



Caribbean Development Bank

Special Development Fund

Assessing Performance and Improving Program Quality

April 1996

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EVALUATION STUDY

Special Development Fund

**ASSESSING PERFORMANCE AND
IMPROVING PROGRAM QUALITY:**

**A PROGRAM EVALUATION ASSESSMENT
AND
A FRAMEWORK FOR SDF 4 MONITORING AND EVALUATION**

April 1996



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International Development
Management Advisory Group, Inc.



INTERNATIONAL INC.

ABBREVIATIONS

ACP	Advisory Council to the President
BNTF	Basic Needs Trust Fund
CAP	Country Assistance Program
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CSPP	Country Strategy and Program Paper
CTCS	Caribbean Technological Consultancy Services Network
DFC	development finance corporation
EDF	European Development Fund
HRD	human resource development
IDA	International Development Association
IDB	Inter-American Development Bank
LDC	less developed member country of the region (CARICOM/CDB definition)
OCR	Ordinary Capital Resources (of the CDB)
ODA	UK Overseas Development Administration
OECD	Organisation for Economic Co-operation and Development
OECS	Organisation of Eastern Caribbean States
OPP	Operational Program and Projections paper (proposed)
PATU	Project Administration Training Unit program
PCR	Project Completion Report
PPAR	Project Performance Audit Report
PPAM	Project Performance Audit Memorandum
SDF	Special Development Fund (Unified)
SFR	Special Funds Resources (of the CDB)
SLS	Student Loans Scheme
SSEDP	Small-Scale Enterprise Development Program
PIEU	Post-Implementation Evaluation Unit
SAL	structural adjustment loan/structural adjustment lending
TA	technical assistance
UNDP	United Nations Development Programme
USAID	United States Agency for International Development
VTF	Venezuelan Trust Fund

All dollar amounts are expressed in US dollars, the Bank's unit of account, unless otherwise indicated.

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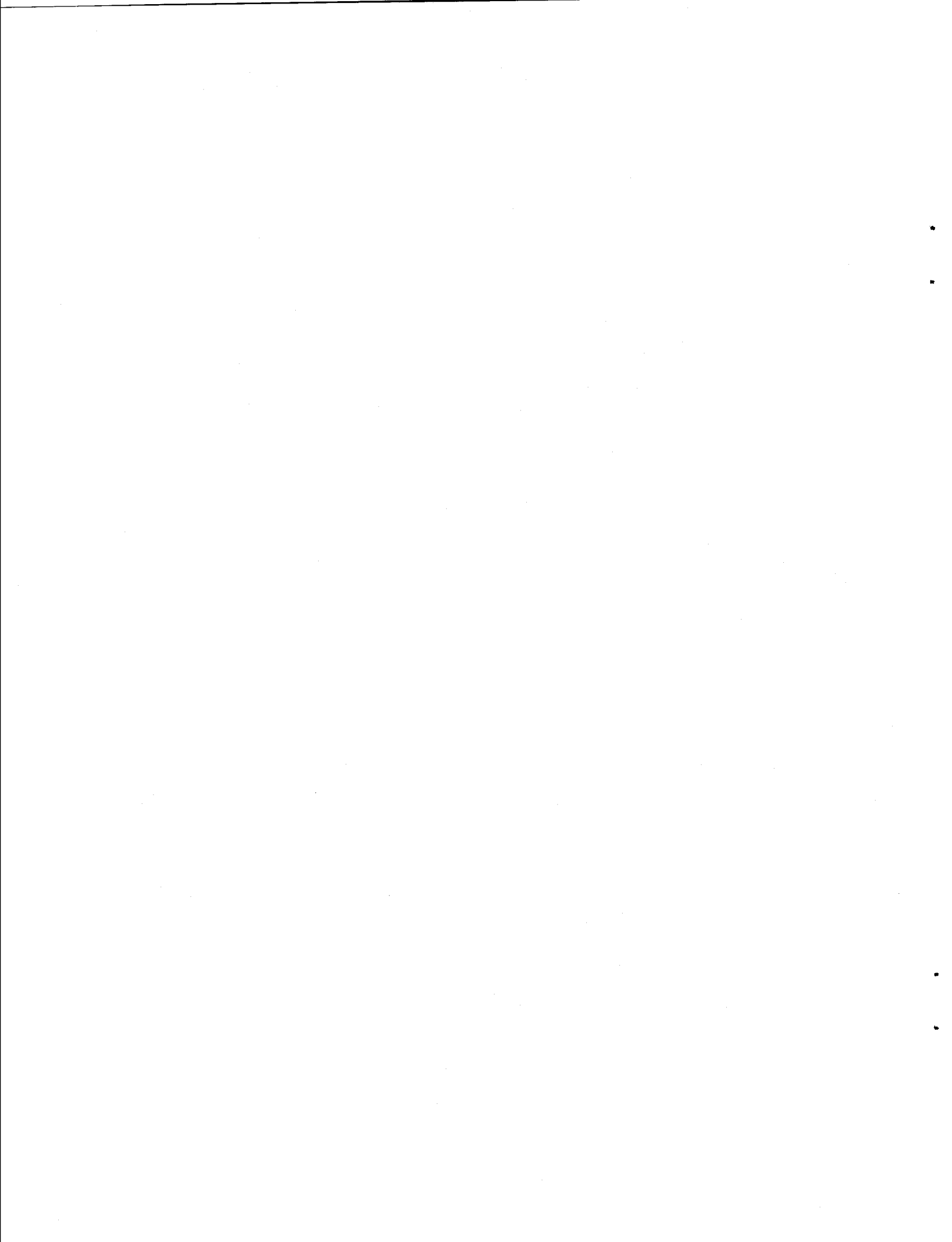
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Executive Summary

