PUBLIC DISCLOSURE AUTHORISED

# CARIBBEAN DEVELOPMENT BANK

## EVALUATION REPORT

## CLUSTER COUNTRY STRATEGY AND PROGRAMME EVALUATION OF OECS AND OVERSEAS DEVELOPMENT TERRITORIES BORROWERS (2010-18)

## VOLUME III:

## REVIEW OF THE CARIBBEAN DEVELOPMENT BANK'S POLICY-BASED LENDING TO THE OECS





**OFFICE OF INDEPENDENT EVALUATION**
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# Cluster Country Strategy and Programme Evaluation of OECS and ODT Borrowers (2010-18)

## Volume III - Review of the Caribbean Development Bank's Policy-Based Lending to the OECS

August 2019

# Acronyms

| | |
|---|---|
| **AB** | Antigua and Barbuda |
| **ASYCUDA** | Automated System for Customs Data |
| **BMC** | Borrowing Member Country |
| **BOT** | British Overseas Territories |
| **CDB** | Caribbean Development Bank |
| **CSPE** | Cluster Country Programme Evaluation |
| **DPL** | Development Policy Loan |
| **DRM** | Disaster Risk Management |
| **ECCU** | Eastern Caribbean Currency Union |
| **ECLAC** | Economic Commission for Latin America and the Caribbean |
| **XCD, ECD** | Eastern Caribbean Dollar |
| **EFF** | Extended Fund Facility |
| **ESR** | Exogenous Shock Response |
| **GDP** | Gross Domestic Product |
| **HD** | High depth |
| **IDB** | Inter-American Development Bank |
| **IMF** | International Monetary Fund |
| **Km** | Kilometres |
| **LD** | Low depth |
| **MD** | Medium depth |
| **NCB** | National Commercial Bank (SVG) Ltd |
| **ODA** | Official Development Assistance |
| **OECS** | Organisation of Eastern Caribbean States |
| **OIE** | Office of Independent Evaluation |
| **OPCS** | Operations and Country Services |
| **PA** | Prior Action |
| **PEFA** | Public Expenditure and Financial Accountability |
| **PBL** | Policy Based Loan |
| **PBO** | Policy Based Operation |
| **PCR** | Project Completion Report |
| **PCVR** | Project Completion Validation Report |
| **PSR** | Project Supervision Reports |
| **RPG** | Regional Public Good |
| **SKN** | Saint Kitts and Nevis |
| **SVG** | St. Vincent and the Grenadines |
| **TA** | Technical Assistance |
| **TCI** | Turks and Caicos Islands |
| **UNCTAD** | United Nations Conference on Trade and Development |
| **UNICEF** | United Nations Children's Fund |
| **USD** | United States Dollar |
| **VAT** | Value Added Tax |
| **WEO** | World Economic Outlook |

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# 1 Introduction

The Caribbean Development Bank (CDB) introduced policy-based lending as a formal borrowing instrument in 2006. Policy-based loans (PBLs[1]) differ from traditional lending instruments insofar as they have a dual objective:

- Provide beneficiary countries with liquidity to help them meet urgent financial needs; and
- Support countries' policy and institutional reforms.

Although originally thought of as a form of budget support to help countries deal with economic shocks, PBLs are now considered an important tool in promoting and supporting policy changes and structural reforms (including at the sectoral level), as well as in achieving social goals. PBLs thus complement investment lending as they support improvements to the enabling environment for the achievement of economic growth and poverty reduction objectives.

Over time, CDB's approach to policy-based lending has evolved both conceptually and in practice. The original policy framework governing PBLs,[2] approved by the Board of Governors in 2006, was revised in 2013 to "provide greater clarity to Policy Based Operations (PBOs)[3]" and "establish a framework which is more comprehensive and complete in its scope." The changes brought about included:

- A broadening of the **definition of PBOs** which, in addition to loans, was extended to include grants and guarantees
- A clarification of the **rationale and purpose for the use of PBOs** and the conditions which make their use possible
- An extension of the **scope of PBOs** to include the concepts of Crisis Response PBOs and Public Good PBOs. Also, the new Framework distinguishes more clearly between the two former types of PBOs: Macroeconomic and Sector PBOs
- A clarification of the three **disbursement modalities** used, i.e. Multi-tranche, Single-tranche and Programmatic operations and when they should be used
- The elaboration of **Guiding Principles for Use of PBOs,** including CDB's readiness; country readiness; risk management; and collaboration, harmonisation and coordination with other lenders, including the role of the International Monetary Fund (IMF) and other development partners in PBOs
- The **definition of prudential considerations** for the use of both Ordinary Capital Resources and Special Development Fund lending for PBOs
- An expansion and update of **design and appraisal considerations** of PBOs
- Drawing attention to the **importance of effective supervision, monitoring, evaluation and reporting**

1 Throughout this report we use the terms Policy Based Operations (PBOs) and Policy Based Loans (PBLs) interchangeably.

2 "Policy Based Lending: A framework for policy-based lending", Paper DB 72/05, Caribbean Development Bank (2005)

3 According to the 2013 PBL Policy Framework "the term PBOs is used to characterise the provision of financial support, whether in the form of loans, grants or guarantees to Governments to support the implementation of policy reforms and institutional changes aimed at improving the effectiveness of public policy."

- Strengthening the **administration and governance of PBOs** in relation to disbursements, revision in scope and additional financing, procurement and expenditure eligibility, financial terms and documentation and disclosure.

CDB's PBL programme has been reviewed on several occasions. The latest such exercise dates from 2016, when CDB's Office of Independent Evaluation (OIE) undertook a comprehensive evaluation of PBLs contracted by its Borrowing Member Countries (BMCs) over the period 2006 – 2016. The evaluation included a number of components: a comparative literature review; the development of a Theory of Change for the PBL programme to support the evaluation study; an assessment of budget support facilities and PBLs across a number of multilateral development banks; and four in-depth case studies of BMCs, including two countries from the Organisation of Eastern Caribbean States (OECS): Grenada and SVG. The evaluation was published in December 2017 and is referred to in this report as the "2017 PBL Evaluation".

The 2017 PBL Evaluation produced 25 findings, eight conclusions and six recommendations which are summarised in Appendix 1. The recommendations referred to the need to: improve the design of PBL programmes including improving Results Monitoring Frameworks; limiting the number of key outcomes; maximising ownership at the country level; using Technical Assistance (TA) to overcome capacity constraints of BMCs; ensuring the right type of PBL (programmatic, multi-tranche etc.) is used in specific cases; and strengthening monitoring and evaluation. CDB has responded positively to the recommendations and has acted upon them. Appendix 2 provides CDB's management response and actions taken in response to the 2017 PBL Evaluation.

More recently, in late 2018, CDB's OIE initiated a Cluster Country Strategy and Programme Evaluation (CSPE) of the Bank's operations in the OECS countries. CSPEs are high-level evaluation exercises that are intended to build on the self-evaluation undertaken in the course of project and programme implementation and monitoring.

This Volume III is part of the Cluster CSPE and presents a review of PBL operations in OECS countries.[4] It documents recent economic changes that may have affected the performance of PBLs in the sub-region and identifies operational and strategic findings and lessons learnt which could inform CDB PBL operations in the sub-region. The complete Terms of Reference are found in Appendix 3. The Review was undertaken mainly as a desk exercise. A list of the main documents consulted is found in Appendix 4.

Following this introduction, Volume III is structured as follows: Section 2 reviews external and domestic factors that have affected performance of PBLs since 2016. Section 3 provides an overview of PBL support to the OECS sub-region. Section 4 discusses the performance of PBOs. Section 5 presents conclusions.

[4] This Review covers six OECS countries (Anguilla, Antigua and Barbuda [AB]; Grenada; St. Lucia; St Kitts and Nevis [SKN]; St. Vincent and the Grenadines [SVG]) and one British Overseas Territory (BOT) - Turks and Caicos Islands (TCI) – all of which have benefitted from CDB's PBL programme. For the sake of simplicity we refer to all seven countries as "OECS member countries".

# 2 Context for PBL Lending in the OECS

## 2.1 Introduction

OECS countries possess a number of characteristics that distinguish them from their Caribbean neighbours and indeed, from other small states:

- They are among the smallest countries in the world, whether measured in terms of size of economy (as measured by Gross Domestic Product (GDP)), land mass or population (see Table 2.1 below).
- They have open economies, a narrow resource base, small domestic markets and a high degree of economic specialization which makes them particularly vulnerable to external shocks and prone to high volatility.
- Although debt levels have been declining, most OECS countries have large debt burdens and achieving fiscal balance has been difficult for many.[5]
- Their location makes them particularly vulnerable to various types of natural disasters, as well as to the negative consequences of climate change.

*Table 2.1 Profile of OECS countries (2017)*[6]

| | Land Area (Km²) | Population (Mn) | GDP (USD Mn) | GDP Per Capita (USD) |
|---|---|---|---|---|
| | | | | |
| **Anguilla** | 90 | 0.015 | 281 | 18,861 |
| **Antigua and Barbuda** | 440 | 0.102 | 1,510 | 14,803 |
| **British Virgin Islands** | 150 | 0.031 | 996 | 31,917 |
| **Dominica** | 750 | 0.740 | 497 | 6,719 |
| **Grenada** | 340 | 0.108 | 1,127 | 10,451 |
| **St Kitts and Nevis** | 260 | 0.055 | 931 | 16,818 |
| **St Lucia** | 610 | 0.179 | 1,718 | 9,607 |
| **St Vincent & the Grenadines** | 390 | 0.110 | 780 | 7,099 |
| **Turks & Caicos Islands** | 950 | 0.035 | 1,017 | 28,689 |

**Source:** UNCTADt (https://unctadstat.unctad.org/CountryProfile/GeneralProfile/en-GB/004/index.html)

In spite of these structural challenges, the OECS has made tremendous progress, especially with regard to regional integration and the setting up of a successful monetary union with an active regional central bank. In many social sectors, e.g. education, health, gender inclusion etc., OECS countries perform better than the Latin American and Caribbean average.[7]

5 An exception in the group of countries under consideration is TCI which had an estimated Public Sector Debt to GDP ratio of only 1.4% in 2018.

6 This profile excludes two overseas French departments, Guadeloupe and Martinique, which are associate members of the OECS but not members of the CDB.

7 See “Organisation of Eastern Caribbean States Systematic Regional Diagnostic” World Bank, 2018

Six of the nine countries in Table 2.1 are classified as high income while three are upper middle income.[8] This classification does not however take into sufficient consideration the substantial vulnerability of the countries concerned, and has played against their access to concessional finance.

The need for the OECS (and indeed for all BMCs of the CDB) to resort to PBL funding has been triggered by a combination of external and/or domestic shocks. Appendix 5 summarises some of the main reasons that have led OECS countries to contract PBLs.

**External shocks** have been caused by either global economic and financial crises or natural disasters (and sometimes both in conjunction). Generally, global financial crises tend to affect the region as a whole, although some countries may show more resilience than others. Due to geographical location, natural disasters tend to affect one or a few countries of the sub-region at a time.[9]

**Domestic vulnerabilities** are the result of the countries' economic structures, which include small size, a high degree of openness and volatility, and a high level of economic specialisation (in terms of both export products and markets). These characteristics tend to amplify the negative impact of external shocks. There are also country-specific vulnerabilities that have contributed to the need for borrowing, including weaknesses in the financial and real sectors.

The cumulative consequences of the above-mentioned shocks and vulnerabilities are inevitably reflected in the main macroeconomic indicators: erratic growth rates; persistent current account and fiscal deficits; and high debt levels. All have slowed down the OECS' economic and social progress.

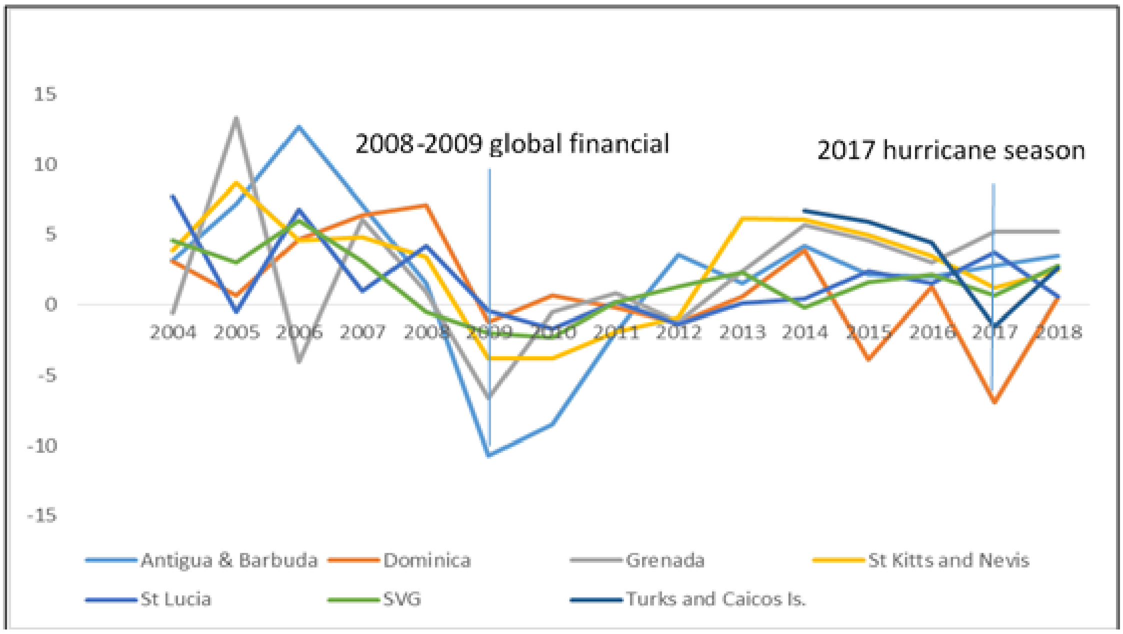
## 2.2 Global financial crisis and economic recession

The impact of the 2008-09 global financial crisis on the world economy was unprecedented. Given its close economic ties with the United States, the OECS region was severely affected and recovery has proved difficult; occurring more slowly than in other Caribbean countries. Nevertheless, by 2016 the sub-region was growing on average at a rate of 3.4 per cent (%) (Figure 2.1).

