provided by donors to the BMCs.
Harmonisation	
3. <i>Use of common arrangements or procedures.</i> Percentage of aid provided as programme-based approaches, including SwAps. ^{12/}	At least 25%.
4. <i>Encourage shared analysis.</i> Percentage of (a) field mission, and/or (b) country analytic work, including diagnostic reviews, that are joint.	At least 50%.
Managing for Results	
5. <i>Results-oriented frameworks.</i> Number of BMCs with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies, and (b) sector programmes. These may be assessed in terms of results-based CDB CSPs.	75% of BMCs.

CFD

4.82 CFD is a key element in the Bank's efforts to promote regional strategic thinking and action and develop stronger partnerships. CFD includes all of CDB's member countries as well as the Dominican Republic and Suriname, civil society representatives, and the international donor community. Its main instrument for policy co-ordination is the Forum Dialogue, which provides an opportunity for countries to harmonise strategic responses to common development challenges. The Dialogue is expected to lead to targeted action plans, the implementation of which will draw on the capacities of existing regional agencies and institutions.

^{11/} Table of indicators is based on that adopted by the Paris High Level Meeting on Aid Effectiveness, but with 5 indicators selected from the 12 accepted by the Paris High Level Meeting.

^{12/} The Paris Declaration includes an explanatory note with respect to this Indicator: "Programme based approaches are defined in Volume 2 of *Harmonising Donor Practices for Effective Aid Delivery* (Organisation of Economic Cooperation and Development, 2005) as a way on engaging in development cooperation based on the principles of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; (d) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation.."

4.83 The Forum provides a context within which donors and regional countries can align their approaches in a regional framework and donors can seek to develop common approaches to programme support. A challenge facing the Bank will be to link CFD activities with the Bank's other development efforts, such as support for the development of national poverty action plans and strategies, to promote results-oriented regional programming and regional cooperation.

5. ENHANCING ORGANISATIONAL EFFECTIVENESS AND EFFICIENCY

“The countries of the Region are still going through the stormy waters of the international economic crisis in their search for economic development and social justice within the framework of Caribbean economic integration. The Bank’s job, simply expressed, is to assist BMCs in this search. We, in the Bank, will always strive to increase our degree of commitment, to upgrade our skill, and to improve our organisation.”

- William G. Demas, Sixth Annual Meeting of CDB’s BOD – St. Kitts, May 1976

5.01 The implementation of the strategic objectives, priorities and operational strategies will require a supportive CDB corporate culture shared by all its internal stakeholders and oriented towards the achievement of results. It will also require corresponding changes in the Bank’s organisational structure and the way it does business. Critical to the success of all change initiatives over the next five years, will be a focus on the key drivers for efficiency and effectiveness, i.e., people, processes, and technology.

5.02 This necessary change in organisational structure and corporate culture requires an integrated approach and focus on our human resource management (HRM), business processes, change management, knowledge management and ICT management practices. The change should lead to a building of human capacity, capturing and sharing knowledge, leveraging information technology and sustaining the change initiatives necessary to achieve higher levels of efficiency and effectiveness which must characterise CDB’s operations.

CHANGE MANAGEMENT

5.03 As part of the process of implementing the approved recommendations of the Operations Audit, CDB, in 2002, initiated a CMP designed to facilitate changes to the Bank’s organisational structure, processes, systems, policies, practices and procedures, as well as employee behaviours and attitudes.

5.04 These on-going changes are being undertaken in an effort to re-energise the Bank towards achieving its objectives, retaining its relevance in a highly competitive environment, and to re-position the institution to improve its financial performance and development effectiveness. One of the principal changes implemented during the previous Plan period was the restructuring of the Projects Department. The restructuring was in response to the need for CDB to improve productivity and internal efficiency, increase flexibility and innovation, ensure continuing relevance, and to become more client-focused. These changes to the organisation structure will be the subject of an independent assessment to determine the impact of the changes and to make proposals on options to address any deficiencies.

5.05 The CMP will continue to deal with cross-cutting organisational issues which relate to effectively integrating the Bank’s people, processes and technology. These issues are being approached under four overarching priority areas for change. These priorities are:

- (a) internal communication and information sharing;
- (b) attitudes and behavioural changes;
- (c) internal capacity-building; and
- (d) outreach to BMCs and other organisations.

5.06 These priorities acknowledge the efficiencies and benefits to be derived from effective communication; and timely, open and transparent sharing of information. During the latter part of 2005, the Bank engaged a Communications Consultant to conduct a communications audit, develop communications objectives that support CDB's strategic imperatives and provide guidance for the establishment of a suitable communications unit. The expected outcome of this overall exercise is to improve the effectiveness of CDB's development initiatives through the more effective use of communication.

5.07 The Bank will continue to focus on the following other Change Management initiatives:

- (a) enhancing its overall communications for the exchange of information – both internally within the organisation and externally to its BMCs, partners and stakeholders;
- (b) strengthening its Human Resource function through appropriate resourcing and modernised practices;
- (c) realigning of the strategies in support of the desired cultural and behavioral shifts as a consequence of the Bank's development initiatives;
- (d) re-engineering and streamlining of its business processes and the way it does its business;
- (e) building capacities in its human capital to meet the millennium goals and objectives;
- (f) enhancing its outreach programmes to its various publics;
- (g) developing great leadership and promoting good governance – both internally and in its BMCs; and
- (h) harmonising of the CMP with the Bank's business activities.

5.08 The main benefits anticipated from these CMP initiatives are:

- (a) sustained organisation focus on change;
- (b) informed decision-making;
- (c) common vision and commitment;
- (d) acceptable and positive behavioural changes;
- (e) highly productive and competent human resource base;
- (f) continuous improvement through the display of creativity and innovation; and
- (g) effective collaboration and networking.

HRM

5.09 As the key products of the Bank's business are intellectual, CDB remains always mindful that retention and further development of its comparative advantage rests with maintenance and effective management of a highly motivated, innovative and knowledgeable workforce. Weaker projected growth

in its BMCs and increasing competition from commercial financial institutions are currently challenging the Bank's workforce to deliver new value to customers with respect to both existing and emerging development initiatives. As a consequence, the Bank's HRM strategy is being shaped as an integral part of the CDB's strategic framework, to ensure the availability of the requisite capacity and capabilities for successful shifts in the implementation of its development initiatives.