An evaluation study on the operations of the Special Development Fund, as it has operated since 1984 as the SDF(U), was commissioned by the Caribbean Development Bank in early 1996 in response to the request of SDF Contributor Governments in their 1995 Report on the SDF 4 replenishment and program cycle.

With nearly \$ 400 million in program commitments, and 12 years of experience as the (Unified) Special Development Fund, the SDF has supported a wide range of projects in all of the Bank's borrowing member countries, although with primary concentration on Group 3 and Group 4 BMCs, and with increasing attention to particular SDF priorities and areas of focus.

As envisaged at its establishment, the SDF has also been closely associated with the Bank's other operations, and indeed has been integral to the Bank's operations in its less advantaged borrowing member countries. The degree of "blending" on a country, sector and project basis, however, makes it difficult in many cases -- in a strictly evaluation sense -- to distinguish the effects and impact of the use of SDF resources from those of the Bank's other, particularly its "conventional" or OCR, resources.

This is not to say that the Special Development Fund has not had important results which would not otherwise have occurred, but rather that, as with the evaluation of any large and varied program, a careful identification of evaluation objectives, focus and methods in what is often referred to as an initial *evaluation assessment* phase is essential.

The *Terms of Reference* for the present report accordingly laid emphasis on three general objectives:

- to provide the key elements of an evaluation assessment or evaluation framework -- i.e. a defined approach, proposed focus and work plan -- for the evaluation of the performance of the SDF(U) to date;
- to draw some conclusions on those aspects of SDF operations and performance that can be covered in a short evaluation assessment; and
- to prepare, as also requested by Contributors, a framework for the ongoing monitoring and evaluation of SDF project financing.

Executive Summary

The underlying intention of the first two objectives was to reach some "stand-alone" conclusions from an evaluation perspective and to provide a basis for consideration by Management and the Board of the extent to which further evaluation work should be undertaken, as well as a clear focus and proposed set of priorities for any such further work.

The intention underlying the third objectives was to assess and make recommendations on the extent to which the Bank's present M&E process, or system, should be adjusted or strengthened to address effectively the particular goals and objectives of the SDF 4 program cycle, as expressed in the SDF 4 mandate agreed by Contributors.

The Report sets out an approach and methodology, including some "evaluation hypotheses" that, at least to some extent, can be tested independently of project-specific evaluation; provides an analysis of the program's origins and objectives, activities and program management; reviews the body of evaluation results that the Bank has so far obtained, critically assesses the elements of an appropriate and feasible M&E system; and then presents a proposed framework for both evaluation of program experience to date and the proposed ongoing M&E process, as well as a recommended -- and highly selective -- work plan for a small number of strategic and evaluative studies of a sector and thematic nature. The study's principal findings and conclusions are drawn together in the final chapter.