8 Based on World Bank classification, upper middle income countries are those with Gross National Income per capita between USD3,896 and USD12,055; greater than USD12,055 indicates high income (as of June 2017).

9 In certain cases, some countries in the sub-region can actually benefit from natural disasters in another country as tourists rebook their holidays to the unaffected destinations.

*Figure 2.1 OECS GDP growth rates (2004 – 2018) in %*




**Source**: IMF World Economic Outlook (WEO) database (2004-2016); CDB Economic Brief reports (2016-2018); TCI data begins in 2014 and is from TCI Statistics Department's web site

The OECS was also affected by the food and fuel crisis which coincided with the global financial upheaval. Food and fuel constitute a large share of OECS' countries imports (typically between 10 and 14% of GDP). The trebling of oil prices between January 2007 and July 2008, which saw the price of a barrel exceeding USD147, put undue pressure on countries' trade balances. The rise in food prices particularly affected the poorer segments of the population. The UN Economic Commission for Latin America and the Caribbean estimated that the 2007/08 food price crisis "added 10 million (mn) people each to the ranks of the extremely poor and the moderately poor."[10] The food and fuel crisis was cited as one of the reasons for requesting a PBL by at least one country (Grenada).

## 2.3 Natural disasters

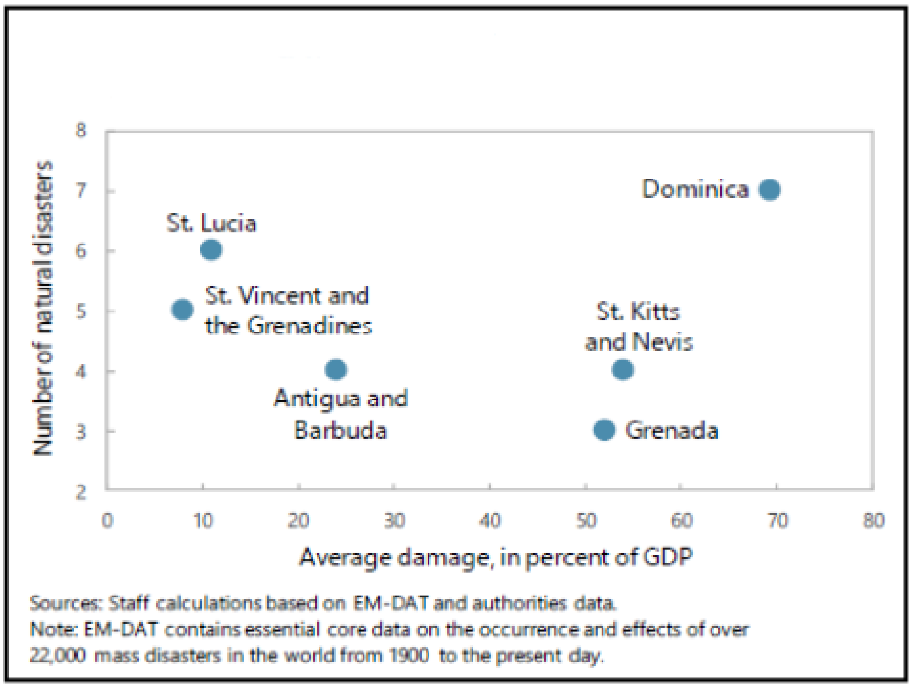
Given their geographical location, OECS countries are particularly prone to hurricanes that evolve in the Atlantic Ocean. Many Eastern Caribbean countries are also at risk from volcanic eruptions[11] and earthquakes.[12] While hurricane damage can result in substantial reconstruction costs, the high dependency of the sub-region on tourism compounds the impact of natural disasters on the countries' economies. Figure 2.2 below illustrates this point forcefully.

10 See "Rising food prices and children's welfare", Social and Economic Policy Working Brief February 2012, UNICEF Policy and Practice.

11 According to the University of the West Indies Seismic Research Centre, "There are 19 'live' (likely to erupt again) volcanoes in the Eastern Caribbean. Of the countries covered in this review, Grenada, St. Vincent, St. Lucia, Dominica, St. Kitts & Nevis have 'live' volcanic centres, while other islands such as Anguilla, Antigua and most of the Grenadines (which are not volcanic) are close to volcanic islands and are, therefore, subject to volcanic hazards such as severe ash fall and volcanically-generated tsunamis".

12 See http://uwiseismic.com/General.aspx?id=16

*Figure 2.2 Damage and frequency of natural disasters in the ECCU*




**Source:** 2018 Discussion on Common Policies of Member Countries of the Eastern Caribbean Currency Union (IMF, 2019)

The 2017 hurricane season was unprecedented in the Caribbean region and for the OECS in particular. According to the World Travel and Tourism Council, "September [2017] was a record-setting month for Atlantic hurricanes, with more accumulated cyclone energy than any other month in recorded history and warmer surface sea temperatures than usual."[13] In early September, Hurricane Irma, the strongest category five hurricane ever observed in the Atlantic Ocean, made a direct hit at near peak intensity in Barbuda resulting in almost total destruction. The hurricane also affected the OECS islands of Anguilla (which resulted in the country contracting a PBL in 2018) and SKN, as well as TCI. In mid-September, Hurricane Maria, another category five hurricane, struck Dominica causing damage in excess of annual GDP according to the World Bank.

There are some important facts that should be kept in mind when considering the impact of natural disasters in the OECS region:

- The frequency of hurricanes in the Caribbean has been increasing over the past decades and the tendency has been for the hurricanes to be stronger due to the impact of climate change.[14]
- Recovery from hurricanes takes longer than other types of disasters and on average lasts for 23 months.
- In addition to hurricanes, countries are also at risk from adverse weather. For example, SVG was hit by a tropical trough system in December 2013 which caused heavy rains, flash floods and landslides. The damaged caused was estimated at 15% of GDP.

[13] Caribbean resilience and recovery: Minimising the impact of the 2017 hurricane season on the Caribbean's tourism sector, World Travel and Tourism Council (United Kingdom, 2018).

[14] Organisation of Eastern Caribbean States Systematic Regional Diagnostic (World Bank 2018).

## 2.4 Domestic factors

In spite of progress achieved by some OECS countries in reducing their debt burdens (e.g. Grenada, SKN), the region still exhibits debt levels above both the average for small states and the 60% target of the Eastern Caribbean Currency Union (ECCU).

The high debt burden is due to several factors, including the impact of natural disasters discussed above.[15] Domestic factors have played a role too, including pro-cyclical fiscal policies, budget rigidities and weaknesses in public financial management. PBLs supported by the CDB have been addressing many of these weaknesses. Some countries have also been hit by the materialisation of contingent liabilities, such as losses accumulated by publicly owned sugar companies (SKN) and the collapse of credit institutions (AB).

## 2.5 Outlook

It is difficult to forecast what the demand for PBLs might be, given the triggers discussed earlier. The IMF World Economic Outlook (WEO) forecasts a slow recovery for the world economy with the United States of America growing at 2.9% and 2.5% for 2018 and 2019. The ECCU region is forecast to grow at 2.0 and 3.8% over the same period.

The WEO estimates that "escalating trade tensions and a shift from rule-based trading" represents a risk to the global outlook. At the time of writing, the decision of the United Kingdom (UK) to leave the European Union (Brexit) represents another source of uncertainty both for the UK and the European Union, and by extension, for their trading partners including Caribbean countries. The OECS has strong economic ties with the UK, which accounts for about a fifth of tourist arrivals. The UK is forecast to grow at 1.4 and 1.5% in 2018 and 2019. Any further slowdown in the UK economy or a depreciation of the British Pound could result in a reduction of tourist arrivals, as well as a lower level of remittances for OECS countries. Another way the OECS countries (including countries belonging to the British Overseas Territories[16]) may be impacted by Brexit is through Official Development Assistance (ODA). Although ODA to the sub-region has been declining, it remains an important source of finance for some countries and it is not clear how official aid flows may be affected once Brexit is concluded.

Debt sustainability is also an issue. As of end January 2019, the IMF considered the risk of debt distress in OECS countries as follows: **In debt distress:** Grenada; **High risk:** Dominica, SVG; **Moderate risk:** St. Lucia; **Not listed:** AB; SKN. Sustainable fiscal policies and prudent debt management will continue to be important going forward.

Finally, as discussed above, natural disasters remain a constant threat especially because of the changing weather patterns attributed to global warming, which are causing more frequent and stronger hurricanes as well as flooding in some countries.

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[15] For example, it is estimated that 15% of the debt accumulated between 2010 and 2017 in SVG is attributable to post-disaster reconstruction and investment in disaster resilience measures. Government of St. Vincent and the Grenadines, Ministry of Finance, "Continuity and Change: Job Creation, Resilience, Sustainable Development and New Opportunities in a Rapidly Changing Global Environment," February 2018.

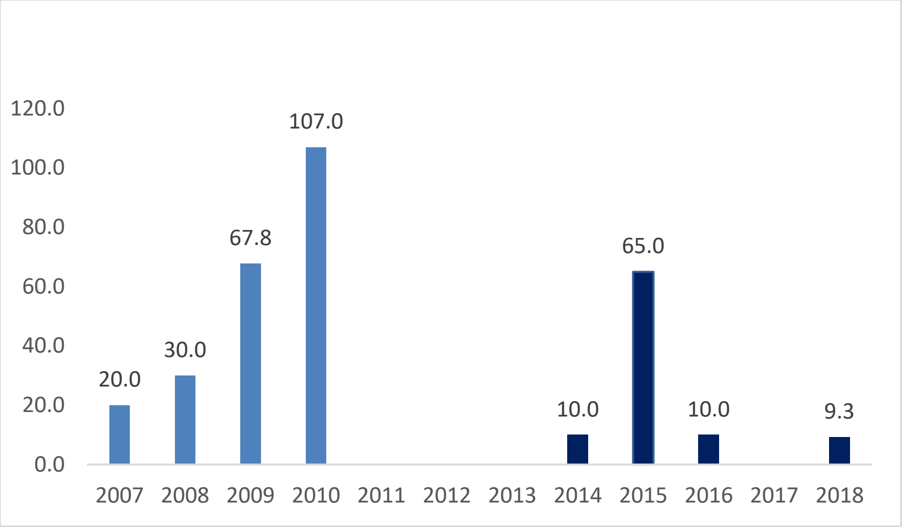
[16] See "Anguilla & Brexit: Britain's forgotten EU border", (Government Anguilla London Office, 2017)

# 3 PBL support to the OECS

## 3.1 Overview

Since the introduction of PBLs in December 2006, the CDB has extended ten PBLs to five BMCs of the OECS and three PBLs to two overseas territories for a total value of USD319.1 mn.[17] The total amount of PBLs contracted per year is depicted in Figure 3.1 below.

*Figure 3.1 Total amount of new PBLs contracted by OECS countries (USD mn)*




Source: CDB's OIE

In the OECS, the top three PBL borrowers have been Antigua (USD80 mn), Anguilla (USD64.3 mn), and SVG (USD62 mn). All three countries have accessed the facility twice. As at end of 2018, the total amount outstanding (i.e. disbursed but not yet repaid) for PBLs to the OECS amounted to 14.2% of the total amount of all CDB loans outstanding.

Two "generations" of PBLs can be discerned from Figure 3.1: those contracted between 2007 and 2010 and which were based on the original policy framework of 2006, and those from 2014 to date which are based on the revised policy framework introduced in 2013.[18] No PBLs were contracted between 2011 and 2013, or in 2017. Appendix 6 summarises the key features of each PBL extended from 2006 to date.

## 3.2 PBL Focus Areas

CDB has used PBLs to support reforms in a number of sectors in the OECS countries over the period 2006-18. This Review identified nine main focus areas: (1) Public Financial Management (PFM); (2) Public Debt Management (PDM); (3) Sectoral interventions (including the banking and finance); (4) Trade and Trade Facilitation; (5) Disaster Risk Management (DRM); (6) Macroeconomic Planning; (7) Project Management; (8) Public Sector Reform; and (9) Social Sector reform. These are described below.

[17] In addition, a PBL guarantee was issued to St Kitts and Nevis in 2007.

[18] The rest of this Report makes frequent reference to the two generations of PBLs.

**Public Financial Management** is by far the most common area of intervention. This focus area is quite wide and typically covers revenue policy and administration, and expenditure control as illustrated below.

- To enhance government revenue, the St. Lucia 2008, Grenada 2009 and Antigua 2010 PBLs included Prior Actions (PAs) dealing with the introduction of Value Added Tax. The Anguilla 2010 PBL reforms included the introduction of legislative amendments to strengthen revenue collection administration and collection, while the Antigua PBL of 2010 strengthened procurement legislation and compliance with international standards through the conduct of a Public Expenditure and Financial Accountability (PEFA) assessment. More recent PBL-supported reforms have been concerned with audit and tax agreements (Anguilla 2018 PBL) and the institution of a Sovereign Wealth Fund (TCI 2015 PBL).
- On the expenditure side, reforms have ranged from improving procurement (St. Lucia 2008 PBL; Grenada 2014-16 PBL); controlling the wage bill (Antigua 2010 PBL) or assisting countries divest in public enterprises (i.e. the commercialisation of government owned farms (Grenada 2014-16 PBL) or the selling of government owned shares in the electricity company (Anguilla 2018).

**Public debt restructuring and management:** PBL support in this area has been very important to help OECS countries deal with debt accumulation. SKN, Antigua and Anguilla undertook PBL-supported reforms to develop strategies to restructure their debt portfolio. Other areas of reforms are aimed at strengthening debt management systems and processes (e.g. Antigua 2010 PBL) or undertaking debt management assessment and strengthening institutional arrangements.

**Sectoral reform programmes** have included:

- Tourism (introduction of legislation to set up Tourism Authorities or developing strategic plan (St. Lucia 2008 PBL and SVG 2009 PBL) or strengthening the linkages between the tourism and agribusiness sector (Grenada 2014-16 PBL)
- Financial sector (introduction of Banking Act; resolving banking crises; or introducing legislative and institutional reform)
- Food safety (enactment of food safety legislation (Grenada 2014-2016 PBL)
- Energy (energy-related legislation and regulatory framework (Grenada 2014-2016 and Anguilla 2018 PBLs).