5.10 Four principal priorities will drive the Bank's HRM strategy during the period 2005–2009:

- (a) Re-aligning the workforce more precisely to the performance prerequisites of the Strategic Plan:
 - (i) recognising that its eventual success in meeting the current challenges in regional development will depend on its ability to recruit, retain and effectively deploy staff, CDB will seek to significantly enhance the thoroughness and efficiency of its recruitment, placement and deployment processes during the Plan period. Expected attrition over the Plan period will provide the opportunity to expand existing capability and incorporate new learning to manage the emerging challenges in the BMCs. Internally, closer attention will be given to optimising the utilisation of staff in the pursuit of corporate goals; and
 - (ii) central to this effort will be the operationalisation of a competency-based approach to HR management built around a system of general, supervisory and technical competencies critical to the achievement of the Bank's strategic priorities. This framework will be used to refine/re-define the occupational standards of performance associated with each job within the organisation and to more accurately profile the skill sets of its employees. The expanded capability will provide the foundation for more precise matches between persons and jobs, better decision-making regarding staff deployment and a tighter framework for guiding, assessing and developing incumbent performance against CDB's strategic objectives.

The value addition from this development will be an overall improvement in productivity and job satisfaction.

- (b) Enhancing the speed and responsiveness of HR administrative processes through the introduction of process-transforming technologies. The two major emphases in this regard will be:
 - (i) first, to revise basic work flows in the various corporate HR processes so as to limit "administrative burden", i.e., the extent of individual action required in HR administrative tasks; and
 - (ii) secondly, to engage the power of web-technologies to simplify and accelerate the completion, coordination and monitoring of corporate HR processes. By improving the manageability of and ready access to, such tasks (especially to persons constrained by technical work priorities, hectic schedules and travel absences), it is anticipated that CDB will see more timely address and completion of important HRM tasks with a consequent improvement in staff morale and commitment. We note, however, that given the learning curve associated with the ICT underpinning this strategic direction, significant indications of these gains can only be expected in the latter years of the Plan period.

- (c) Enhancing productivity and results orientation through more informed performance management techniques, and supportive career and professional development:
 - (i) with the first full cycle of the new performance management system (Continuous Performance Improvement-CPI) being completed in 2005, the focus during the rest of the Plan period will be to sharpen the skills of staff and reporting officers in setting and assessing performance targets that not only link directly to the cascade of objectives from the strategic plan but also ensure measurability of the performance at the individual, unit and corporate levels of the organisation. Special coaching and training will be given to staff to build technique and practice with respect to:
 - (aa) translating targeted outcomes into measurable objectives and standards; and
 - (bb) ensuring more comprehensive factual assessment of performance and development gaps among individual staff members and work teams in order to facilitate timely interventions for performance improvement.
 - (ii) Deepening/enhancement of the CPI process through the incorporation of more sophisticated techniques such as peer reviews and 360-degree assessments to improve the quality of performance-related information available to staff and supervisors alike will also be a priority in the Plan period.

The resultant tightening in output management across the Bank coming from these initiatives is expected to yield a substantial improvement in productivity over the Plan period.

- (d) Strengthening leadership, commitment and accountability through enhanced leadership development programmes, coaching/mentoring and reward/recognition systems:
 - (i) during 2005–2009, CDB will deepen its leadership development activity to assure the implementation of best practice and core values throughout its operations. Apart from the continuation of its series of leadership conferences and focused training for managers and professionals, the Bank will also build awareness of the criticality of leadership, effective delegation, task ownership and accountability to corporate success through feedback from opinion surveys with stakeholders and collaboration with other IFIs in external benchmarking surveys. External resources will also be employed to assist reporting officers in fine-tuning their coaching and mentoring skills for more fruitful interventions in the development of their staff's performance. These skills will be particularly critical as the Bank develops potential leaders to replace those approaching retirement; and
 - (ii) CDB will also complete a scheduled review of the compensation policy introduced in 2000, examining the effectiveness of its compensation practices relative to recruitment/retention and introduce an amended recognition system to ensure that the principle of equitable distribution of rewards for responsibility and performance is transparently satisfied.

5.11 It is expected that the above actions will bolster the commitment of staff to the Bank and provide a motivating context for higher levels of achievement in the Plan period.

KNOWLEDGE MANAGEMENT (KM)

5.12 CDB's work across the Region generates knowledge that could be applied to ongoing and future development programmes and activities. The Bank recognises the importance of managing knowledge creation and capture, and knowledge sharing and enrichment as critical success factors towards the promotion of organisation effectiveness and efficiency as well as to the social and economic development of BMCs. In this regard, the Bank will improve its KM framework and systems as is required to become a learning organisation and a primary source of development knowledge in the Caribbean.

5.13 The KM framework will be based on the following guiding principles.

- (a) **Fostering a knowledge-supportive environment.** A corporate culture that values learning and knowledge sharing is essential for CDB. The KM framework aims to establish an enabling culture for effective knowledge management to promote staff contribution to knowledge activities, encouraging every staff member to be a "knowledge worker."
- (b) **Ensuring results orientation and continued improvements.** Measuring and monitoring intended results of knowledge initiatives is important to ensure continuous improvements in managing CDB's knowledge capital. The KM framework is designed to sharpen the results focus in undertaking KM initiatives.
- (c) **Enhancing operational relevance.** To ensure that KM initiatives will improve operational effectiveness, the KM framework will prioritise actions that have strong operational relevance. Operational strategies will drive CDB's approaches to KM, and will guide the business processes and planning of administrative and information technology (IT) support.

5.14 The focus of KM initiatives during the Plan period would be to:

- (a) improve organisational culture for knowledge sharing among BMCs, CDB staff and other development partners;
- (b) improve business processes and IT solutions for knowledge capture, storage and retrieval;
- (c) expand knowledge capture and dissemination through external relations and networking; and
- (d) improve knowledge appraisal and accounting.

5.15 These KM initiatives would be designed to support the development of CDB as a learning organisation by providing the tools and infrastructure for continuous learning. Successful implementation of the proposed KM initiatives would require some behavioural changes and is linked to the success of the Bank's Change Management initiatives.