The study concludes that the SDF program has broadly followed the program directions that have been set for it, that a basically sound program development and program management framework is in place, and that the existing M&E system exhibits the essential elements of an appropriate system for ongoing monitoring and evaluation.

The study assesses, in *Chapter 3*, some of the important results or achievements, as well as challenges and difficulties, that have been documented in the course of the Bank's own evaluation process, including studies prepared both by evaluation staff and by outside consultants. These cover the important program areas of development finance corporations, student loans, technical assistance, the Caribbean Technological Consultancy Services Network, the Basic Needs Trust Fund, agricultural feeder roads, economic management and project cycle training, and water supply.

The new SDF 4 program mandate, however, provides important new challenges, and the report recommends a number of steps, complementary to and consistent with existing operations and recent initiatives, in order to respond more effectively to these challenges.

Among its findings, the report concludes that the existing body of evaluation work, while valuable and useful, is less comprehensive than is currently required, and provides, in several key areas, inadequate guidance for operational program development under the new SDF program guidelines. Resource limitations have been the principal factor behind the highly selective and relatively modest nature of the evaluation program to date.

Executive Summary

The report recommends, consistent with past policy directions, a significant enhancement of the existing, and basically sound, M&E system, with some enhancement of resources available for project monitoring and supervision, and for both post-evaluation and mid-term or strategic evaluative studies. It also recommends, as set out in the proposed work plan in *Chapter 6*, a selective and focused "catch-up" set of studies, aimed at assisting in the planning and implementation of SDF 4.

It appears feasible to complete such a "catch-up" program in time for an early Mid-Cycle review of SDF 4 programming directions. The Report recommends that such a Mid-Cycle Review be undertaken in time for submission by mid-1997. The reasoning behind this recommendation is that such a review should be completed in time to provide a major input into further definition and development of the medium-term operational program, with the necessary project pipeline, in time for the last two years of the SDF 4 program cycle, i.e. 1998 and 1999.

Other policy work currently underway, including the completion of three country poverty assessments, the preparation of a social development policy and strategy, and the first few of the new series of country program strategies, as well as the 1996 mid-decade review of the Bank's overall directional strategy, can all provide important inputs to a Mid-Cycle Review, and should be available in time for this purpose.

The Bank's current strategic and operational programming cycle is fundamentally robust and flexible as a management tool. The report recommends its use, consistent with current programming directions such as the development of more strategic country assistance programs, as a strong strategic management process, centred on the various elements of:

- *periodic reassessment of overall Bank strategy*, as with the *Directional Plan for the 1990s* and the proposed revisiting of the strategy in 1996;
- a program of *periodic country program strategy papers*, currently envisaged at perhaps six per year;
- *sector and thematic evaluative and strategic work*, as required, and as available resources permit;
- a strengthened ongoing *monitoring and evaluation system*;
- an annually presented *medium-term operational program*, as at present, but with more emphasis on the active use of this tool as a basis for Board and Management to focus the SDF (as well as OCR) operational program;
- an *annual work plan and administrative budget*, as at present.

Some of the key steps in this process are shown in Figure 2.11 on page 43. Factors that the Bank's experience has shown to be important in strengthening project and program quality, as reflected in the recommendations of the current report, are shown graphically in Figure 7.2 in *Chapter 7*.

Executive Summary

Introduction

Contributors to the CDB's Special Development Fund agreed, in their Report on the negotiations for SDF 4, that the Bank should commission an independent evaluation of the performance and impact of the Unified SDF since its inception, and that this should include the design of a framework for monitoring and assessing the performance and impact of the SDF against stated objectives, as well as the frequency of intra-cycle reviews.¹

This established dual objectives -- an evaluation of the program for the period covered by SDF 1 to SDF 3, and the design of an appropriate M&E framework for the period ahead, based on the program mandate for SDF 4.

With respect to the first objective, a *program evaluation* for a program as varied and diverse as the SDF, with 12 years of experience and nearly US \$ 400 million in commitments, requires a well-focused evaluation process, with careful pre-evaluation planning in what is usually referred to as an *evaluation assessment*.

In the case of the SDF, there is the critical further consideration that the operations of the Fund have been closely related to the Bank's OCR operations, and in many cases are difficult or impossible to distinguish for purposes of evaluation.