**Trade and trade facilitation:** Several countries have undertaken reforms in this area. This has included the introduction of the Automated System for Customs Data (ASYCUDA) World (St. Lucia 2008 PBL; Anguilla 2010 PBL; Grenada 2014-16 PBL; Antigua 2015 PBL); Public Private Partnerships (Grenada 2014-16 PBL; TCI 2015 PBL); the development of national export strategies (St. Lucia 2008 PBL); and enhancing the investment climate (TCI 2015 PBL).

**Disaster Risk Management, Macroeconomic Planning Public Sector Reform and Social Sector Reform:** A slight change of focus can be perceived in reform programmes implemented through 2nd generation PBLs. Prior to 2013, PFM and PDM were the two most frequent areas of reforms that benefitted from PBL support. Some countries also undertook reforms in the social sector such as the setting up of social safety nets. Post 2013, PBLs were developed in new areas such as disaster risk management. Assistance with Public Private Partnerships is also a new area of reform (Grenada 2014-16 PBL; TCI 2015 PBL).

# 4 Performance of PBOs

The purpose of this chapter is to review the relevance, design, effectiveness and the efficiency of CDB's PBL support to the OECS countries.

## 4.1 Relevance of CDB's PBOs in the OECS

Assessments of relevance seek to determine whether the objectives of the intervention are consistent with the needs or requirements of the beneficiary. This Review confirms that CDB's policy-based lending has been and remains relevant to the OECS region. In fact, one could argue that PBOs have been particularly relevant to OECS countries given their unique characteristics, which include a high level of vulnerability and limited access to finance, as outlined in Section 2. This observation is in line with the findings of the 2017 PBL Evaluation undertaken at the regional level.

The relevance of PBOs to the OECS can be perceived at two levels, which are related to the instrument's dual objectives:

- **At the budget support/fiscal level:** CDB was able to intervene promptly at times when OECS countries were in need of financial/budgetary support to address specific challenges such as debt restructuring and banking crises.
- **At the governance level:** CDB has been able to support some major reforms in important economic and social policy areas such as public financial management, trade facilitation and the strengthening of social safety nets. In many cases, CDB's interventions have acted as a catalyst and incentivised on-going reform programmes.

As noted in Section 3.2, CDB has used PBLs to support reforms in nine broad focus areas. Some of these areas include several sectors (e.g. sectoral interventions range from tourism to food safety and energy) and sub-sectors (e.g. legal [the introduction of tourism-related legislation], institutional [setting up Tourism Authorities, devising tourism strategic plans] and strategic [reinforcing the link between agribusiness and tourism]).

Some PBLs have included a large number of PAs. For example, the St. Lucia 2008 PBL supported reforms in the areas of PFM, tourism, and national export development; and implementation of ASYCUDA and the development of macroeconomic planning and project management frameworks. In this particular case, a number of reform areas were grouped under the single label "macroeconomic management."[19]

Wide scope may respond to apparent need, but results in relatively unfocussed reform plans with numerous expected outcomes. This risks overwhelming the implementation capacity of borrowing countries. Focussing on a smaller number of inter-related reform measures may in fact increase the real world relevance of PBLs. This suggestion is an extension to Recommendation 2 of the 2017 PBL Evaluation, which recommended a reduction in the number of key outcomes. On a positive note, the number of PAs shows a downward trend from first to second generation PBLs as mentioned in Section 4.2.1 below.

[19] The classification of sectors in the loan and project monitoring documentation does not allow for a precise analysis of sectoral analysis of reform actions. This section is based on the consultant's own classification of conditions precedent. One possible improvement would be to ensure that each PA is assigned a precise sector so that more meaningful analysis can be undertaken in the future.

# 4.2 PBL Design

This section reviews how PBLs have been designed. It builds on the observations contained in the 2017 evaluation, with a detailed examination of the quality of Prior Actions.

## 4.2.1 Observations from the 2017 PBL evaluation

The 2017 PBL evaluation identified several limitations related to the design of the first generation of PBLs as summarized below.

**Addressing the capacity constraints of the borrower:** Most of the identified challenges related to the design of first generation of PBLs (i.e. those contracted between 2007 and 2010) and, in particular, the need to take into account the capacity constraints of the borrower. This is in line with Finding 8 of the 2017 PBL Evaluation. For example:

- The Project Completion Report (PCR) for the SKN 2007 PBL recommends that "the PBL should be accompanied by supporting TA to assist the borrower when implementation capacity is weak to ensure timely implementation of the reform programme."
- The PCR for SVG 2009 PBL indicates that "there was a mismatch between the borrower's implementation capacity when the project was designed and the large number of policy actions contemplated."
- The PCR for Antigua's 2010 PBL mentions that "greater detailed analysis of institutional capacity to undertake reforms needs to be undertaken…"

**The number of Prior Actions** is another design consideration that is mentioned for several of the early PCRs. As the 2017 PBL Evaluation points out (Finding 12), a large number of PAs was sometimes difficult to fulfil over short periods of time. For example, one of the lessons learnt from the Anguilla 2010 PBL is that "the large quantum of policy conditions to achieve PBL disbursement(s) may in fact become a disincentive to undertake the reforms in a timely manner, especially when implementation constraints exist."

**2019 Update**

This current review found that the average number of PAs for all PBLs extended by the CDB is 21.2. However, a plot of the number of PAs over time does show a downward trend, in spite of the fact that some relatively recent PBLs still exhibit a wide scope (e.g. the Antigua 2015 PBL had 29 PAs).

**The type of Prior Action** is also an important factor. For example, one of the observations made in the St. Lucia 2008 PBL is about "difficulties arising from the inclusion of legislative changes as conditions precedent to disbursement given the countries' capacity limitations. Furthermore, a change in administration could significantly delay, or derail, the legislative process. Therefore, it is best to base the PBL primarily on PAs that have been met."

The fourth design-related consideration relates to **the disconnect between some outcomes and outputs**. For instance, in the case of the Antigua 2010 PBL, the PCR recognised that "the outcomes identified were high-level outcomes, for which the outputs identified would not necessarily contribute directly. Going forward, the results chain should be clearly identified, and outcomes and outputs more closely aligned and attainable."

The 2017 evaluation also noted limitations related to **the quality and nature of dialogue among all stakeholders**, **country ownership and political stability**. These considerations apply to all types of development-related lending activities. However, they are particularly important to observe for PBLs in view of the policy and reform aspects of the instrument.

## 4.2.2 Quality of Prior Actions (PAs)

### DEFINING QUALITY

The quality of PAs is a key consideration, which has a direct impact on the degree of success of the reform plan. Recommendation 1 of the 2017 PBL Evaluation (which refers to the need to review of the Management for Development Results framework) alludes to the issue but does not discuss it in detail. There are three main dimensions of the quality of PAs: the strength (or "depth") of the action; the sequencing of actions; and the link between the PAs and the intended outcomes or results.

**Strength of PAs**

The Office of Evaluation and Oversight of the Inter-American Development Bank (IDB) uses a three-tier classification system to determine the strength (or "depth") of PAs, i.e. "the extent to which conditions have sufficient depth to trigger long-lasting policy or institutional change." (See sidebar.)[20]

The World Bank's Operations and Country Services (OPCS) vice-presidency distinguishes between the following types of PAs: policy and institutional reform focussed; process focussed; and implementation focussed. According to *The Quality of Results Frameworks in Development Policy Operations* published by the World Bank's Independent Evaluation Group in 2015, "OPCS's approach implicitly suggests that policy and institutional actions are more critical than process and implementation actions." In the design of programmatic or multi-tranche PBLs, it will be important to ensure that the final loans/tranches have a high percentage of HD PAs that can produce lasting results.

**IDB Classification of PAs**

**Low Depth (LD):** these involve conditions that "would not, by themselves, bring meaningful changes". These usually tend to be "process-oriented and often involve preparation of action plans, strategies and announcement of intentions. Their duration is limited and there is no guarantee that the frameworks/strategies will be implemented and, even if so, whether implementation will be successful."

**Medium Depth (MD**): includes PAs that can have immediate effect, but not necessarily a lasting impact. These include includes "one-off measures that can be expected to have immediate and possibly significant effect but needs to be followed up by other measures for effect to be lasting. This category includes the submission of draft legislation to Parliament and the need to reach certain targets or benchmarks". There is no guarantee that draft legislation will be enacted; some important measures proposed may be removed by Parliament. Also, to have full impact, secondary legislation must usually be developed and implemented to support primary legislation. The legal framework must also be supported by strong institutional arrangements and trained staff.

**High Depth (HD):** i.e. conditions "that could by themselves trigger long lasting change. Includes lower level actions that complete a reform process or measures taken on a regular or permanent basis." For example the successful implementation of ASYCUDA World (which was a PA for several PBLs) can be considered as a HD condition, especially when backed up by indicators to demonstrate the reduction in the time taken to release goods from customs and improved revenue collection from taxes.

[20] See "Technical Note – Design and use of policy-based loans at the IDB", Office of Evaluation and Oversight, IDB, 2015. The description of the various "depths" are adapted from those mentioned by the IDB in the above-mentioned document. It is to be noted that in addition to the depth of PAs, IDB's evaluation methodology also includes sequencing (how well multiple conditions built upon each other through the reform process) and vertical logic - "the coherence between conditions and the reform program's objective and results indicators."

### Sequencing of PAs

The sequencing dimension looks at how well PAs support the reform cycle. In the case of PBLs, the sequencing of actions is more apparent in multi-tranche or programmatic operations, which are spread over time. Some element of sequencing can be discerned in single tranche PBLs, but given that actions have often been already complied with, this makes the analysis less meaningful.

### The link between PAs and expected results

A major challenge of implementing Results Based Management frameworks is to ensure that expected results (outcomes) are pitched at the right level for a given set of outputs. The tendency is often to set the results too high, for example at the macroeconomic level, so that it becomes very difficult to attribute causality to the interventions – the so-called "missing middle" problem. Linked to this issue is the choice of suitable indicators to measure outcomes. In some cases, more than one indicator is needed, so as to be able to measure both quantitative and qualitative aspects.

## ANALYSIS OF THE QUALITY OF PAS

As part of this Review, we analysed the second generation of PBLs (signed between 2014 and 2018) to gauge the quality of their PAs. These include six PBLs in four countries: Grenada's programmatic Growth and Resilience Building PBL (2014/2015/2016); TCI 2015 PBL; Antigua 2015 PBL; and Anguilla 2018 PBL. We used the framework described above, which involves looking at the "depth" of PAs, their sequencing, and their relationship to outcomes.[21]

**Depth of PAs:** Overall, 25% of the PAs for the above-mentioned PBLs can be classified as LD; 48% as MD and 27% as HD. However, looking at the data tranche by tranche (or loan by loan in the case of programmatic PBLs) as provided in Table 4.3 does provide some interesting insights.

*Table 4.1 Quality of PAs for loans extended to the OECS (2014-2018) by loan/tranches (%)*

| | LD | MD | HD | Total of PAs/Tranche or Loan |
|---|---|---|---|---|
| Grenada 2014-16 PBL | | | | |
| First Loan (2014) | 50% | 50% | 0% | 100% |
| Second Loan (2015) | 29% | 57% | 14% | 100% |
| Third Loan (2015) | 0% | 67% | 33% | 100% |
| | | | | |
| | | | | |
| Antigua 2015 PBL | | | | |
| Tranche 1* | 0% | 0% | 100% | 100% |
| Tranche 2 | 0% | 60% | 40% | 100% |
| | | | | |
| | | | | |
| Turks % Caicos Islands | | | | |
| Tranche 1* | 60% | 40% | 0% | 100% |
| | | | | |
| | | | | |
| Anguilla | | | | |
| First Loan (2018) | 45% | 55% | 0% | 100% |
| Second Loan (2019** | 36% | 64% | 0% | 100% |
| Third Loan (2020)** | 0% | 29% | 71% | 100% |
| | | | | |

(*) PAs met prior to loan signature (**) Implementation ongoing; based on intended PAs at the time of loan appraisal.

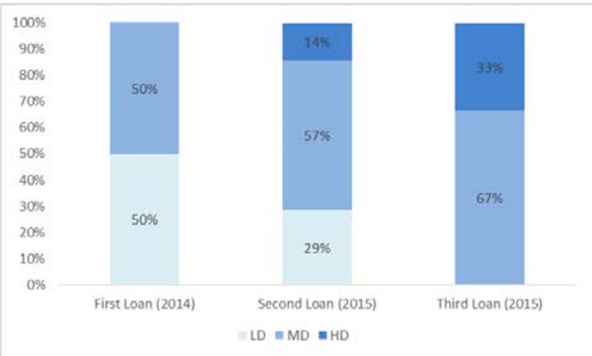
[21] There are limitations to a desk review. It would have been useful to consult both CDB staff and country officials to better understand the nature of the reforms that were undertaken and the choice of PAs.

Overall, the figures indicate that the depth of PAs varies from loan to loan and that it is stronger in the case of programmatic loans. This conclusion confirms the view that programmatic PBL interventions are better suited when the focus is on supporting countries' policy and institutional reforms over a period of time (the second objective of PBLs as mentioned in Section 1). The use of single or two-tranche loans seems more adequate to addressing PBLs' first objective, namely the provision of liquidity to help beneficiary countries meet urgent financial needs e.g. providing one-time funding to address a debt-related transaction as in the case of the TCI 2015 PBL or dealing with a banking crisis e.g. AB 2015 PBL.[22]

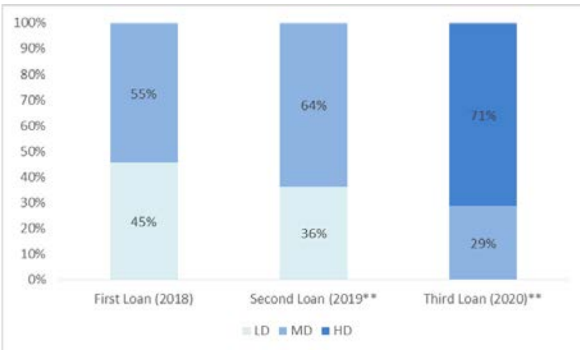
**<u>Sequencing of PAs:</u>** For the programmatic PBLs, sequencing of PAs was in general well thought through with PAs building on previous ones as the reform cycle evolved. This is evidenced by the reduction of low depth PAs in second and third loans of programmatic PBLs. Figure 4.1 illustrates this point in relation to the Grenada 2014-16 and the Anguilla 2018 PBLs. In addition, with the exception of the TCI PBL, none of the other loans have LD actions in the final loans/tranches.