ICT

5.16 Enhancing organisational effectiveness and efficiency will result, to a large extent, from a three-pronged effort aimed at improving our business processes, and leveraging the available and emerging technologies and deploying new technologies that will improve the way we work and enhance our relationships with our BMCs and other stakeholders. This effort will include:

- (a) enterprise-wide Business Process Management;
- (b) deployment of technologies that support collaboration, improved communication, effective information sharing and KM; and
- (c) enhancement of existing ICT infrastructure and applications to maximise the return on the ICT investment.

Enterprise-wide Business Process Management

5.17 Effective business process management in support of accelerated change in an environment of limited resources and competitive pressures is highly desirable and necessary for enhancing efficiency and effectiveness and creating an adaptive enterprise framework. There will therefore, be an ongoing effort to identify create and service solutions to continuously improve business processes and ensure that the organisation remains agile and responsive to the ever-changing needs of its BMCs. Efficiencies will be gained from addressing business process management from an enterprise-wide perspective, ensuring that all of the linkages are considered and the complete work flow enhanced.

5.18 This process-centric approach will be:

- (a) concerned with how decisions are made and the information access and flow to support decision-making;
- (b) focused on interdependencies;
- (c) addressing resource balancing; and
- (d) leveraging the process capability of ICTs.

Deployment of Technologies

5.19 CDB's core business processes are information intensive and require team work, collaboration, effective communication and information capture, sharing and dissemination. Many available and emerging technologies are delivered through a service-oriented architecture which adopts the capabilities of the web in assisting with the delivery of flexible, real-time and dynamic services. In reviewing its business processes, CDB will be considering the suitability and efficacy of such technologies as an enabler for improving the way we work.

Enhancement of Existing Infrastructure and Applications

5.20 The Bank has made a significant investment in ICTs, laying the foundation for a modular infrastructure and developing applications in support of core business processes. Specific enhancements and focused training will be geared towards accelerating the return on investment and maximising the benefits identified. Priority will be given to the management of the varied and significant databases to

deliver management reports through a unified portal facilitating on-demand access to current corporate information.

ACTION PLAN FOR IMPLEMENTING STRATEGIC PLAN

5.21 The capacity of the Bank to implement the Strategic Plan 2005–2009 will hinge on the timely undertaking of several activities and outputs. Most of these activities have been elaborated on in Sections 4 and 5 of this document, and Table 5: Action Plan 2005–2009 – summarises these specific deliverables. The Action Plan also groups all the deliverables according to strategic focus (i.e., objective, cross-cutting theme, strategy and role, managing for development results and enhancing organisational effectiveness and efficiency.

TABLE 5: ACTION PLAN, 2005–2009

Activities/Key Deliverables	Area with Lead Responsibility	Target Date
Promoting Broad-Based Economic Growth		
Review of Private Sector Development Strategy	Private Sector Development Division (PSDD)	2007
Review of Urban Revitalisation Strategy and Operational Guidelines	Project Financing Division (PFD)	2007
Fostering Inclusive Social Development		
Operationalising the Poverty Strategy	PFD	2005/2006
Review Poverty Strategy	PFD/Social and Economic Research Unit (SERU)	2006/2007
Review of Education and Training Policy and Strategy	PFD	2008
Facilitate the development of CPAs	PFD	2005–2009
Facilitate the preparation of national PRSs	PFD/SERU	2005–2009
Build BMCs' Statistical Capabilities for the collection, production, analysis and monitoring of essential indicators for measuring and assessing progress towards MDGs	PFD/Corporate Planning Division (CPD)/SERU	2005–2009
Promoting Good Governance		
Operationalise Governance and Institutional Development Strategy	Vice-President (Operations) [VP(O)]/Office of Director of Projects	2005/2006
Support the strengthening of national economic management, fiscal sustainability and debt management	Economics Department	2005–2009
Assisting the implementation of CSME and building capacity for RPGs, especially in the area of higher education	Economics/ Projects Department	2005–2009
Fostering Regional Cooperation and Integration		
Develop Regional Cooperation Strategy and Guidelines	VP(O)/Directors of Projects/CPD	2006
Environmental Sustainability		
Review environmental policy and develop an environmental sustainability strategy to incorporate as a cross-cutting theme	Office of Director of Projects	2006/2007
Implement measures for incorporating environmental sustainability as a cross-cutting theme.	Office of Director of Projects	2006/2007

Activities/Key Deliverables	Area with Lead Responsibility	Target Date
Disaster Risk Management		
Establish DRM Function in the Bank	VPO/Office of the Director of Projects	2006
Revise the NDMSOG and implement agreed initiatives	VPO/Office of the Director of Projects	2006/2007
Managing For Development Results		
Strengthening the Bank's country strategy process	Economics and Projects Departments/CPD	2005/2006
Reviewing and strengthening RAS	Economics Department/CPD	2006/2007
Further development of Strategic Planning and RBM Planning for the implementation of BNTF 6	CPD	2005-2009
Monitoring and evaluating Bank's own Projects and Programmes	Project Supervision Division (PSD)	2007
Review and modernise Lending Policies	EOV Projects, and Finance and Corporate Planning (FCP) Departments	2005-2009
Development of a Framework for Country Strategy Evaluations	EOV	2006/2007
Alignment of CDB's Programmes of Assistance with Country's Development Strategy and Results Framework	Economics/Projects/CPD	2006
Expand harmonisation with other MDBs operating in BMCs	Economics/Projects/CPD	2005-2009
Strengthen partnership through joint actions in the areas of MDGs, Poverty Strategy Development, social protection, sector-wide approaches in education and the Bank's work in relation to CFD	EOV	2006-2009
	Operations Area /CPD	2005-2009
Enhancing Organisational Effectiveness and Efficiency		
Enhance and implement CMP	Vice-President (Finance) [VP(F)]/Human Resources Unit (HRU)	2005-2009
Review of report of Communication Consultant and implementation of approved recommendations.	VP(O)/Bank's Corporate Secretariat	2006
Independent assessment of the reorganisation of the Projects Department	EOV/Independent Consultants	2006
Develop HR Strategy and improve HRM systems and processes	HRU	2006/2007
Information Technology and Communication Strategy	Information and Technology Management Services Department	2006
Development/Implementation of a KM Framework	Information Services Unit	2006/2007
Review of Financial Policies and Guidelines	F&CPD	2006
Monitor and evaluate Financial Outcomes	F&CPD	2005-2009

6. RESOURCE FRAMEWORK AND PROJECTED FINANCIAL PERFORMANCE

“ ... We shall be seeking to borrow hard money in the financial capitals and elsewhere. And we shall be seeking to persuade various foreign aid agencies either to replenish past contributions or to make new ones. I hope that our public will learn to judge its Bank by its success in borrowing money...”^{13/}

6.01 The demand for financial resources to fund development activities in BMCs is considerable and ever expanding. There is no prospect for achieving reasonable rates of growth and poverty reduction in these countries without major increases in investment. Domestic savings in the Region are insufficient to finance the investment levels which would lead to sustainable poverty reduction. Private financing, such as foreign direct investment is highly concentrated in a few BMCs and is limited and uncertain. ODA is stagnant at best and, in many BMCs, it is declining. In these circumstances, financial resource mobilisation remains a critical function of the Bank.