The assessment phase, therefore, becomes doubly important. Its objectives are to ensure that the resources to be used for program evaluation address the most appropriate and useful questions in a credible manner, and that appropriate evaluation options are developed for consideration and decision by program management.²

The second objective requires a review of current monitoring and evaluation systems in use by the Bank, and an assessment of the extent to which these may need to be strengthened in

¹ *Resolution of Contributors to SDF 4 and Summary Report on Negotiations for SDF 4*, September 1995, Schedule 3, para. 2.

² See, for example, *Guide on the Program Evaluation Function* (Program Evaluation Branch, Office of the Comptroller General, Ottawa), which strongly encourages an adequate planning phase in the form of a prior evaluation assessment for all important program evaluation studies. It describes the evaluation assessment as a "critical part of the program evaluation process" (p.62).

Introduction

view of the SDF 4 mandate. This includes providing a sound basis for an intra-cycle review of issues such as performance, project quality and operational objectives.

The approach used in the present study, as set out in the Terms of Reference, has been to undertake a short initial evaluation study, in March and early April 1996, with several specific objectives. These are:

- (a) to provide the *key elements of an evaluation assessment*, as a basis for determining evaluation issues, performance indicators and methodology for the subsequent evaluation phase;
- (b) to review the *results of evaluation work already undertaken by the Bank* in areas in which SDF funds have been used;
- (c) to draw some *preliminary conclusions* on particular evaluation issues or aspects of the assignment, to the extent this is feasible in the short time span of an evaluation assessment;
- (d) to develop a *framework for monitoring and evaluation* during the course of SDF 4;
- (e) to prepare a proposed *evaluation work plan*; and
- (f) to set out the study's *principal findings and recommendations*.

As a guiding theme, the study proposes that *the primary objective for the evaluation of program experience to date should be to assist in guiding the planning and implementation of SDF 4 and strengthening project and program quality*. This permits the development of a single set of issues and indicators for both program evaluation and subsequent project monitoring.

Together with a strengthened ongoing M&E system, this approach should equip the Bank to assess the direction and emphasis of SDF 4 in a *mid-cycle review*, which the study recommends as a means of applying the lessons derived from evaluation work and drawing on the Bank's newly strengthened country strategy studies. It would also provide a strong basis for subsequent consideration of further replenishments of the Fund.

1. Scope, Objectives and Methodology

1.1 Scope and Focus of the Study

In the revised *Rules for the Special Development Fund* which provided for the unified SDF, it was envisaged that the Bank "shall from time to time undertake a detailed in-depth evaluation of the operations of the SDF"³ Various types of performance review have in practice been provided through the regular *SDF Annual Report and Financial Projections* and in mid-term and other reports, including those in connection with replenishment discussions.⁴

In the course of considering the SDF 4 replenishment, Contributors requested a further, in-depth, evaluation of SDF operations and performance, together with a framework for ongoing monitoring and assessment, and consideration of the appropriate frequency or timing of intra-cycle reviews.⁵

This is reflected in the Terms of Reference for the present study, which represents an initial phase in addressing the request of Contributors. The objectives are to:

- (a) *undertake an evaluation assessment of the SDF(U), including the preparation of an evaluation framework to:*
 - (i) *evaluate the performance of the SDF(U), during the period 1984-1995, in terms of the extent to which its overall objectives are being attained;*
 - (ii) *assess the development impact of the SDF(U) on the economies of the beneficiary countries;*
- (b) *develop and, to the extent feasible, test selected evaluation hypotheses, with preliminary conclusions as appropriate; and*

³ Sec. 5.3.2, *Rules for the Special Development Fund*, June 1983, p. 13.

⁴ An early such review was provided for SDF 1 in *Mid-Term Review and Financial Projections of the Special Development Fund (Unified) 1986-1990*, April 1986. The most recent, provided in connection with the SDF 3 replenishment, was a *Management Report on Review of SDF Performance*, Annex 1 to Schedule 3, *Resolution of Contributors to SDF 4*, October 20, 1995.

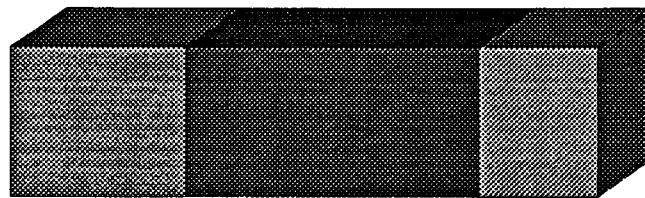
⁵ *Report and Conclusions of Negotiations for SDF 4*, para. 2, as included in the *Resolution of Contributors*, October 1995.