***Figure 4.1 Progression of PAs***

**Grenada 2014-16 PBL**




**Anguilla 2018 PBL**




Appendix 7 provides additional details on the quality of PAs on a loan-by-loan basis. It also offers some suggestions on how the quality of PAs could have been improved by introducing actions that are more

[22] This PBL did however include some elements of reform in the second tranche.

closely related to the achievement of planned outcomes. Paying more attention to the depth of PAs at the time of PBL appraisal is likely to have a positive impact on the effectiveness of PBLs during implementation.

**The link between PAs and expected results:** In general, outcome indicators were well chosen and related well to PAs. There are some exceptions, such as the use of qualitative indicators when quantitative or measurable indicators could have been used instead.[23] It is unclear how to interpret indicators related to debt levels, especially if PBL funds are being provided to pay off/restructure debt outstanding or reduce arrears. In such cases, it is obvious that the PBL will lead to a short-term reduction in debt levels but one cannot infer that this represents a lasting improvement in the debt situation or the structure of the debt portfolio.

# 4.3 Effectiveness

A review of the effectiveness of CDB's PBLs in the OECS takes into account the dual objectives of the instrument:

- Provide beneficiary countries with liquidity to help them meet urgent financial needs; and
- Support countries' policy and institutional reforms.

This section describes notable progress for both objectives in the OECS countries.

### Assisting OECS countries meet urgent financial needs

Since all PBOs stem from a funding need by the borrowing country and PBL disbursements provide a direct contribution to national budgets, planned budgetary support objectives can be considered to be de facto achieved. However, a number of lending operations were conducted in partnership with other international financial institutions (e.g. both the Grenada 2014-16 and Anguilla 2017 PBLs benefitted from Development Policy Loans of the World Bank and the IMF's Extended Credit Facilities). Direct attribution to CDB's involvement is therefore not possible although there is no doubt that its contribution has been positive.

CDB is reported to have played a critical role in averting a banking crisis and ensuring the stability of the financial sector as described below and detailed in Appendix 8.

- The PBL loans to SVG and Anguilla were prompted by the decline in economic activity caused by the 2008-2009 global financial crisis. In SVG, this led to declines in tourist arrivals, foreign direct investment and workers' remittances. The economic downturn also put stress on the financial sector (as described in the sidebar). As noted in Exhibit 4.1, CDB support helped SVG avoid the collapse of the BOSVG, formerly NCB, which would have had serious repercussions both economically and socially in SVG and could have had wider regional impact through a

> Given its large exposure to the public sector, the state-owned **National Commercial Bank (SVG) Ltd (NCB)** (now Bank of St Vincent and the Grenadines (BOSVG))started building up large increases in non-performing loans as the Government experienced difficulties servicing its loans due to the tight fiscal situation. The NCB was the largest commercial bank in SVG with assets of Eastern Caribbean Dollars (XCD) 784.2 mn at the end of 2009 (equivalent to about 27% of financial sector assets and 40% of commercial bank assets). NCB also accounted for nearly half (45.8%) of total bank deposits and 46.6% of total bank loans in that year.

[23] See Appendix 7 for examples.

contagion effect. It also contributed to the establishment of some important legislation related to cooperatives, insurance and money services and the establishment of a unit charged with supervision and regulation of non-bank financial institutions.

- CDB support helped Anguilla avoid default by restructuring its debt. Government representatives report that the PBL contributed to some important changes in Anguilla legislation, regulations and practices in keeping with the conditions of the loan. Following the launch of Anguilla's Fiscal Responsibility Act the country and its key partners closely monitor the country's debt situation using three new debt benchmarks. In 2018, CDB provided Exogenous Shock Response (ESR) PBL support to Anguilla in the aftermath of hurricane Irma. While implementation is ongoing, progress has been made in launching an interim goods tax for 2021 and in controlling government expenditure on staff salaries.
- In Antigua and Barbuda, the 2015 PBL loan was instrumental in supporting efforts to resolve the Antigua and Barbuda Investment Bank (ABI Bank) insolvency. Proceeds from the first tranche of the PBL were utilized to support the execution of the Purchase and Assumption Agreement of the Assets and Liabilities of ABI Bank by the Eastern Caribbean Amalgamated Bank (ECAB) – the purchasing bank – the receiver of ABI Bank and the Government of Antigua and Barbuda.

## ASSISTING OECS COUNTRIES MAKE POLICY AND INSTITUTIONAL REFORMS

CDB has made notable contributions to reform implementation in OECS countries in six of the nine main focus areas identified in Section 3.2. These are summarised in Table 4.2 below and detailed in Appendix 8.

*Table 4.2 PBL-driven reforms in OECS countries*

| FOCUS AREAS FOR REFORMS | NOTABLE REFORMS |
|---|---|
| Public Financial Management (PFM) | CDB assisted Antigua, Anguilla and Grenada introduce PFM and Audit legislation as early as 2009/2010.<br>Both Antigua and Anguilla introduced revenue administration and policy legislation as part of PBL-led reforms. St. Lucia, Grenada and Antigua have introduced VAT or reduced zero rated items while SVG addressed the issue of Income and Corporate taxes. The CDB is assisting Anguilla address audit and tax agreement issues as part of the 2018 PBL (on-going)<br>On the expenditure control side, CDB PBL-driven reforms have been key in assisting countries divest from public enterprises as was the case in Grenada (through the commercialisation of government owned farms) and in Anguilla (by the selling of government-owned shares in the electricity company, as part of an on-going PBL).<br>In other countries, government expenditure has been successfully curtailed by controlling the wage bill (Antigua). |
| Public Debt Management (PDM); | CDB assisted St Kitts and Nevis, Antigua and Anguilla deal with debt crises. At the same time, the CDB has helped strengthen PDM institutions, systems and processes in those countries as well as in Grenada and SVG. |
| Sectoral interventions | PBL-driven reforms in SVG and Antigua dealt with financial/banking crises. In SVG this was followed by legislative and institutional reforms.<br>PBL reforms have contributed to the tourism sector introducing legislation and setting up Tourism Authorities in St. Lucia and SVG in 2008 and 2009 respectively and in Grenada (2014-2016); |

| | |
|---|---|
| Trade and Trade Facilitation | CDB PBLs assisted Grenada develop a National Export Strategy and introduced ASYCUDA in several countries including St. Lucia, Anguilla, Grenada and Antigua and Barbuda. |
| Disaster Reduction Management | Latest PBLs to Grenada (2014-2018) and Anguilla (2018) have included innovative reforms in the area of DRM including the legislation and elaboration of building standards and codes. |
| Social Sector | PBL-led reforms have seen successful interventions in the preparation, review or implementation of social safety nets in St. Lucia, Grenada, Antigua and Barbuda, and Anguilla. |

As noted in Appendix 8, there are several examples where individual measures (especially those contained within first generation PBLs) did not fully materialise or reforms took much longer than originally planned. Some PAs also had to be re-specified or waived. However, there are no cases of wholesale failure of a reform programme leading to the cancellation of a PBL as other Regional Development Banks have experienced.

# 4.4 PBL Implementation

This section reviews how PBLs were implemented over the review period. It was informed by the findings/lessons learned in the 2017 PBL Evaluation and by the observations contained in available PCRs and PCVRs.

Many of the first generation PBLs encountered challenges which resulted in delayed implementation, revisions in scope and/or loan amounts, and the non-fulfilment of some Prior Actions (PAs)[24] (see Table 4.4). According to reviewed reports, delays were frequently due to one or more of the following:

- Inefficient implementation, observed weaknesses in effectiveness and/or inadequate monitoring and evaluation and reporting;
- Weak in-country institutional arrangements and human resources capacity;
- Challenges to complete the outstanding reforms due to a unforeseen circumstances including liquidity crises; climatic events; and
- Inadequate inter-agency collaboration.

In general, the performance of second generation PBLs has been better than those contracted earlier. CDB played a critical role in Grenada over the period 2014-16 with respect to the three programmatic “Growth and Resilience Building” PBLs amounting to USD30 mn. All three were disbursed as scheduled. At the time the PCR was completed, the Government had met, and in some cases exceeded, approximately 60% of its targets; 17% had been partially met; and 23%t not met. However, all indicators that were partially or not met were expected to be achieved by June 2019.

The PBL extended to A&B in 2015 proved to be more challenging. The two-tranche loan, which amounted to USD50 mn, aimed at supporting the Government’s efforts to resolve the difficulties faced by the Antigua and Barbuda Investment Bank (ABIB) as well as encouraging continued fiscal reforms. The implementation of the PBL met with some difficulties as described in Table 4.3.

The Anguilla 2018 PBL, the latest to be extended by the CDB to an OECS country, is still on-going and it is therefore too early to assess overall performance.

[24] Also referred to as “conditions precedent” in loan agreements. In this document we use both terms interchangeably.

*Table 4.3 Examples of PBL Implementation Delays*

| PBL | IMPLEMENTATION DELAYS |
|---|---|
| SKN PBL (2007) | Both first and second tranche conditions were subject to revisions and implementation was delayed by some two years |
| St. Lucia 2008 PBL | Originally conceived as a two-tranche PBL in support of wide-ranging fiscal and social reforms. The PBL suffered considerable delays (90 months) which affected the timely execution of the entire programme, according to the loan documentation, "rendered output irrelevant". A third tranche of USD15 mn was added to provide additional support and complete the reform programme. |
| SVG 2009 PBL | The loan was meant to be quick disbursing given that most of the conditions preceding effectiveness for the first tranche were based on policy actions already taken. The entire second tranche was eventually disbursed in December 2010 despite non-completion of three outstanding activities that remained to be completed. |
| 2009 Grenada PBL | Loan was expected to be quick disbursing as most first tranche policy actions had already been taken. The second tranche was scheduled for disbursement in December 2010, but had to be re-scoped as a result of the non-completion of some of the conditions as six of the reform benchmarks were either not met or remained outstanding at the end of 2010. Following an application for disbursement by the Government, partial disbursement of USD4 mn was approved on the basis of partially completed reforms and a third tranche was added. The outstanding conditions and remaining undisbursed amount were deferred to Tranche 3 which took a further six years to be disbursed. |
| Antigua and Barbuda 2010 PBL | This was a three-tranche facility of USD10 mn each. One of the conditions for the disbursement of the loan was the signing of a USD125 mn stand-by arrangement with the IMF. The agreement temporarily stalled causing the final (third) tranche to be delayed. All conditions precedent to disbursement of the third tranche were eventually met in October 2015, and the final disbursement made a month later |
| Antigua and Barbuda 2015 PBL | Implementation met with some difficulties due to a shortfall in revenue collection and the passage of Hurricane Irma which had a negative impact on the Government's fiscal efforts and slowed the reduction in the primary balance surplus and the debt-to-GDP ratio, two Key Performance Indicators. This necessitated a revision in scope and the second tranche was eventually disbursed with a two month delay |

# 5 Conclusions and Issues for Consideration

## 5.1 PBL evolution: from first to second generation

This review has documented CDB's policy-based lending in the OECS since 2007 in some detail, outlining the areas of reform targeted, and to the extent possible making observations on progress (or lack thereof) in completion. Echoing conclusions of the 2017 PBL evaluation, it is evident that performance has improved from earlier to later in the period. OECS PBLs contracted from 2010 onwards (second generation) have been more focused and better implemented. Reforms have at times unfolded over longer than expected timeframes, but there has been discernible progress in a number of important areas, including fiscal sustainability and the stability of the financial sector in some countries.

Select examples of improved second generation PBL practice include:

- Limited national capacity was mentioned as a constraint in earlier PBLs, while the PCR for the Grenada 2014 PBL mentions that "Almost all targets were met, which points to the adequate consideration to capacity constraints and the required supervision and advisory effort for the PBL."
- The Grenada 2014-16 PBL indicates successful collaboration between the CDB, IMF and WB: "while the operation was aided by the presence of IMF and WB, increased supervision and technical advisory have proven to be vital aspects of high implementation progress."
- Both the Grenada 2014-16 and TCI 2015 PBLs enjoyed strong country ownership, a crucial aspect of the success of a PBL reform programme.
- The number of PAs over time shows a downward trend.

## 5.2 Issues for consideration

This review notes a number of areas where CDB's practice of policy-based lending could be further improved.

### Sequencing and Quality of PAs

The 2017 Evaluation Report (Recommendation 2) points to the importance of sequencing PAs over a longer period of time and ensuring that they build upon each other, especially in the case of programmatic and multi-tranche interventions. For more recent PBLs in the OECS this is indeed taking place.

There is however scope for paying more attention to the quality of PAs. This would require CDB to adopt a conceptual framework, defining what constitutes low, medium or high depth actions and the likelihood that they will lead to sustainable reforms. Such an approach might be similar to the one used by the IDB, adapted to fit CDB's circumstances.

### Better documentation on how PAs are determined

CDB's Revised PBL Framework (2013) states that: "Some reform actions may be completed prior to approval of the loan, provided such actions emanated from the discussions related to the intended PBO and were agreed between the country and CDB staff prior to their implementation." This review found that available documentation on loan processes does not provide enough information to allow the reader to verify whether this requirement has been met. In developing appraisal documents for future PBLs, staff should better document the deliberation process for agreed PAs.

## TECHNICAL ASSISTANCE

Several studies[25] have found that the use of Technical Assistance can be very important for the successful implementation of PBLs, especially when there is a low level of institutional capacity in the borrowing country. The 2017 PBL Evaluation refers to CDB's use of TA (e.g. Findings 7 and 16 and Conclusion 4), and points to the fact that TA was not always provided to its full potential, due in part to pricing issues.