6.02 During the strategic period, the Bank will adopt a two-pronged approach to its resource mobilisation function:

- (a) increasing its ordinary capital and concessionary resource pool through the expansion of its membership and pool of contributors/donors; and
- (b) enhancing and maintaining its financial soundness in order to raise resources on the international capital markets on the best possible terms.

INCREASING THE BANK’S CAPITAL THROUGH EXPANDING THE MEMBERSHIP

6.03 Considerations for expanding the Bank’s membership have centred on the need for CDB to respond to the concerns expressed by the international credit rating agencies for a greater amount of high quality callable capital (especially Triple “A” capital) to support the Bank’s future credit exposure. Among MDBs, CDB has the lowest proportion of Triple “A” capital to Subscribed Capital, which is the benchmark used by investors in MDB papers to establish the degree of confidence about the Bank’s ability to meet its obligations in distress circumstances and as a primary factor for setting the interest spread on the Bank’s borrowings.

6.04 The expansion of membership also increases the pool of contributors to the Bank’s special fund resources and helps to reduce the burden share among the donors to these funds. These concerns have caused the Bank to establish a special committee, supported by consulting expertise to formulate a strategy for attracting a mix of OECD and emerging market countries into the membership of the Bank. It is expected that the recommendations of the committee would be available by mid-2006.

ENHANCING AND MAINTAINING FINANCIAL SOUNDNESS

6.05 Maintaining CDB’s financial soundness and its Triple “A” rating will be essential for financial resource mobilisation and to fulfilling the mission of poverty reduction as outlined in this Strategic Plan. The two major elements of CDB’s financial soundness are the strength of shareholder support and its financial policies and ratios. These two elements complement each other and jointly determine the Bank’s capacity to borrow and to lend, as well as, the cost-effectiveness of CDB’s financial

^{13/} Extract from an Address by Sir Arthur Lewis, first President of CDB, to the Annual General Meeting of the CAIC held on October 21, 1972 in Roseau, Dominica.

intermediation. Both elements are closely watched by rating agencies and investors who buy CDB's bonds.

6.06 The international capital markets demand clear and adequate shareholder support and a strong financial position in order for them to provide the necessary funding to CDB for its development agenda. Financial policies and guidelines are designed to control credit and market-risk exposure and to ensure adequate liquidity. Stakeholders in the international financial markets assess these policies and guidelines with regard to their prudence and the extent to which they ensure financial soundness. During the last Plan period the Bank undertook a comprehensive review of its financial policies and guidelines to ensure that they were consistent with international best practice and to improve financial efficiency. As a result of this review several recommendations were made for improvements to the Bank's financial policies and guidelines. These recommendations are related to the policies on capital adequacy, income targeting, borrowing limit and commitment authority. Proposals for changes to these and other related policies will be made to the Board early in the planning period.

6.07 Typically, shareholder support is demonstrated through the size, composition and timeliness of capital contributions, including contributions to SFR. The Bank depends on the adequacy of its capital for the protection of bondholders from loan losses, provision of liquidity to meet short-term obligations and to provide BMCs with attractive loan terms.

6.08 CDB relies on two categories of financial resources for financing its lending and non-lending operations, i.e., OCR and SFR. One of the Bank's strategies for the use of these resources has been to employ blending arrangements to increase concessionality by lowering the overall interest rate and extending the tenor of the loans to BMCs, especially for self-liquidating projects and those with very high poverty reduction impact. In this section, the factors that are likely to influence the performance of each category of resource over the Plan period are analysed, together with approaches for maintaining and enhancing the financial soundness of the institution.

OCR

6.09 OCR is the principal source of financing for the Bank's operations in BMCs. It is also on the basis of OCR results that bondholders and other stakeholders pass judgement on the financial soundness and viability of CDB. Furthermore, the Bank's expanding development agenda and consequent pressures on resources will require that net interest margins be sustained at a level sufficient to cover administrative costs, increase reserves and make allocations for specifically-approved investments and grant purposes.

6.10 The OCR resources of the Bank are derived from the capital subscription of member countries, borrowings from the international financial markets and other MDBs, and the retained earnings (reserves). Among the primary concerns to be addressed in the context of resourcing the Strategic Plan over the period 2005–2009 would be that:

- (a) CDB's capital should be adequate to support projected lending programmes based on BMCs' current and projected credit rating;
- (b) operating income is sufficient to cover administrative costs, increase reserves and make allocations for approved purposes; and
- (c) there is adequate, appropriate capital backing for projected borrowings to meet the Bank's liquidity requirements.

6.11 Estimates of the size of the Bank's annual lending programme during the Strategic Plan period have been based on an analysis of the likely demand for OCR over the period 2004–2011. The result of this analysis was the subject of Paper BD 43/04 which was discussed by the BOD at its meeting in July 2004.

6.12 The proposed lending programme also takes account of the recent history of OCR interventions among the various BMCs, the impact of current fiscal difficulties on their likely demand for OCR financing, and the pace of fiscal adjustment initiatives in countries that are undertaking such measures, plus the additional demand for a proposed OCR PBL product. The assumptions and the financial outcomes for the Plan period are set out in Appendix B and summarised in the Table 6 below.