1. Scope, Objectives and Methodology

- (c) *prepare a preliminary framework for monitoring and assessing the performance and impact of SDF 4 against stated objectives.*⁶

These objectives cover the first, or assessment stage of a program evaluation, as well as a part

Figure 1.1
Stages of a Program Evaluation



-  Evaluation Assessment
-  Evaluation
-  Feedback

of the evaluation stage (Figure 1.1).

In undertaking a program evaluation for a concessional lending facility which has played an integral part in the operations of a multilateral development bank with its own defined role and mandate, it is important to consider the overall context and policy direction for the program, as well as program development and management, in addition to more traditional evaluation issues related to project implementation and project results.

The broad areas of focus in such an evaluation are shown in Box 1.1.

⁶ Appendix A, *Terms of Reference*, page 1.

Box 1.1

Areas of Focus in the Evaluation

1. The *relationship of concessional fund operations to the institution's overall mandate, policy and program objectives, and operations*, including the original rationale and program goals underlying the establishment and replenishment of the Fund.
2. The *development over time of the concessional fund's mandate and program objectives*, including the extent to which these have been defined in detail in the policy and program development process. This includes the extent to which program experience at the operational level has been used in overall policy and program development.
3. *Operational program development*, including such aspects as the setting of operational objectives, the development and use of program experience, attention given to country and sector strategy approaches, and the extent to which the more specific lessons from project supervision and monitoring have been "fed back" into project and program design and operational program development.
4. *Efficiency issues* in relation to program delivery, i.e. have resource requirements been adequately identified and provided for, in relation to program characteristics and program experience? and have the resources made available been used as effectively as they might have been?
5. *Effectiveness issues* in relation to the specific objectives of individual projects and sub-programs as defined at the time of appraisal and funding approval. This requires separate consideration of particular objectives and characteristics for differing project, sector and country-specific operations.
6. *Medium and longer-term impact issues*, related to what might be considered program goals, sector and country-specific objectives, and more "thematic" objectives. Impact analysis can be undertaken at different levels of effort, and defined flexibly in relation to the most useful evaluation objectives and the level of resources that can be devoted to the study.

This range of issues represents an ambitious frame of reference, and selectivity and methodology become important in developing and guiding a reasonable work plan. The availability of existing evaluation work is an important determinant of the level of effort required, and the extent to which investigation is necessary is a further consideration. Any evaluation, and particularly a program evaluation, also requires a careful identification of specific evaluation issues at various levels. These need to be addressed in terms of the program's goals, strategic and operational objectives, sector and project-level objectives, and particular program characteristics.

1. Scope, Objectives and Methodology

The identification of program objectives, development of a framework for the design of evaluation issues, and the preparation of an evaluation work plan are the purposes of an evaluation assessment.

An evaluation assessment can also, however, be expected to draw some conclusions on at least the initial areas referred to in Box 1.1, with progressively more preliminary findings on the subsequent areas, particularly with respect to effectiveness and impact, where judgements cannot usually be reached except with more detailed work in the subsequent evaluation phase.

1.2 Objectives

As noted above, the Terms of Reference set out three general objectives:

- *to provide a focus and framework for further evaluation work on the performance and impact of the SDF program to date;*
- *to reach some conclusions on program relevance, efficiency and effectiveness, insofar as this is possible in the limited context of an evaluation assessment; and*
- *to develop a framework that can be used to strengthen or focus the monitoring and supervision process during SDF 4.*

Evaluation of SDF operations to date

More specifically, the objectives of the assessment and evaluation phases of a program evaluation should be to:

- identify or define the program's overall objectives or goals;
- examine the extent to which these goals have been reflected in the evolving operational program, and the extent to which the latter has drawn on operational experience and/or country level strategies;
- assess the appropriateness and/or effectiveness of project selection, design and implementation;
- explore the effectiveness of project-level management, supervision, monitoring and evaluation;
- identify issues or factors which bear on project and program quality; and
- comment on the extent to which the program's objectives and rationale remain valid.