Although loan documentation examined during the course of this Review makes reference to the use of TA, it did not do so in a way that made it possible to fully appreciate its extent and effectiveness. This may be due to the fact that TA is often provided by different partners such as the Caribbean Regional Technical Assistance Centre, the Eastern Caribbean Central Bank (via the Canadian-funded Debt Management Advice Service), and/or the United Nations Conference on Trade and Development (UNCTAD). There are indeed merits to the provision of 'independent' and 'specialised' TA in certain situations. Nevertheless, more direct examination of the use of TA (from all sources) in design and monitoring documents, (including provider, scope, and effect on the reform programme), would allow for a better appreciation of its role and contribution.

## POTENTIAL FOR REGIONAL PUBLIC GOOD PBLS

The 2013 revised PBL Framework makes provision for Regional Public Good (RPG) PBLs aimed at assisting in the "development and strengthening of the policy and institutional framework to advance regional cooperation and integration." Resources can be accessed by one or more countries to support policy and institutional reforms at the regional level. So far, no Regional Public Good PBL has been implemented, either at regional or sub-regional level. This likely arises from the fact that policy dialogue is generally conducted at the national level.

The OECS would be ideally placed to benefit from such a facility, and is in fact mentioned in the Framework as a potential beneficiary. There are existing sub-regional agencies that could be potential stakeholders and partners.

While ensuring that access to PBLs remains demand driven, the CDB could engage in an outreach exercise to remind OECS countries of the availability of this option.

## USING PBLS TO BUILD *EX-ANTE* RESILIENCE

The OECS in recent years has experienced two types of external shock – global economic downturns and natural disasters. There is a growing awareness of the importance of building *ex-ante* resilience to these rather than responding as they arise.

Many of the reform measures included in PBLs to date (such as effective public financial management) will no doubt contribute to building fiscal space and help OECS countries cope with future shocks. There is potential to do more. For example, in the case of natural disasters, building fiscal buffers may help countries finance reconstruction and provide safety nets for the worst affected. As well, incentivizing improved physical planning and building codes, greater use of environmental and social impact assessments, and mapping of regions prone to flooding, among others, could reduce damage and loss of life caused by future disasters.[26] The 2018 Anguilla Exogenous Shock PBL goes in this direction.

[25] See Appendix A of the 2017 PBL Evaluation which includes a discussion on the use of TA in budget support loans and PBLs and provides relevant references.

[26] The example used raises the issue of whether there should be a link between CDB's project funding and PBLs to finance necessary investments for disaster risk management.

# APPENDIX 1 SUMMARY OF THE 2017 PBL EVALUATION – FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

**2017 PBL Evaluation Mapping**

| Evaluation area | Finding No | Finding | Conclusions | Recommendations |
|---|---|---|---|---|
| Relevance and Need | 1 | There is a current and ongoing need for the PBL Programme | | |
| Rationale | 2 | There are differences in understanding of the rationale for the PBL programme among CDB officials and Borrowers | | **1.** CDB should review its practice of "Management for Development Results" (MfDR) in the PBL programme. It should ensure that its design process respects good MfDR practice, with clearly stated expected outcomes and SMART indicators. The robustness of the results framework should be a primary criterion for quality at entry. Where necessary, staff responsible for PBL design and monitoring should have access to training in MfDR techniques, as well as occasional expert advice from a results specialist. |
| | 3 | There were differences in view among CDB and BMCs regarding the role CDB could play, including with its PBLs and TA. | **1.** Although there is a generally accepted need for the PBL program, views of its rationale differ between those who place more emphasis on fiscal relief, and those who underscore the longer-term reform orientation. The interpretation of relevance is influenced by which view of rationale is accepted. | |
| Relevance and local priorities | 4 | Although it is recognised that PBLs respond in general to BMC needs for support in dealing with both short term fiscal and longer term reform challenges, views on the strength of the programme's relevance vary depending on the emphasis respondents place on either the fiscal relief or longer term reform objectives. As well, questions regarding the best role for CDB relative to other lenders arise. | | |
| PBL Design process | 5 | CDB engagement with BMCs on the development of PBLs improved over time. However, there is concern that the process is sometimes too top-down, at the expense of buy-in at levels needed to drive implementation. | | **2.** By taking account of: (i) the limited size of its PBL loans; (ii) BMC priorities and its own Country Strategy; and (iii) with an agreed longer term reform program in mind; CDB's policy based lending should focus on a limited number of key outcomes, with prior actions that are causally linked to them. This focus should ideally be maintained over time, with prior actions in successive PBLs building incrementally on one another. |
| | 6 | The application and review process is not clearly stated. Transparency could be improved. Quality of applications against the review criteria could not be assessed. | **2.** The PBL application process, loan assessment process, and determination of TA requirements were not entirely transparent. | |
| | 7 | The need for and design of TA was not always adequately considered, thereby reducing the probability that conditions could be met. | | |
| | 8 | There was some consistency between the reform priorities indicated in the PBLs and the CDB country strategy documents. However, there was concern that the PBLs did not pay enough attention to local capacity constraints to deliver the results expected. | **6.** There has been better alignment of PBLs with local priorities over time. More effort could be made to be sensitive to local contexts, conditions and capacity in the design and implementation of prior actions. | **3.** National ownership and leadership are indispensable to the success of development reform programmes. CDB should facilitate these to the greatest extent possible through collegial engagement with BMC's in PBL design and implementation. This requires consultation with a sufficient breadth of national stakeholders, at both leadership and implementation levels, to gain commitment and follow through on reform objectives and prior actions. A good practice to be encouraged is designation of a "champion" from the BMC's public sector for implementation of targeted reforms. |
| | 9 | Alignment of CDB PBLs with other MDB instruments improved over time. However, the risks associated with harmonisation have not been adequately assessed. | | |
| Prior actions negotiating process | 10 | There was considerable improvement in the negotiations process of PBL objectives and prior actions over time. Consultation with a wider representation of BMC and MDB officials was apparent in recent PBLs. | | |
| Appropriateness of the Objectives and Prior Actions | 11 | In most PBLs, objectives were broadly scoped to address economic reforms. At times, objectives were repeated in subsequent operations demonstrating some consideration of a longer-term strategy of reform | **7.** BMCs appear more committed now to reform and capacity building than they were when the PBL programme was instituted. But, some challenges must be addressed. | |
| | 12 | The number of economic prior actions for BMCs to address over short time periods remains a challenge. BMCs invariably reported that the prior actions ought to link better to national reforms. | | |
| | 13 | Although a detailed cost-benefit analysis could not be completed as part of this evaluation, BMC respondents indicated that the costs for implementing the prior actions exceed the funding value of the PBLs, especially during times of austerity. | **3.** Prior actions could be improved by clarifying their links to national reform agendas. As well, there is room for improvement in logic frameworks, indicators, and risk mitigation strategies. | **4.** Small economies experience serious capacity constraints in attempting to implement reform programmes. These need to be anticipated and responded to as part of an effective PBL programme. Relative to other MDBs, CDB has an intimate understanding of the contexts and constraints of its BMCs. Yet there has been limited needs analysis or uptake of CDB TA in connection with its PBL loans. CDB should investigate the reasons for this, ensure that potential TA requirements are well analysed at the design stage, and flexibly offered during implementation. |
| Management of PBLs | 14 | Funds were usually disbursed efficiently, in a timely way. | | |
| | 15 | Statement of expected outcomes, measurement and risk mitigation strategies could be improved. Without clearly stated outcomes and measurement approaches, target setting is difficult, which may compromise verification of results achievement. There was also weak alignment between outcome statements and prior actions. | **4.** There is scope for more explicitly considering social outcomes in reform programs, improving logic and results frameworks, and strengthening TA. | |
| | 16 | TA has improved over time. However, TA offered by CDB is considered expensive, and could be improved to address a wider range of governance reforms. | | |
| | 17 | BMC respondents believe that a menu of PBL instruments is needed to support local reform efforts | | |
| CDB monitoring and oversight | 18 | Monitoring of PBL expected results could be improved. Monitoring tended to focus on achievement of prior actions, rather than reform results. Completion of reports was often beyond the capacity of BMCs. | **5.** There is evidence to suggest that CDB is making progress toward propelling reform efforts through its PBLs. However, monitoring of outcomes needs to be improved. | **5.** Different countries find themselves at different stages of readiness for PBL-supported reform programmes. Although the 2013 revised framework for PBL lending introduced an appropriate emphasis on placing loans within a longer term reform context, (through the programmatic series approach), there is still sentiment that multi-tranche PBLs may be well suited to BMCs requiring more structured |
| | 19 | Prior actions were reported in most case studies to have been completed. However, these determinations were not always verifiable. | | |
| BMC ability to launch reforms | 20 | BMC respondents indicated that the probability of successful completion of PBL prior actions and reforms is increased when a senior local champion is identified, and provided with the resources and authority to act. | | |
| | 21 | A number of indicators across all PBLs measured outcomes that could not be attributed to the performance of the PBLs. The clarity of the indicators could also be improved to provide evidence of contribution rather than attribution. | | |
| BMC short term outcomes | 22 | The most notable short-term outcome across all PBLs was the fact that BMCs were able to pay down short-term debt. That said, attribution to the PBLs of reducing debt-GDP ratios cannot be stated with confidence. PBLs were observed to trigger key short-term reforms in deficit management and revenue collection | | **6.** Monitoring and completion reporting are important parts of the effective implementation and accountability of the PBL programme. CDB should ensure that these tasks are consistently carried out, with a results focus, for all PBLs. This should go beyond verifying that prior conditions have been met, to assessing the extent to which these actions are contributing to reform outcomes. CDB should also consider extending monitoring efforts beyond the timeframe of PBL disbursements. The outcomes of interest are medium and longer-term reforms, and CDB will wish to track these as part of its overall country strategy process. |
| BMC medium term outcomes | 23 | BMC respondents indicated that the value of PBLs is that they trigger reforms over the short-term. While several "outcomes" are more aptly defined as outputs, there are nonetheless some notable short-term outcomes | **8.** The majority of observed effects are short-term in nature. There is room for more focus on medium-term outcomes. | |
| | 24 | Few medium-term effects or outcomes were identified that could be clearly attributed to the PBLs. However, BMC officials indicated that the prior actions may have contributed to improved economic and social programme performance over time. | | |
| | 25 | A longer term value of the PBLs may be a shift in attitude regarding reform agendas. There is greater acceptance among BMCs for ongoing and effective reforms. | | |

# APPENDIX 2 2017 PBL EVALUATION – RECOMMENDATIONS STATUS REPORT

| RECOMMENDATION | MANAGEMENT COMMENT | MANAGEMENT ACTION PLAN | PLANNED COMPLETION DATE | STATUS | COMMENT |
|---|---|---|---|---|---|
| CDB should review its practice of MfDR in the PBL programme. It should ensure that its design process respects good MfDR practice, with clearly stated expected outcomes and SMART indicators. The robustness of the Results Framework should be a primary criterion for quality at entry. Where necessary, staff responsible for PBL design and monitoring should have access to training in MfDR techniques, as well as occasional expert advice from a results specialist. | The Results Monitoring Frameworks have been improving, especially since the recruitment of a Results Specialist by the CDB. All Economists undertake training in MfDR as part of the orientation process. | CDB will continue to provide training to all new recruits in the Operations Area. | | Level 5 - Full Implementation | As stated in the management comment, all Economists have undertaken MfDR training with the Results Monitoring Advisor. Additionally, nine Economists completed the Results-Based Management course which was provided by the Center for International Development and Training of the University of Wolverhampton. |
| A corollary of more carefully stated results frameworks would be more tailored risk mitigation strategies. To date, such strategies have tended to be generic across PBLs. They should rather be more closely matched to the specific circumstances of the national context and reform programme. | AGREED. ED will work with ORM to ensure that risk mitigation strategies are specific for each intervention. | Ongoing. Assigned to ED/ORM Dept. | | Level 2 - Planning Stage | ORM and ED will work together to ensure that the risk assessments are more tailored to the specific country context. Training, supported by guidelines, will be provided to ensure that this is addressed. |
| Taking account of: (a) the limited size of its PBLs; (b) BMC priorities and its own Country Strategy; and (c) with an agreed longer-term reform programme in mind, CDB's policy-based lending should focus on a limited number of key outcomes, with prior actions that are causally linked to them. This focus should ideally be | AGREED. CDB commits to focus future PBO interventions on a limited number of key outcomes and where possible prior actions | Ongoing | | Level 5 - Full Implementation | CDB has been focusing on key interventions that are critical to the achievement of the overall policy objectives. Negotiations with governments seek to achieve a strong link between the countries' immediate priorities and the outcomes, and to ensure that reforms are closely linked a narrow |

| RECOMMENDATION | MANAGEMENT COMMENT | MANAGEMENT ACTION PLAN | PLANNED COMPLETION DATE | STATUS | COMMENT |
|---|---|---|---|---|---|
| maintained over time, with prior actions in successive PBLs building incrementally on one another. | | | | | set of interrelated outcomes. For example, in the Grenada and Jamaica PBLs, the outcomes were important and interrelated parts of overarching programmes that were being supported by development partners, and targeted macroeconomic stability, growth and social cohesion. In the case of Anguilla and the Virgin Islands, in the immediate aftermath of hurricane damage, enhancing resilience and restoring macroeconomic stability were key priorities, and negotiations focused on these outcomes, as well as identifying and agreeing on reforms that would lead to these outcomes. The reforms are the product of robust negotiations that attempt to achieve a balance among urgency, incentivizing progress in relation to the reforms and the sometimes-limited capacity in country. The programmatic PBLs also function as a platform for working with the country to build incrementally on the reform programme, and to do so in a manner that takes cognizance of capacity and can incorporate TA as needed, whether from CDB or other development partners. |