TABLE 6: SUMMARY OF ASSUMPTIONS AND FINANCIAL OUTCOMES

Item	2005	2006	2007	2008	2009
<i>Assumptions</i>					
Commitments – Investment Loans (\$ mn)	87	114	133	166	177
Disbursement Profile for Project Loans (%)	10	26	18	17	9
Disbursement Profile for PBLs (%)	25	30	40	5	
Borrowings (\$ mn)	-	-	-	100	90
<i>Capital Adequacy</i>					
Outstanding Loans (\$ mn)	673	722	773	840	920
Projected Required Total Equity	337	361	387	420	460
Total Equity to Exposure Ratio (TEER) (50-55%)	60.9	59.5	58.6	56.5	54.2
<i>Borrowing Limits</i>					
Borrowing Limit – Investment-grade Non BMCs (\$ mn)	635	655	678	700	723
Outstanding Borrowing/Borrowing Limit (%)	70.1	67.6	65.8	76.4	77.6
<i>Projected Unused Equity</i>					
Projected Total Equity	410	430	453	475	498
Projected Unused Equity	73	69	66	55	38
Unused Equity/Projected Total Equity (%)	17.8	16.0	14.6	11.6	7.6
<i>Limits On Outstanding Loans</i>					
Charter Limit on Outstanding Loans (\$'000)	995	1,020	1,046	1,074	1,104
Outstanding Loans/Charter Limit (%)	67.6	70.8	73.9	78.2	83.3

6.13 The Bank expects to finance its OCR lending programme through a combination of market and institutional borrowings, internally generated resources (reflows and net income) and capital injection from new members. In this regard the operating guidelines with respect to the borrowing limit will also be reviewed to allow for greater efficiency of the Bank's fund raising operations.

6.14 Projections for the ratio of loans outstanding to the Charter limit indicate that on the basis of the projected lending programmes and the assumed disbursement profiles, there will be no breach of the Charter limit in any year of the Plan period. The projected ratio is estimated to range from 67.6% in 2005 to 83.3% at the end of 2009.

6.15 Based on the projected outcome of the financial operations over the Plan period, the Bank will have adequate capital in relation to its credit risk exposure, concentration and correlation among BMCs. Total Equity to Exposure Ratio (TEER) is not projected to fall below the policy range of 50% to 55%. The TEER is estimated at 60.9% in 2005 and 54.2% in 2009

6.16 Market borrowings during the Plan period are projected at \$100 mn and \$90 mn in 2008 and 2009, respectively. The ratio of Outstanding Borrowing to the Borrowing Limit is projected to rise from 70.1% in 2005 to 77.6% in 2009.

SPECIAL FUND RESOURCES

6.17 The Bank's Charter makes provision for the establishment of the special fund resources which refers to the resources of any special fund of the Bank. The largest of these special funds is the Unified Special Development Fund.

6.18 Since 1984, SDF (U) has been a core part of the operations of CDB and has provided a major proportion of the Bank's financial resources. The funding for the SDF (U) has been provided in four-year replenishments by various members and non-members of the Bank including all of its BMCs. Negotiations for the most recent replenishment, which is intended to cover the period 2005–2008 were concluded in late 2005.

6.19 The planned minimum programme level of \$257.5 mn was approved for SDF 6 to be financed by agreed contributions of \$158.1 mn, internally-generated resources estimated at \$73.5 mn, and a structural gap of \$25.9 mn to be financed by additional contributions from existing or new members, and, to the extent possible, by income from the early encashment of demand notes. The allocation for grant operations totalled \$91 mn and will be applied to financing the following programmes:

- (a) BNTF in support of poor communities in eligible countries;
- (b) TA programmes, including capacity building, project cycle training and Caribbean Technological Consultancy Services;
- (c) special support for monitoring progress towards the MDGs;
- (d) support of regional integration and facilitating the provision of RPGs;
- (e) provision for disaster response; and
- (f) Haiti start-up operations.

6.20 Provision for lending operations include:

- (a) loan funding for natural disaster mitigation and rehabilitation, and countries in fiscal distress; and
- (b) a general lending provision for Small and Micro-Enterprises lending in Haiti, with the balance for the current BMCs to be allocated according to the SDF allocation formula.

6.21 Based on the SDF (U) programmes outlined in the above paragraphs and the agreed level of replenishment the projected level of SDF (U) commitment authority for the period 2005–2009 is shown in Table 7. Projected Level of SDF Commitment Authority 2005–2009. The total amount of commitment

authority for the period includes the flow of internally-generated resources comprising loan repayments and net income. The lending programme for 2009 is limited to the projected reflows for that year as it is assumed that all the other available resources will be committed by the end of 2008.

TABLE 7: PROJECTED SDF (U) COMMITMENT AUTHORITY, 2005–2009

Item	2005	2006	2007	2008	2009
Opening Commitment Authority	5,000	924	3,395	4,909	244
<i>Plus: Net Income</i>	1,124	1,771	2,614	3,435	3,901
<i>Plus: Repayments</i>	15,300	15,200	15,400	15,400	15,600
New Amounts	108,000	26,000	26,000	24,000	0
<i>Less: Approvals for Grant Programs</i>	91,000	0	0	0	0
<i>Less: Approvals for Capital Projects</i>	37,500	40,500	42,500	47,500	19,500
Ending Commitment Authority	924	3,395	4,909	244	245

6.22 SDF (U) resources will be available for lending primarily to Groups 3 and 4 BMCs and will be blended with OCR resources to finance projects which satisfy the Bank's various criteria. Group 1 BMCs will only qualify for SDF resources in the financing of RPGs and disaster response. The allocation of SDF resources will be on the basis of CDB's resource allocation system. The projected financial results and the assumptions on which they are based are outlined in Appendix C.

OTHER SPECIAL FUNDS

6.23 In addition to the Special Development Funds, the Bank administers several special funds resources which are generally referred to as Other Special Funds. Contributions and loans have been made to these funds by various donors for purposes which are specified in the particular agreement governing the administration of each fund.

6.24 These funds have made a considerable impact on the capacity of the Bank to provide TA to BMCs, on a non-reimbursable basis and in one instance has contributed to the significant expansion of the range and scope of the Bank's flagship direct poverty reduction programme, the BNTF.

6.25 CDB recognises the valuable contribution of the OSF to its overall capacity to respond to the needs of its members. However, although the administration of several funds under varying rules imposes some efficiency challenges, the Bank intends to pursue the expansion of these resources while encouraging the Contributors to strengthen their support/commitment for the Organisation of Economic Cooperation and Development's Development Assistance Committee's (DAC) call for improving the cost effectiveness of aid by further efforts towards untying, and greater use of local and regional resources.