| RECOMMENDATION | MANAGEMENT COMMENT | MANAGEMENT ACTION PLAN | PLANNED COMPLETION DATE | STATUS | COMMENT |
|---|---|---|---|---|---|
| National ownership and leadership are indispensable to the success of development reform programmes. CDB should facilitate these to the greatest extent possible through its engagement with BMC's in PBL design and implementation. This requires consultation with a sufficient breadth of national stakeholders, at both leadership and implementation levels, to gain commitment and follow through on reform objectives and prior actions. A good practice to be encouraged is designation of a "champion" from the BMC's public sector for implementation of targeted reforms. | ACCEPTED BUT MODIFIED. As a rule, CDB engages not only with leadership, but also with implementing agencies. In many instances, reforms included programmes are at some stage of consideration or preparation in country, and the PBL negotiation process serves to accelerate this process where staff with country officials assesses the reform to be important to achieving identified outcomes. Usually, consultations of some type have taken place already. However, teams usually consult with both coordinating and implementing agencies to properly assess country ownership, progress, implementation schedule and impact. | CDB will continue to engage finance/planning ministries and implementing agencies.Responsibility Centre: ED/PD | | Level 5 - Full Implementation | CDB continues to engage at various levels to ensure that there is full ownership of reforms. As stated in the management Response, this has always been a feature of the process. In-country discussions for the first PBL done by CDB in 2006 included discussions with all the implementing agencies for the reforms, including the Accountant General, the Auditor General, the Comptroller of Inland Revenue, members of the Budget Department, the Head of the Privatisation Unit. More recently, in 2014, the appraisal team for the Jamaica PBL met with the coordinating ministry (Finance); Planning Institute of Jamaica; the Debt Management Office of MOF; the Director General of MOF (PEFA reforms); the Human Resources Management Division of MOF (public sector transformation reforms); Jamaica Customs Agency (ASYCUDA and single window implementation); Development Bank of Jamaica (Venture capital eco-system improvement); and JAMPRO (Doing Business reforms). The team also met with development partners (IMF, WB, IDB, EU). Initially, the documentation of these meetings and missions was not ideal, but this has been rectified via the |

| RECOMMENDATION | MANAGEMENT COMMENT | MANAGEMENT ACTION PLAN | PLANNED COMPLETION DATE | STATUS | COMMENT |
|---|---|---|---|---|---|
| | | | | | preparation of aide memoires and/or initiating memoranda. Aide Memoires that included a list of country officials with whom the teams met were prepared for all recent PBLs. |
| Small economies experience serious capacity constraints in attempting to implement reform programmes. These need to be anticipated and responded to as part of an effective PBL programme. Relative to other MDBs, CDB has an intimate understanding of the contexts and constraints of its BMCs. Yet there has been limited needs analysis or uptake of CDB's technical assistance (TA) in connection with its PBLs. CDB should investigate the reasons for this, ensure that potential TA requirements are well analysed at the design stage, and flexibly offered during implementation. | The consultation process usually includes an assessment of the stage of development of reforms, the assistance that the BMC is receiving with respect to reforms, and other associated needs. TA is provided as required. | CDB will continue to engage BMCs with a view towards identifying TA needs. Where necessary, CDB will seek to provide TA in advance of any intervention and improve the supervision of active interventions to ensure that the necessary TA is provided during the implementation phase. | | Level 5 - Full Implementation | The engagement on TA needs has continued as part of the PBL negotiation process. In many instances, other development partners with specific mandates and partnership agreements with CDB are providing relevant TA. In instances where TA is needed, teams attempt to identify and provide such TA. |
| Different countries find themselves at different stages of readiness for PBL-supported reform programmes. While the 2013 Revised Framework for policy-based lending introduced an appropriate emphasis on placing loans within a longer-term reform context (through the programmatic series approach), there is still sentiment that multi-tranche PBLs may be well suited to BMCs requiring more structured and predictable prior | ACCEPTED. CDB has emphasised the use of programmatic PBLs to allow for greater flexibility in reform implementation and to account for the significant vulnerability of BMCs to external shock. Multi-tranche PBLs have proven problematic, especially in the context of vulnerability to external shocks. Although programmatic PBOs are the | CDB will continue to use appropriate instrument types for the country circumstance.Ongoing (ED/PD) | | Level 5 - Full Implementation | Both programmatic and multi-tranche PBLs remain in the suite of PBL modalities. There are instances where the multi-tranche will be used if it is more appropriate for the particular situation. |

| RECOMMENDATION | MANAGEMENT COMMENT | MANAGEMENT ACTION PLAN | PLANNED COMPLETION DATE | STATUS | COMMENT |
|---|---|---|---|---|---|
| actions. CDB should ensure that the right PBL instrument is matched to each reform context. | preferred option for CDB, we believe that circumstances should dictate the type of intervention used. | | | | |
| Monitoring and completion reporting are important parts of the effective implementation and accountability of the PBL Programme. CDB should ensure that these tasks are consistently carried out with a results focus for all PBLs. This should go beyond verifying that prior conditions have been met, to assessing the extent to which these actions are contributing to reform outcomes. CDB should also consider extending monitoring efforts beyond the time frame of PBL disbursements. The outcomes of interest are after all medium and longer-term reforms, and CDB will wish to track these as part of its overall country strategy process. | AGREED. | CDB will complete outstanding PCRs, and introduce more robust supervision approaches | 30-Jun-18 | Level 4 - Substantial Implementation | PCRs have been completed for all loans that have exited the portfolio. In relation to supervision, supervision reports are prepared in PPMS. There is regular dialogue on progress in relation to reform milestones. However, the Department is working on developing a tracker for monitoring progress towards outcomes. |

**Implementation Scale**

**Level 5: Full Implementation** *(Structures and processes are operating as intended and implemented fully in all intended areas of the organisation)*
**Level 4: Substantial Implementation** *(Structure and processes are in place and integrating in some parts of the organisation, and some achieved results have been identified. A timetable is in place for full implementation)*
**Level 3: Preparation for Implementation** *(Necessary preparation has begun for implemented)*
**Level 2: Planning Stage** *(Formals plans for organisational changes have been created and approved by the appropriate level of Management, with appropriate resources and a reasonable timetable)*
**Level 1: No progress / Insignificant Progress** *(Generating informal plans)*
**Obsolete - No longer applicable** *(The recommendation is obsolete due to time lapses, new policies, etc)*

# APPENDIX 3 TERMS OF REFERENCE

In late 2018, CDB's Office of Independent Evaluation engaged Universalia Management Group Ltd. to assist it in carrying out a Cluster Country Strategy and Programme Evaluation of its support to OECS and BOT Borrowing Members (2010-18). Given the financial and strategic significance of PBL support to OECS and BOT countries over the period, Universalia is commissioning a desk study to generate an update on the performance of the PBL portfolio in the OECS countries and BOT as of December 2018. The study will focus on PBL support provided over the period (2008-2018) to the following countries: SVG; AB; Anguilla; St. Lucia; Grenada; SKN and the TCI.

The Consultant is required to:

1. Identify any notable changes in the OECS regional or country contexts since 2016 that affected the performance of the PBLs.

2. Describe the PBL support provided to the countries over the period (type, value, objectives and so forth).

3. Provide an update on the status of PBL outcomes by country as of December 2018 by reporting on the status of a few selected key indicators, flagging and explaining significant planned/variations wherever feasible to do so. If/as feasible, identify how reforms have or have not continued to unfold, particularly during the period 2016-18.

4. Identify and summarize operational/strategic findings and lessons learned related to the success or failure of the PBLs in the OECS countries, drawing upon the previous PBL evaluation as appropriate, noting any particularities or variations for the OECS borrowers. If/as feasible, make suggestions/ recommendations that will inform how CDB should design, implement, manage and/or monitor/evaluate PBL activities in the future.

5. Produce a draft 10 page report that summarizes the information identified above, supported by appendices and tables as required. Produce a revised report that reflects feedback received from the Team Leader.

# APPENDIX 4 LIST OF MAIN DOCUMENTS CONSULTED

The principal source of information for this Review is the PBL-related documentation that was provided by the CDB. This includes PBL Appraisal documents; PSRs; PCRs and PVCRs as well as the loan agreements for all PBLs. In addition, the following documents were consulted:

World Economic Outlook (WEO) October 2018 and Update January 2019, IMF (2019)

"Organisation of Eastern Caribbean States Systematic Regional Diagnostic", World Bank, (2018)

2018 Discussion on common policies of member countries—Press release and Staff Report, IMF Country Report No. 19/62 (2018)

CDB Regional Economic Summary (2018)

"CDB Economic Brief 2018" - reports for all countries included in this Review

"Organisation of Eastern Caribbean States Systematic Regional Diagnostic", World Bank (2018).

"Caribbean resilience and recovery: Minimising the impact of the 2017 hurricane season on the Caribbean's tourism sector", World Travel and Tourism Council, (United Kingdom 2018)

"Continuity and Change: Job Creation, Resilience, Sustainable Development and New Opportunities in a Rapidly Changing Global Environment", Government of St. Vincent and the Grenadines, Ministry of Finance (February 2018).

"The Caribbean's tourism sector", World Travel and Tourism Council (United Kingdom, 2018).

"Economic Commission for Latin America and the Caribbean (ECLAC)", The Caribbean Outlook, 2018 (LC/SES.37/14/Rev.1), Santiago, (2018)

Discussion on common policies of member countries—Press release and Staff Report, IMF Country Report No. 17/150 (2017)

Caribbean Economic Review and 2018 Outlook, CDB (2018)

Evaluation of Policy-Based Operations (2006 – 2016), CDB Paper BD3/18 (2017)

Anguilla & Brexit: Britain's forgotten EU border, The Government of Anguilla London Office Summer (2017)

"Technical Note – Design and use of policy-based loans at the IDB", Office of Evaluation and Oversight, IDB, (2015)

CDB Strategic Plan 2015 – 2019, CDB (2014)

"Revised Policy-Based Lending: A framework for policy-based lending", Paper BD_72/05 Add. 5, Caribbean Development Bank (2013)

"Rising food prices and children's welfare", Social and Economic Policy Working Brief, UNICEF Policy and Practice. (2012)

"Policy-Based Lending: A framework for policy-based lending", Paper DB 72/05 Add. 1, Caribbean Development Bank (2005)

What Brexit means for the Eastern Caribbean: Issues and Challenges, ECCB (undated)

# APPENDIX 5 MAIN FACTORS THAT HAVE TRIGGERED REQUESTS FOR PBL IN THE OECS (2007-2018)

| Countries | External Factors | | | | | Domestic Factors | | |
|---|---|---|---|---|---|---|---|---|
| | Financial/Economic crisis/Recession | Trade-related crisis | Weather related | Terrorism/political | Other | Fiscal/Debt related | Financial Sector Issues | Other Sectoral setbacks |
| **Anguilla** | | | | | | | | |
| 2010 PBL | 2008/2009 financial crisis | | | | | Need for debt restructuring | | |
| 2018 PBL | | | Huricanne Irma | | | Need to address unmet debt obligations | | |
| **Antigua & Barbuda** | | | | | | | | |
| 2010 PBL | 2008/2009 financial crisis | | | | | | Collapse of Standford Group and of CL Financial Group | |
| 2015 PBL | 2008/2009 financial crisis | | | | | | Antigua & Barbuda Investment Bank (ABI Bank) insolvency | |
| **Grenada** | | | | | | | | |
| 2009 PBL | 2008/2009 financial crisis | 2007 food and fuel crisis | Huricanne Ivan | | | | | |
| 2014/2015/2016 PBL | | | | | A number of issues during the preciding decade contributed to the debt default of 2013. PBL aimed at restoring macroeconomic stability and growth | | | |
| **St Kitts & Nevis** | | | | | | | | |
| 2007 PBL | Global economic slowdown 2001/02 | | | 9/11 event | | The main objective of the PBL (and related grant) was to reduce the debt overhang | | Need to re-structure the sugar industry |
| **St Lucia** | | | | | | | | |
| 2008 PBL | | Loss of EU trade preference for bananas | | | | | | |
| **St Vincent & the Grenadines** | | | | | | | | |
| 2009 PBL | 2008/2009 financial crisis | | Huricanne Omar | | | | | Decline of Banana industry |
| 2010 PBL | | | | | | | Difficulties with state owned National Commercial Bank (SVG Ltd) | |
| **Turks & Caicos** | | | | | | | | |
| 2015 PBL | 2008/2009 financial crisis | | | | | Need to repay USD170 Mn bond | | |

**Source:** CDB loan-related documentation

**Note:** The table above should be interpreted with care as it is only meant to illustrate, in a stylised fashion, some of the reasons that have prompted countries to request a PBL. The actual rationale behind the use of a PBL is usually more complex, sometimes reflecting long standing external and domestic factors as well a desire to implement reforms in order to restore macroeconomic stability and growth. Also, requests for PBLs must identify fiscal/debt related pressure and therefore, a financing need. In the table above, we have only shown cases where it is mentioned that the PBL was specifically used for the purposes of debt restructuring. Finally, the classification between external to domestic is not clear cut. For example, the decline of a country's agricultural sector could be due to falling international prices (which would be classified as external) or crop disease (which would be a domestic issue.)

# APPENDIX 6 MAIN CHARACTERISTICS OF PBL LOANS TO OECS AND ODT BORROWERS 2006 TO DATE

| Country | Loan number | Loan title | Agreement date | Original loan amount (USD) | Revised amount (if original amount was revised) | Date of Terminal Disbursement | Revised Date of Terminal Disbursement | Amount disbursed as of 31/12/2018 OR as of final disbursement date | Sector | Loan characteristics (e.g. multi tranche etc.) |
|---|---|---|---|---|---|---|---|---|---|---|
| 1. St Kitts and Nevis | 19/SFR-OR-STV | PBL | 05/2007 | 20,000,000 | - | 02/2008 | 06/2010 | 20,000,000 | Multisector | Two equal tranches |
| 2. St Lucia | 30/SFR-OR-STL | Policy Based Loan | 10/2008 | 30,000,000 | 45,000,000 | 12/2009 | 07/2017 | 45,000,000 | Public Sector Management (support of a programme of fiscal and social reforms) | Two equal tranches |
| 3. St Vincent & the Grenadines | 16/SFR-OR-STV | Policy Based Loan | 07/2009 | 25,000,000 | - | 09/2010 | 11/2010 | 25,000,000 | Multisector | Two equal tranches |
| 4. Grenada | 16/SFR-OR-GRN | Policy Based Loan | 11/2009 | 12,800,000 | - | 05/2011 | 06/2015 | 12,800,000 | Other | Two equal tranches (second tranche disbursed as two partial disbursements) |
| 5. Antigua | 8/OR-ANT | Policy Based Loan | 06/2010 | 30,000,000 | - | 06/2012 | 11/2015 | 30,000,000 | Public Sector Management | Three tranches |
| 6. St Vincent & the Grenadines | 12/OR-STV | FSSL | 08/2010 | 37,000,000 | - | 11/2010 | 03/2011 | 37,000,000 | Financial Sector | Single tranche |
| 7. Anguilla | 4/OR-ANL | Policy Based Loan | 08/2010 | 55,000,000 | - | 09/2010 | 09/2010 | 55,000,000 | Multisectoral | Single tranche |
| 8. Grenada | 19/SFR-OR-GRN | First Growth and Resilience Building Policy-Based Loan | 08/2014 | 10,000,000 | - | 09/2014 | 11/2014 | 10,000,000 | Programatic | Single tranche |
| 9. Turks and Caicos | 03/OR-TCI | Policy Based Loan | 06/2015 | 5,000,000 | - | 03/2016 | 01/2016 | 5,000,000 | Other | Single tranche |
| 10. Grenada | 20/SFR-OR-GRN | Second Growth and Resilience Building Policy-Based Loan | 11/2015 | 10,000,000 | - | 12/2015 | 10/2015 | 10,000,000 | Programatic | Single tranche |
| 11. Antigua | 11/OR-ANT | FSSL | 12/2015 | 50,000,000 | - | 09/2017 | 11/2017 | 50,000,000 | Financial Sector | Two tranches |
| 12. Grenada | 23/SFR-OR-GRN | Third Growth and Resilience Building Policy-Based Loan | 12/2016 | 10,000,000 | - | 12/2016 | ?/2016 | 10,000,000 | Programatic | Single tranche |
| 14. Anguilla | 10/OR-ANL | Policy Based Loan | 2018 | 9,300,000 | - | 10/2018 | 10/2018 | 9,300,000 | Programmatic ESR PBL for total amount of USD21.6 MN | Three tranches |

# APPENDIX 7 ANALYSIS OF "SECOND GENERATION" PBLS IN TERMS OF QUALITY OF PAS

**Grenada**

In total the three loans that make up Grenada's "Growth and Resilience Building" PBO total USD30 mn and were disbursed in three equal amounts from 2014 to 2016. The three loans contain 22 PAs: six for the first loan; seven for the second loan; and nine for the third loan.

Overall, 27% of PAs could be regarded as being LD, half (50%) as MD, and 18% as HD. The PAs that are classified as LD include the appointment of a committee and the elaboration of approved criteria for the commercialisation of selected Government owned states; the approval of a strategic plan to strengthen tourism and agribusiness linkages; and the adoption of a policy framework for strengthening the design and programming of Social Safety Nets (SSNs). These measures, though important, are unlikely to contribute to the stated outcomes without additional measures.

PAs classified as MD mainly concerned the enactment of legal frameworks by Parliament. The approval of the Medium term Debt Management Strategy (MTDS) was considered as MD although the risks of not fully implementing such strategies are generally high.

HD measures include the actual commercialisation of selected government-owned estates with the signing of two agribusiness lease agreements; the actual establishment of computerised personnel records for teachers and ministry personal and the production of a report of personnel records to increase monitoring, reporting and analysis of human resources management. The connection of MOF's Bureau of Standards (MOF) to ASYCUDA World to process trade transactions and of the Central Statistical Office and to the Central Statistical Office to produce statistical reports is also considered as being HD.

The PBL is well sequenced, as evidenced by the increase in MD and HD PAs in the second and third PBLs and the absence of LD actions in the third loan.

The linkage between PAs, outcomes and related indicators is well established with one or two exceptions. For example, under Pillar 1 (Improving Investment Climate and Competitiveness), the first PBL seeks to establish the institutional framework for the governance of the tourism sector by enacting the GTA Act while the second PBL aims to institute a new regulatory framework for the tourism sector in accordance with the GTA Act. However, there is no follow-up in the third PBL, which makes it difficult to attribute the intended outcome (an increase of Eastern Caribbean Dollars (XCD) 25 mn in tourism receipt from 2013 to 2018) to these PAs. This leads to the last PA being classified as MD.

Similarly, the approval of a policy framework with clear guiding principles and processes for identifying PPPs and the setting out of institutional responsibilities for developing a PPP pipeline and implementing PPP projects is initiated in the second PBL while the third PBL seeks to establish a PPP Unit in MOF. It is felt that an earlier start in PBL 1 may have benefitted the project so that PBL 3 could have focussed on actual operationalisation of the PPP unit, training of staff and the initiation of at least one or two PPP opportunities.

**Turks and Caicos Islands**

The TCIs are part of the British Overseas Territories. The country borrowed a PBL amounting to USD5.0 mn in 2015.

The decision to resort to a PBL was not driven by a crisis situation but, rather, by the TCI Government's desire to build upon the success of a reform programme initiated in 2009. However, there was an identified need for funding as the country needed to repay a USD170 mn UK-guaranteed bond in February 2016. Originally set at USD10 mn, the PBL was eventually issued for USD5 mn. The PBL was disbursed in a single tranche.

There were only five PAs and all were met prior to the signing of the PBL. The reform areas and PAs are given below:

**Achieving greater economic resilience**

- **PA 1:** Maintain net debt-to-operating revenue at no more than 80% by September 2015. The revenue to be calculated for the 12-month period to September 2015; and

- **PA 2:** Cabinet approval of a paper for public consultation outlining the nature, rationale and critical consideration of the mechanisms to be established. The mechanisms are to facilitate the setting aside and use of reserves as an element of strategy to build economic resilience, and for other purposes that may include facilitating the undertaking of large public sector investments and the establishment of heritage funds

**Improving the capacity to implement development projects**

- **PA 3:** Cabinet approval of TOR for the establishment of an institutional framework for the more effective implementation of projects. CDB will assist Government of TCI to develop TOR for the establishment of a framework that will support project conceptualisation, project preparation and planning, project implementation/execution, project closing and procurement. Subsequent actions will be taken by Government of TCI during FY 2016/17, to implement the framework and CDB will continue to provide TA and to assist in building capacity.

**Improving the competitiveness of Micro Small Medium Enterprises (MSMEs)**

- **PA 4**: Enactment of the MSME Legislation. The House of Assembly of TCI approved the MSME Bill during November 2015.

**Improving governance is to develop dialogue between the public and private sector**

- **PA 5:** Establishment of a public-private sector forum. Government of TCI has engaged a consultant to provide advice and assist with the implementation of the forum. The forum was expected to be in place by December 2015.

PAs 1, 2 and 4 are in our view LD. As discussed in the case of Anguilla below, it is questionable whether the use of a time bound financial target in itself can be considered as a reform measure. Also the approval of a paper for public consultation and the establishment of a Public Private Sector Forum, though useful steps, are far removed from intended actual reforms. The PCR seem to validate this observation as a National Wealth Fund was established but, due to the passage of several storms and hurricanes, had not been funded in spite of a Government commitment to provide funding to the tune of USD10 mn a year. A framework for project implementation and a public-private sector forum were also established, but due to human resource capacity constraints, had not been operationalised by the time the PCR was written.

PAs 3 and 4 could be classified as MB as they concern the enactment – but not operationalisation – of frameworks and laws.

As this was a single tranche operation and most objectives (with the exception of achieving greater resilience) relate to one PA, it is not possible to discern any sequencing of actions. Also, apart from one PA that contains a quantitative indicator (PA 1 whereby a 24% reduction of net debt to operating revenue from the baseline level of 103.5% was expected), all other indicators are qualitative and relate to the action being met or not.

**Antigua and Barbuda**

In December 2015, Antigua and Barbuda contracted a Financial Sector Policy Based Loan for USD50 mn. The main objective of the PBL was to support efforts towards resolving the Antigua and Barbuda Investment Bank (ABIB) insolvency which occurred in 2011.

The PBL, which was disbursed in two tranches, as opposed to a two-loan programmatic PBO, illustrates the difference between the two types of operations: in the current case, the two tranches address distinct issues and there is no direct relationship between respective PAs. No element of sequencing and of the "building up" of PAs towards achieving a comprehensive reform programme is therefore apparent.

In total the loan comprised 13 PAs, eight for the first tranche and five for the second tranche:

Proceeds from the first tranche were utilized to support the execution of the Purchase and Assumption Agreement of the assets and liabilities of ABI Bank by the Eastern Caribbean Amalgamated Bank (ECAB) – the purchasing bank – the receiver of ABI Bank and the Government of Antigua and Barbuda (GOAB). This exercise had the dual objective of protecting the interests of depositors and other creditors of ABI Bank and ensuring the stability of the financial sector. All actions for Tranche 1 had already been met by the time the loan was signed.

The second tranche was used to implement a set of fiscal reforms. A short fall in revenue collection and the passage of Hurricane Irma in 2017, delayed the second tranche disbursement date by two months, necessitating a revision in scope. According to the PCR, "the second tranche provided the authorities some space to further reduce its exposure to the domestic banking system and inject additional liquidity".

With regards to Tranche 2, two of the five PAs (the implementation of ASYCUDA World and the start of revenue collection from the tax in international financial services would classify as HD. The other PAs – dealing with law enactment and approvals are of MD.

Regarding the link between PAs and outcomes, we note that all indicators are qualitative. It would have been possible to introduce some quantitative indicators to strengthen the results matrix e.g. specifying a certain percentage of custom transactions being processed by ASYCUDA World by a given date or the production of custom-related statistics.

**Anguilla**

Anguilla is a British Overseas Territory. It contracted a three-loan programmatic PBL over the 2018-2020 period for a total of USD64.3 mn. These three loans comprise a total of 29 PAs (11 for each the first two PBLs and seven for the third loan). It should be noted that given the PBO is still being implemented, all PAs for the second and third loans are indicative.

Overall the analysis reveals that about one third (31%) of the PAs for the entire PBO can be considered LD; more than half (52%) are of MD; and 17% are HD. The proportion of LD PAs for PBL1 and 2 are the same (36%); and zero for the third PBL. The proportion of MD actions is also constant for PBL1 and 2 (64%) and 18% for PBL3. There are no HD actions for PBL1 and 2 but these account for 45% of actions in PBL3. There is therefore a net progression in the strength of PAs throughout the reform plan which indicates robust design and good sequencing.

Measures that are considered LD mainly include the development of implementation, corporate and various other plans which usually happen at the start of the reform process and which by themselves, are unlikely to bring about lasting reforms.

MD PAs mainly concerned approval for funding and staffing and the start of implementation of some reforms (e.g. Government of Antigua commences the implementation of Energy Efficiency cost-savings activities) and the submission of legislation and regulations for final approval by the House of Assembly.

HD PAs were those linked to the actual implementation of reforms and which are likely to contribute to intended outcomes e.g. the enactment of the Goods and Services Tax law and regulations by the House of Assembly which build on early actions regarding the implementation of the measure.

PA 1 (the approval of a revised Medium-term Economic and Fiscal Plan for 2018 – 2020 by the UK Government) raises a question as to what constitutes a reform action. The preparation of a 5-year Medium-term Economic and Fiscal Plan (and annual updates on a rolling basis) for approval by the Executive Council, the Anguilla House of Assembly and the UK Government is a statutory requirement anyway. In the current case, a revised document was required in order to factor in the economic consequences of Hurricane Irma and to provide a strengthened macroeconomic programme and fiscal plan.

The link between PAs and intended results could not be fully assessed as the Policy and Results Matrix uses intermediate outcomes that are mostly qualitative. For example, in relation to the introduction of the Goods and Services Tax/Interim Goods Tax, the intermediate outcome is as follows:

**Baseline (2017):** Tax regime lacks a broad-based tax
**Target (2022):** Increase in revenues associated with the implementation of the Goods and Services Tax /Interim Goods Tax.

It is presumed that these indicators will be refined and quantified as the PBO is implemented.