6.26 As at December 31, 2004 the aggregate outstanding loan portfolio of these funds amounted to \$63.7 mn and investments under management amounted to \$98.2 mn. Over the period 2000–2004 approvals of loans and grants from these resources amounted to \$45 mn and \$39 mn, respectively. During the period 2005–2009, CDB will target approvals of loans and grants of a similar magnitude.

6.27 The Bank has traditionally drawn its support for the establishment of these funds from various donor countries. During the new Plan period, CDB will explore ways of developing a partnership with regional private sector institutions that may be desirous of collaborating with the Bank to advance its development agenda.

FINANCIAL AND OPERATING OUTPUTS

6.28 Appendix D summarises the financial and operating outputs which will be used to monitor and manage these aspects of the Bank's performance during the Plan period. The outputs are grouped according to the Bank's principal funding sources, i.e., OCR and Special Development Resources. The expected OCR outputs include the results based on proposals for amendment to the financial policies and the level of lending operations to be targeted during the Plan period.

APPENDIX A

MILLENNIUM DEVELOPMENT GOALS – CARIBBEAN-SPECIFIC TARGETS AND INDICATORS	
Goal 1. Eradicate extreme poverty and hunger	Indicators: Goal 1
<p>Target 1. Halve, between 1990 and 2015, the proportion of people who fall below the poverty line</p> <p>Target 2. Halve, between 1990 and 2015, the proportion of people who suffer from hunger</p> <p>Target 3. Halve, between 1990 and 2015, the proportion of persons without access to basic services</p> <p>Target 4. Halve, between 1990 and 2015, the proportion of persons living in inadequate housing</p>	<ol style="list-style-type: none"> 1. Proportion of households living below the poverty line 2. Poverty gap ratio (incidence x depth of poverty) 3. Share of poorest quintile in national consumption 4. Proportion of employed living in households that are below the poverty line, by sex (of household head) 5. Prevalence of underweight children by sex (under five years of age) 6. Proportion of population below minimum level of dietary energy consumption by sex 7. Proportion of the population with access to electricity by sex of head of household 8. Proportion of households using pit latrines by sex of head of household 9. Proportion of population living in inadequate housing by sex of head of household
Goal 2. Achieve universal primary education	Indicators: Goal 2
<p>Target 5. Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary and secondary schooling, up to Grade 12</p>	<ol style="list-style-type: none"> 10. Net enrolment ratio in primary education by sex 11. School attendance among primary school children by sex 12. Proportion of pupils starting Grade 1 who reach Grade 12 (5th Form) in secondary school by sex 13. Net enrolment ration in secondary education by sex 14. Proportion of pupils who reach Grade 12 (5th Form) in secondary school by sex 15. Proportion of students who matriculate at Grade 12 with passes in at least two subjects English (or official language of country), and Maths by sex 16. Literacy rate of 15-24 year olds by sex 17. Number of primary and secondary schools addressing gender stereotyping in the curriculum 18. Percentage of schools with age appropriate curricula 19. Percentage of trained teachers in primary and secondary schools 20. Average number of children in class by grade, by school
Goal 3. Promote gender equality and empower women	Indicators: Goal 3
<p>Target 6. Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015</p> <p>Target 7. Eliminate gender disparities in income and occupational opportunities at all levels and in all sectors, no later than 2015</p> <p>Target 8. Reduce by 60%, the incidence of physical acts of gender-based violence</p> <p>Target 9. Reduce by 2015, all forms of gender-based violence</p>	<ol style="list-style-type: none"> 21. Ratio of girls to boys in primary, secondary and tertiary enrolment 22. Ratio of literate women to men of 12-24 23. Proportion of students who take Maths and Science examinations at Grade 12 by sex 24. Share of women in wage employment in the non-agricultural sector 25. Average national income of men and women by sector of employment 26. Employed persons by occupational status by sex 27. Proportion of seats by women in national parliament

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MILLENNIUM DEVELOPMENT GOALS – CARIBBEAN-SPECIFIC TARGETS AND INDICATORS	
Goal 3. Promote gender equality and empower women cont'd	Indicators: Goal 3 cont'd
	28. Proportion of women holding office in local government 29. Incidence of report physical abuse by sex of the abused 30. Existence of integrated national action plans to eliminate gender-based violence by 2010 31. Type of crime by age and sex of offender and age and sex of victim 32. Age and sex of persons who report experiencing physical violence in the past year at the hands of an intimate partner 33. Percentage of sexual assault cases completed through the court process in a 12-month period of the date of charge
Goal 4. Reduce child mortality	Indicators: Goal 4
Target 10. Reduce by two thirds, between 1990 and 2015, the under-five mortality rate	34. Under- five mortality rate by sex 35. Infant mortality rate by sex 36. Proportion of children, 1-5 years of age, who have received complete immunisation coverage (BCG, 3 doses DPT, and oral polio, measles) 37. Number of children injured through violence, by sex and age 38. Number of children killed through violence, by sex and age of victim and perpetrator
Goal 5. Improve maternal health	Indicators: Goal 5
Target 11. Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio Target 12. Universal access to reproductive and sexual health services through the primary healthcare system by 2015	39. Maternal mortality ratio per 1,000 population 40. Proportion of births attended by skilled health personnel 41. Proportion of contraceptive demand satisfied 42. Adolescent fertility rate
Goal 6. Combat HIV/AIDS, malaria and other diseases	Indicators: Goal 6
Target 13. Have halted by 2015 and begun to reverse the spread of HIV/AIDS Target 14. Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	43. HIV prevalence among pregnant women, aged 15-24 44. Condom use, rate of contraceptive prevalence: (a) condom use at last high-risks sex, by sex; (b) percentage of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS by sex; and (c) contraceptive prevalence rate 45. Condom use as a proportion of overall contraceptive use by persons, ages 15-24, in consensual unions by union type 46. Ratio of school attendance of orphans to school attendance of non-orphans 10-14 47. Proportion of children orphaned by HIV/AIDS by age group 48. Prevalence and death rates associated with malaria 49. Proportion of population in malaria risks areas using effective malaria preventative and treatment measures 50. Prevalence and death rates associated with tuberculosis 51. Proportion of tuberculosis cases detected and cured under DOTS