# APPENDIX 8 REVIEW OF PBL PROGRESS IN OECS COUNTRIES

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| **SKN (2007)** | USD 20 | To reduce public debt and strengthen its management; to support implementation of tax reforms; and to increase the transparency and accountability of public sector enterprises. | The PBL (and a related grant) were used to reduce SKN's debt overhang. The grant was used to refinance more expensive loans through the issuance of a USD150 mn bond and strengthening debt management.<br>The PBL also supported the introduction of a transaction-based tax, the strengthening of capital budgeting and the improved effectiveness of public enterprises. |
| **COUNTRY/YEAR** | **AMOUNT (MILLIONS)** | **OBJECTIVES** | **PROGRESS** |
| **St. Lucia (2008)** | USD 30+USD 15 (USD 45) | To support "a programme of fiscal and social reforms that were aimed at improving public sector financial management and creating conditions for overall economic growth and poverty reduction". | Institutional frameworks and systems for PFM were strengthened as a result of the PBL. These include the introduction of a new Finance Act and a new Procurement Act, and the conduct of a PEFA assessment. A Medium-term Development Strategy was developed and improvements to the debt management infrastructure implemented.<br>In the area of social development, a National Poverty Reduction Strategy and Action Plan and a Survey of Living Conditions were completed.<br>However, a large number of conditions from both tranche 1 and 2 were not met. Originally designed as a two-tranche operation over one year, there were protracted delays. The loan was eventually disbursed in four tranches and required a USD15 mn enhancement of the loan and an extension of the utilization period by 7.5 years. |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| **SVG (2009)** | USD 25 | To support the implementation of policy reforms that seek to strengthen governance structures and improve economic management systems in support of its macroeconomic and social development programme. | The PBL was disbursed in two tranches in September 2009 and December 2010. Disbursements were tied to policy actions that were already or nearly complete (tranche 1) or expected to be completed by June 2010 (tranche 2). Reforms were wide ranging and touched on six areas (expenditure management; revenue policy and administration; public sector enterprise management; debt management; sustainable poverty reduction; and enhancing growth and improving competitiveness).<br>Overall most of the reforms planned were achieved (except three as discussed below) although delays occurred for tranche 2, which necessitated an extension. Reforms achieved include:<br>**Expenditure management:** the promulgation of a new Finance Administration Act and of a new Audit Act; the establishment of an annual budget calendar and issuance of annual budget envelopes; training of the Ministry of Finance and Economic Planning staff in budgeting and forecasting techniques; development of an annual budget financing plan<br>**Revenue Policy and administration:** implementation of Value Added Tax (VAT); reductions in personal and corporate income tax rates; implementation of ASYCUDA; increase in the income tax threshold; completion of a cadastral survey; establishment of a Tax Reform Commission.<br>**Public Sector Enterprise management**: assignment of an officer to monitor public sector enterprises and the production of quarterly reports; preparation of annual consolidated statements of public sector enterprises six months after the end of the financial year.<br>**Debt Management:** training in the Commonwealth Secretariat Debt Recording and Management System; institutional assessment of the Debt Management Unit; finalisation and approval of a debt management strategy.<br>**Sustainable poverty reduction:** establishment of a Tourism Authority.<br>**<u>Not achieved within planned timeframe</u>:** undertaking of a Pension Rationalisation Study; transforming the Land Tax Evaluation System to a market-based system; the establishment of a Poverty Reduction Strategy. |
| **Grenada (2009)** | USD 12.5 | To support a programme of economic reforms that included the strengthening of the institutional framework for economic | The PBL was disbursed in two tranches. To ensure quick implementation, disbursement of the first tranche was based on prior actions already undertaken. These were however quite numerous and included: |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | management and public financial management systems; to improve the investment climate; and to enhance the framework for sustainable poverty reduction. | **Institutional Framework for Economic Management:** overall macro-economic target: achieving a primary balance (before grants) less than negative 6.0% of GDP<br>**Public Financial Management:** coming into force of a number of PFM legislation including a new PFM Act; a new Audit Act; the completion of a DeMPA; the operationalisation of the Debt Management Unit; the completion of training in macroeconomic forecasting and a review of the institutional setup of the Macroeconomic Management and Planning Division.<br>**Revenue enhancement:** enactment of VAT legislation; completion of 98% of the valuation exercise for mainland Grenada for purposes of the Property Tax.<br>**Social Development:** undertaking an independent review of social safety nets and disseminating the findings.<br>**Enhancing the Investment Climate:** enactment of the Corporate Affairs and Intellectual Property Act 2009; establishment of a Companies and Intellectual Property Office and appointment of a registrar and staff to support the office; enactment of the Investment Promotions Act; enactment of Deeds and Lands Registry (Amendments) Act 2009.<br>All the above measures were achieved between January 2009 and September 2009.<br>Tranche 2 conditions were meant to consolidate measures taken during the first phase and included:<br>**Public Financial Management:** adoption of Government Asset Management Regulations; adoption of regulations in relation to the PFM Act; Audit Act; and Contracts and Procurement Act; finalisation of the Debt Management Strategy<br>**Revenue enhancement:** Draft Excise Tax legislation to Parliament; implementation of VAT; completion of certified valuation list for property tax; implementation of ASYCUDA World pilot at the main port; enhancing the Investment Climate; presentation of a draft custom Legislation and draft custom tariff; completion of fraud control plan<br>**Social Development**; Institutionalisation of the National Assessment Team; adoption of the Country Poverty Assessment by Cabinet and the preparation of a Poverty Reduction Strategy and Action Plan. |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | The impact of the global crisis on Grenada was actually stronger than anticipated. Real GDP fell by 7.7% or 1.7% more than forecast at the time the PBL was appraised. It was originally expected that Tranche 2 conditions would have been met within a year of the first disbursement. However, in spite of substantial progress, the following conditions were not met and could not be met within the planned period:<br>• Achievement of a primary balance before grants of less than the equivalent to negative 6% of GDP in 2009<br>• Adoption of Government Asset Management Regulations<br>• Finalisation of a Debt Management Strategy<br>• Adoption of regulations in relation to the Contracts and Procurement Act<br>• Implementation of ASYCUDA World pilot at the main port<br>• Preparation of PRS and Action Plan<br>Delays were due to a combination of factors including local institutional constraints, shifts in elements of the Government's reform programme (made subsequent to PBL approval), but more so, external factors outside of the authority's control including slippages in external consultants' schedules. Eventually a variation of the conditions precedent for the second tranche was implemented. The tranche was split and conditions precedent reviewed for the second and third tranches. |
| **Anguilla[27] (2010)** | USD 55 | To address the debt crisis that the country was experiencing and restore fiscal stability. | Interviewed government representatives reported that the PBL support helped Anguilla avoid bankruptcy by restructuring its debt. The CDB loan provide the country with access to a financing with longer maturity at a lower interest rate than commercial banks<br>Many of the planned outputs were completed including the development of a Medium Term Economic Strategy and debt strategies that are updated annually. In addition, the government maintained social protection spending in CG expenditure.<br>Government representatives report that the PBL contributed to some important changes in Anguilla legislation, regulations, and practices in keeping with the conditions of the loan. |

[27] The PBL had short and long term objectives intended to meet Anguilla's urgent financial needs and support its reform process. The total value of the PBL was USD55 mn.

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | In 2013, following the launch of Anguilla's Fiscal Responsibility Act, it was decided that three other debt benchmarks were more appropriate for the country: a) risk-adjusted debt service to current revenue which should be less than 10%; b) a new risk-adjusted debt to current revenue which should be below 80%; and c) liquid assets (reserves) to current expenditures-which should be to be at least 25% (or 90 days). These ratios are monitored quarterly by the government and the UK government. The UK government can make exceptions, and did so a couple of times, including after Irma and the dissolution of the Anguilla banks.<br>The planned development of a ferry terminal did not happen due to financial constraints in the country as well as the negative effects on the economy post the Hurricane Irma. At February 2019, it was reported that the ferry terminal would be developed with UK support (along with other infrastructure support following Irma) over next two years. |
| **Antigua and Barbuda (2010)** | USD 30 | To finance a programme of reforms in the areas of macroeconomic and fiscal management; restore debt sustainability through improved debt management systems and processes; strengthen the institutional and legislative framework for Public Financial Management (PFM); and develop transparent and robust social safety nets. | The PBL was a three-tranche facility of USD10 mn each which was disbursed over five years and 11 months. A condition for the disbursement of the loan was the signing of a USD125 mn stand-by arrangement with the IMF. In addition, each of the three tranches had their own set of conditions precedent as follows:<br>**Tranche 1:** With the exception of one target (non-accumulation of arrears), all other outcomes were achieved including improved efficiency of revenue collection; strengthened legislative framework for PFM and increase compliance with international standards; debt reduced to manageable levels; improved system and processes for public debt management; and transparent and robust social safety nets.<br>**Tranche 2:** All targets outputs were achieved except for the completion of the Medium Term Planning Framework. In the area of debt management, a reduction in debt arrears and debt restructuring proposal was put forward to Paris Club and non-Paris Club creditors and the Debt Management Unit was fully staffed. PFM reforms included the completion of a PEFA Assessment and a proposed action plan approved by Cabinet.<br>**Tranche 3:** The final tranche experienced delays due to a temporary stalling of the IMF standby arrangement. All conditions precedent to disbursement of the third tranche were eventually met on October 29, 2015, and final disbursement made on November 16, 2015. Reform conditions included the following areas: |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | • Strengthened framework for macroeconomic management (implementation of technical framework for medium term economic planning, medium term economic strategy approved by Cabinet etc.)<br>• Revenue enhancement and expenditure management (inc. tax/GDP ratio of 25%; progress on implementation of PEFA action plan; Central government wage bill not to exceed 8% of total wage bill)<br>• Debt management (progress in the Paris Club rescheduling; progress in the implementation of a debt management strategy; no arrears on public debt)<br>• Social transformation (semi-annual or annual progress report on implementation of National Poverty Reduction Strategy) |
| **SVG (2010)** | USD 37 | To maintain confidence in the financial sector; improve SVG's debt dynamics over the medium to long term; and create additional fiscal space for the Government of SVG. | The PBL's main outcome was to successfully avert the collapse of the state-owned National Commercial Bank (SVG) Ltd (NCB). A collapse of the bank would have had serious repercussions both economically and socially in SVG and could have had wider regional repercussions through a contagion effect.<br>Additional fiscal space was also created for the Government and the average real interest rate on domestic debt declined from 8% of GDP in 2009 to 2% of GDP in 2010. The PCR notes that "although this reduction can be attributed to other interventions as well, such as the PBL that was approved in 2009 and the actions taken therein, the significance of this intervention is not in dispute".<br>The NCB reports that it has consistently made profits since 2010 in spite of the competition in interest rates it faces from international banks, which have relatively lower costs of operations (only one branch as opposed to the NCB's multiple branches in country).<br>In addition to dealing with the NCB, there were a number of planned outcomes in relation to financial sector strengthening. These included:<br>• Updating the legislative framework;<br>• Strengthening regulatory and supervisory mechanisms;<br>• Strengthening the policy environment through improvements in governance;<br>• Developing and implementing a Single Revenue Authority model; and<br>• Ensuring timely reporting on non-bank financial institutions. |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | A Single Regulatory Unit (SRU) was created for the supervision and regulation of Non-Bank Financial Institutions (NBFIs).<br>Several new Acts were established (harmonized cooperative, insurance and money services) in SVG. |
| **Grenada (2014)** | USD 30 | The PBL had four broad pillars:<br>Create conditions for private investment in a sustainable manner.<br>Support improved public sector management and better targeting of Social Safety Nets programmes.<br>Enhance resilience against natural disasters.<br>Facilitate debt portfolio restructuring and enhancing debt management. | The PBL was designed as three equal-sized, single-tranche PBLs for a total of USD30 mn. The PBL supported the Government's programme to restore macroeconomic stability in the short term, as well as sustainable and inclusive growth over the medium term. The loan was approved as part of a coordinated intervention effort by Multilateral Development Banks. A three-year adjustment Extended Fund Facility (EFF) by the IMF, as well as a 3-year Development Policy Loan (DPL) by the WB, were approved for Grenada. This coordinated financing effort allowed for the creation of the requisite fiscal space needed for maintaining essential spending, while implementing the vast array of reforms. The EFF focused on restoring fiscal and debt sustainability, while the PBL supported structural reforms to enhance competitiveness, economic growth and social development. The development policy loan of the World Bank was to provide financial support of the programme. WB and CDB also developed a common policy matrix with a view to harmonising operations.<br><u>PBL 1</u> supported the Government of Grenada implement institutional and policy reforms aimed at engendering macroeconomic stability and promoting private sector-led growth. This was to be achieved by creating suitable macroeconomic conditions for a sustainable increase in private investment, improving Public Sector Management and SSN programmes, enhancing resilience to natural disasters; and facilitating debt portfolio restructuring and enhancing debt management capabilities.<br>The objective of <u>PBL 2</u> was to implement structural measures to buttress the reform efforts under PBL 1, facilitating efficiency in spending and fiscal stability.<br><u>PBL 3</u> was scheduled to be completed in 2016, and built on reform milestones achieved in PBLs 1 and 2.<br>Of the 17 outcome indicators of the PBL: six exceeded expectations; four were achieved as programmed; three were partially achieved; and four did not show any quantifiable progress up to end-2018.<br>The four indicators not met (or partially met), were expected to be achieved by June 2019. These include: |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | (i), the update to ASYCUDA World which was delayed and only occurred in September 2018;<br>(ii) The Government's procurement website, which is now operational;<br>(iii) The establishment of the Registration Board, in accordance with the Engineering Act, in the first quarter of 2019; and<br>(iv) Fiscal and debt sustainability in close sight and enhanced (and sustained) growth outcomes. Grenada is projected to achieve fiscal and debt sustainability over the medium term (55% debt-to-GDP ratio by 2020). Growth has averaged 5% since 2014, and projected at 4.5% for 2019. Anchored by the Fiscal Responsibility Act, the overall and primary balances have moved from -4.7 and -1.1% in 2014, to an estimated 3.4 and 5.6%, respectively, in 2018. The debt-to-GDP ratio has declined by 36.1 percentage points over the same period to 65% in 2018, and is expected to reach sustainable levels (55 to 60%) over the medium term. |
| **Antigua and Barbuda (2015)** | USD 50 | To support efforts to resolve the significant difficulties faced by the domestic financial sector and to encourage continued fiscal reforms. | The PBL supported efforts to resolve the Antigua and Barbuda Investment Bank (ABI Bank) insolvency which occurred in 2011. This exercise had the dual objective of protecting the interests of depositors and other creditors of ABI Bank as well as ensuring the stability of the financial sector.<br>The implementation of the PBL did meet with some difficulties due to a shortfall in revenue collection. Hurricane Irma had a negative impact on the Government's fiscal efforts, slowing the primary balance surplus and reduction in debt-to-GDP ratio, two Key Performance Indicators. This necessitated a revision in scope and the second tranche was eventually disbursed with a two-month delay. The PBL also benefitted from strong country ownership and good partner collaboration between the CDB and the ECCB, IMF and WB. |
| **Anguilla (2018)** | USD 9.3 | To restore fiscal stability and increase resilience to natural hazards through improved policy frameworks and by addressing risks. | At February 2019, the PBL is ongoing; it is too early to assess overall performance. It is reported that the government's current focus is on tax reform. There are ongoing discussions related to introducing taxes (GST, etc.). A customs surcharge is currently in place and will be converted into an interim goods tax in 2021, and a GST is scheduled to be in place in 2023. It was noted that the 2020 election (and a possible change in administration) might have some effects on these plans. (The UK government is paying for the GST and customs advisers). |

| COUNTRY/YEAR | AMOUNT (MILLIONS) | PBL OBJECTIVES | PROGRESS |
|---|---|---|---|
| | | | Interviewed government representatives also reported that expenditure on government staff equals 45 % of recurrent revenues, and noted that the government is committed to reduce the rate of expenditure further. Those interviewed reported that the PBL has many intrinsic benefits including encouraging the country to be vigilant in use of the financial, fiscal, debt management mechanisms and practices in place. |