MILLENNIUM DEVELOPMENT GOALS – CARIBBEAN-SPECIFIC TARGETS AND INDICATORS	
Goal 6. Combat HIV/AIDS, malaria and other diseases cont'd	Indicators: Goal 6 cont'd
	<p><u>Gender</u></p> <p>52. Existence of programmes that take account of the gender dimensions of power in the transmission and treatment of HIV/AIDS</p> <p>53. Prevalence of chronic diseases by sex and age</p> <p>54. Provision of support services for primary caregivers</p>
Goal 7. Ensure environmental sustainability	Indicators: Goal 7
<p>Target 15. Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources</p> <p>Target 16. Halve by 2015 the proportion of people without sustainable access to safe drinking water</p> <p>Target 17. Have achieved by 2020 significant improvement in the lives of at least 70% of persons living in poor communities</p> <p>Target 18. Construct and implement a vulnerability index for the Caribbean within the next five years, which is sensitive to economic, social and environmental threats</p>	<p>55. Proportion of land area covered by forest</p> <p>56. Ratio of area protected to maintain biological diversity to surface area</p> <p>57. Energy use (kg oil equivalent) per GDP (PPP)</p> <p>58. Carbon dioxide emissions (per capita) [Plus two figures of global atmospheric pollution: ozone depletion and the accumulation of global warming gases]</p> <p>59. Proportion of population using solid fuels (with access to secure tenure)</p> <p>60. Proportion of population with sustainable access to an improved water source</p> <p>61. Proportion of urban population with access to improved sanitation</p> <p>62. Proportion of households with access to secure tenure [<i>Urban/rural disaggregation of several of the above indicators may be relevant for monitoring improvement in the lives of slum dwellers</i>]</p> <p>63. Percentage of coral reefs destroyed by human activity</p> <p>64. Percentage of coral reefs destroyed by natural disasters</p> <p>65. Incidence of natural disasters</p> <p>66. Economic losses resulting from natural disasters</p> <p>67. Social dislocation resulting from natural disasters</p> <p>68. Existence of a sustainable framework for the collection, processing and analysis of data relevant to the construction of a Vulnerability Index</p>
Goal 8. Develop a global partnership for development	Indicators: Goal 8
<p>Target 19. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. (<i>Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally</i>)</p> <p>Target 20. Address the special needs of the Least Developed Countries (LDCs), (<i>includes: tariff and quota-free access for LDCs' exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous programmes of debt relief for countries committed to poverty reduction</i>)</p> <p>Target 21. Address the special needs of landlocked countries and SIDS (<i>through the Programme of Action for the Sustainable Development of SIDS and the outcome of the twenty-second special session of the General Assembly</i>)</p>	<p><u>Official Development Assistance</u></p> <p>69. Net ODA as percentage of OECD/DAC donors' gross national product (targets of 0.7% in total and 0.15% for LDCs)</p> <p>70. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation)</p> <p>71. Proportion of ODA that is untied</p> <p>72. Proportion of ODA for environment in SIDS</p> <p>73. Proportion of ODA for transport sector in landlocked countries</p> <p><u>Market access</u></p> <p>74. Proportion of exports (by value and excluding arms) admitted free of duties and quotas</p> <p>75. Services as a proportion of total exports</p> <p>76. Average tariffs and quotas on agricultural products and textiles and clothing from developing countries</p> <p>77. Domestic and export agricultural subsidies in OECD countries</p>

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MILLENNIUM DEVELOPMENT GOALS – CARIBBEAN-SPECIFIC TARGETS AND INDICATORS	
Goal 8. Develop a global partnership for development cont'd	Indicators: Goal 8 cont'd
<p>Target 22. Deal comprehensively with the debt problems of developing countries, through national and international measures in order to make debt sustainable in the long term</p> <p>Target 23. In cooperation with developing countries, develop and implement strategies for decent and productive work for youth, women and especially vulnerable groups</p> <p>Target 24. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries</p> <p>Target 25. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p>78. Sanitary and phytosanitary rules implemented by developed countries which exceed the standards specified by international organisations</p> <p>79. Cost of implementing sanitary/phytosanitary measures as a percentage of the total value of exports for which these measures are required</p> <p>80. Proportion of ODA provided to help build trade capacity</p> <p><u>Debt sustainability</u></p> <p>81. Proportion of official bilateral HIPC debt cancelled</p> <p>82. Debt service as a percentage of exports of goods and services</p> <p>83. Proportion of ODA provided as debt relief</p> <p>84. Unemployment rate by age group and sex</p> <p>85. Proportion of population with access to affordable, essential, approved approved drugs on a sustainable basis</p> <p>86. Telephone lines per 1,000 people</p> <p>87. Personal computers per 1,000 people</p> <p>88. Ratio of personal computers to students in primary and secondary schools</p> <p>89. Use of internet by government to provide information to population</p> <p>[Other indicators to be decided]</p>

APPENDIX B

RESULTS OF FINANCIAL ANALYSIS

1. This analysis represents CDB's OCR forecast of its financial operations for the period 2005 to 2009 based on a posture of business as usual where the lending programme for the Plan period approximates the pattern of the previous five years. It also includes the projected outturn for policy-based lending (PBL). The PBL programme is proposed as part of the Bank's response to the fiscal and debt crisis faced by many of its BMCs. The analysis projects the financial outturn from the activities based on the annual levels of approvals, disbursement profile, borrowing rates, lending interest rate and OCR administrative expenditures assumed for the Bank during the Plan period.

Assumptions

2. The principal assumptions applied to the calculation of the Bank's financial performance over the five-year period are as follows:

- (a) projected annual OCR investment loan approvals of \$87 mn, \$92 mn, \$103 mn, \$133 mn and \$141 mn in 2005–2009, respectively;
- (b) projected annual OCR PBL approvals of \$22 mn, \$30 mn, \$33 mn, and \$36 mn for the years 2006–2009, respectively;
- (c) the disbursement profile for each project loan over the five year period is projected at 10%, 26%, 17% 13%, and 7%;
- (d) the disbursement profile for the policy-based loans over the disbursement period is projected at 25%, 30%, 40% and 5%;
- (e) the anticipated investment yield for each of the five years is estimated to be 2.96%, 3.61%, 3.8%, 3.89% and 4.04%, respectively;
- (f) the projected annual liquidity is maintained at approximately 40% of the undisbursed balance; and
- (g) the amount of annual OCR administrative expenditure is estimated at \$7.8 mn, \$8.5 mn, \$8.8 mn, \$9.3 mn and \$9.6 mn for each year during the period 2005–2009, respectively.

Financial Projections, 2005-2009

3. The results of the financial projections are set out in Tables I to III.

APPENDIX B

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TABLE I: PROJECTED BALANCE SHEET, 2005–2009
(\$ mn)

Item	2005	2006	2007	2008	2009
Cash	1	1	1	1	1
Investments	174	143	118	162	131
Loans Outstanding	673	722	773	840	920
Accruals	17	17	17	17	17
Receivables from Members	50	50	50	50	50
Other Assets	6	6	6	6	6
Total Assets	921	939	965	1,076	1,125
Outstanding Borrowings	445	443	446	535	561
Accrued Expenses	16	16	16	16	16
Paid-up Capital	156	156	156	156	156
Retained Earnings	290	310	333	355	378
Special Reserves	14	14	14	14	14
Total Liabilities and Capital	921	939	965	1,076	1,125

TABLE II: PROJECTED INCOME STATEMENT, 2005–2009
(\$ mn)

Item	2005	2006	2007	2008	2009
Income					
Interest Income	40.1	43.7	47.9	49.3	55.7
Investment Income	5	4.9	4.5	5.3	5.6
Other Income	0.2	0.2	0.2	0.2	0.2
Total Income	45.3	48.8	53.1	54.8	60.8
Expenses					
Borrowing Expenses	15.1	20.4	21.4	23.9	27.6
Administrative Expenses	7.8	8.5	8.8	9.3	9.6
Total Expenses	22.9	28.9	30.7	33.2	37.2
Net Income	22.4	19.9	22.4	21.7	23.6

TABLE III: PROJECTED BORROWING AUTHORITY, 2005–2009
(\$ mn)

Item	2005	2006	2007	2008	2009
Paid-in Capital	106	106	106	106	106
Retained Earnings and Reserves	290	310	333	355	378
Non-Borr. Investment-grade Callable Capital	240	240	240	240	240
OCR Borrowing Limit	636	656	679	701	724
Outstanding Borrowings	445	443	446	535	561
Long-term Borrowings/Total Assets	48.3	47.2	46.2	49.7	49.9
Outstanding Borrowing/Borrowing Limit	83.5	80.1	77.4	89.5	90.3

APPENDIX CSDF FINANCIAL PROJECTIONS AND ASSUMPTIONS, 2005–2009

1. Loan commitments are projected at \$ 37.5 mn, \$40.5 mn, \$42.5 mn, \$47.5 mn and \$19.5 mn for the years 2005, 2006, 2007, 2008 and 2009, respectively.
2. Average lending rate is estimated at 2.4% per annum (p.a.).
3. The disbursement pattern for the combination of old and new commitments, including the undisbursed balances, is assumed to be 10%, 26%, 17%, 13% and 7% over the projected disbursement period.
4. Yield from the investment in liquid resources is estimated at 2.5% p.a.
5. Administrative costs are projected to increase by 3% p.a.
6. The terms and conditions of lending are based on those applicable for SDF 6.
7. The projected financial outturn for SDF over the period 2005–2009 is set out in Tables A to C below.

TABLE A: PROJECTED INCOME STATEMENTS
(for the years ending December 31, 2005–2009)
(\$'000)

Item	2005	2006	2007	2008	2009
Revenue					
Investment Income	2,203	2,726	3,229	3,556	3,775
Loan Income	8,521	8,933	9,570	10,373	10,931
Total Revenue	10,724	11,659	12,799	13,929	14,706
Expenses					
Administrative Expenses	9,600	9,888	10,185	10,490	10,805
Total Expenses	9,600	9,888	10,185	10,494	10,805
Net Income	1,124	1,771	2,614	3,435	3,901

APPENDIX C

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TABLE B: PROJECTED BALANCE SHEETS
(as at December 31, 2005–2009)
(\$'000)

Item	2005	2006	2007	2008	2009
Assets					
Cash & Securities	80,624	101,166	114,067	122,925	128,774
Long-term Loans	346,700	367,930	397,641	432,222	442,274
Other Assets	308,200	268,200	228,200	188,200	176,200
Total Assets	735,524	737,296	739,908	743,347	747,248
Liabilities					
Current Liabilities	34,700	34,700	34,700	34,700	34,700
Contributions	665,400	665,400	665,400	665,400	665,400
Accumulated Net Income	35,424	37,195	39,809	43,247	47,149
Total Liabilities and Contributions	735,524	737,295	739,909	743,347	747,249

TABLE C: PROJECTED CASH FLOW STATEMENT
(as at December 31, 2005–2009)
(\$'000)

Item	2005	2006	2007	2008	2009
Cash	1,000	1,124	1,772	2,613	3,438
Securities Prime	65,200	79,500	99,394	111,454	119,487
Beginning Balance	66,200	80,624	101,166	114,067	122,925
Additions in Period:					
Net Income	1,124	1,772	2,613	3,438	3,902
Repayments	15,300	15,200	15,400	15,400	15,600
Draw on Subscriptions	25,000	40,000	40,000	40,000	12,000
Sub-Total	41,424	56,972	58,013	58,838	31,502
Subtractions in Period:					
Disbursements	27,000	36,430	45,111	49,981	25,652
Sub-Total	27,000	36,430	45,111	49,981	25,652
Ending Balance					
Cash	1,124	1,772	2,613	3,438	3,902
Securities Prime	79,500	99,394	111,454	119,487	124,872

APPENDIX D**SUMMARY OF FINANCIAL AND OPERATING OUTPUTS**
(\$'000)

Item	2005	2006	2007	2008	2009
Ordinary Capital Resources:					
Lending Operations	87,000	114,000	133,000	166,000	177,000
Disbursements	74,000	83,000	97,000	112,000	135,000
Borrowings	0	0	0	100,000	90,000
Gross Revenues	45,300	48,800	53,100	54,800	60,800
Net Income	22,400	19,900	22,400	21,700	23,600
Special Development Fund Unified:					
Lending Operations	37,500	40,500	42,500	47,500	19,500
Grant Operations	4,800	55,000	7,000	8,000	8,000
Disbursements	27,000	36,430	45,100	50,000	25,700
Gross Revenues	10,700	11,700	12,800	13,900	14,700
Net Income	1,124	1,772	2,613	3,438	3,902

N O T E S



N O T E S