1. Scope, Objectives and Methodology

A monitoring framework for SDF 4

The objectives in developing an ongoing monitoring and evaluation system should be to:

- ◆ allow the early correction of problems experienced during implementation;
- ◆ provide a basis for mid-term adjustments in project scope, focus or design -- or, in some cases, project termination;
- ◆ facilitate and enhance the effectiveness of subsequent, more in-depth evaluation;
- ◆ allow decisions with respect to the allocation of resources in a way that will strengthen the achievement of objectives;
- ◆ ensure the feedback of lessons learned, to enhance future allocation of resources and improve the design of other projects; and
- ◆ clarify issues which have overall strategic and operational program implications.

1.3 Approach and Methodology

The *underlying issues* in a program evaluation are generally of three types, as shown in Box 1.2.

Box 1.2 Generic Program Evaluation Issues

A. PROGRAM RESULTS

Objectives Achievement

- In what manner and to what extent were the various objectives achieved as a result of the program?

Impacts and Effects

- What benefits and broader outcomes, both intended and unintended, resulted from carrying out the program?
- In what manner and to what extent does the program complement, duplicate, overlap or work at cross-purposes with other programs?

B. COST-EFFECTIVENESS

Alternatives

- Are there more cost-effective alternative programs or strategies that might achieve the objectives and intended results?
- Are there more cost-effective ways of delivering the program?

C. CONTINUED RELEVANCE

Program Rationale

- To what extent are the objectives and mandate of the program still relevant?
- Are the activities and operational outputs consistent with the program's mandate and plausibly linked to the objectives and other intended results?

1. Scope, Objectives and Methodology

In the case of an evaluation of the SDF, with its particular characteristics and close relationship to the Bank's overall operations, these three classes of issues need to be addressed in a structured way.

The *first step* in an evaluation assessment is the *preparation of a Program Profile*, intended as an analytical review of the program's origins, overall goals, governance and program management, strategic and operational objectives, and the program development and project management process. It is also intended to provide an overview of the program's activities, structured in a way that can facilitate evaluation and, in particular, the design of an evaluation framework.

The *Profile* describes key stages in the program process and the basic structure of program objectives -- both of which are necessary for the identification and development of detailed evaluation issues. The latter can then be prepared at the beginning of the subsequent evaluation phase in the form of an *evaluation matrix* for each program component, sector or "product line" to be examined in the detailed evaluation work.

The Profile also provides a basis for reaching some conclusions on the first three key areas of focus suggested in Box 1.1:

- ◆ the relationship of the program's operations to the institution's overall mandate, policy and program objectives;
- ◆ the development of the program's own mandate and program objectives, including the extent to which these have been defined in the policy and program development process; and
- ◆ operational program development, including the setting of operational objectives, the development and use of program experience, the attention given to country and sector strategy approaches, and the extent to which the lessons derived from project supervision, monitoring and evaluation have been fed back into project and program design.

The *second step* in the present assessment study is the *review of the Bank's evaluation work to date*. This is intended to allow some preliminary conclusions to be drawn with respect to *efficiency* and *effectiveness* issues, and to provide a basis for identifying areas or sectors where further evaluation work can be most useful.

The *third step* is the development of *an approach to monitoring and evaluation as an ongoing aspect of the SDF program*, with some recommendations for strengthening the present system in relation to the particular objectives and requirements of the SDF 4 program cycle.

The *fourth step* is the development of *a framework of M&E issues* that can be used in both the second phase of the evaluation of SDF experience to date and the ongoing monitoring and evaluation of the SDF 4 program. The unifying theme is the study's recommendation that *the primary objective for the evaluation of program experience to date should be the same as for the SDF*

1. Scope, Objectives and Methodology

4 M&E process, i.e. to assist in guiding the planning and implementation of SDF 4. In line with this overall objective, the proposed framework is intended to address seven specific sets of monitoring and evaluation issues:

1. the rationale, efficiency and effectiveness of the *project/program planning stage*;
2. the rationale, efficiency and effectiveness of *management at implementation*;
3. the effectiveness and impact of *human resource development*;
4. the effectiveness and impact of *institutional development*;
5. effectiveness and impact in terms of *fostering gender equity*;
6. effectiveness and impact in *poverty reduction*; and
7. effectiveness and impact in *safeguarding and improving the environment*.

It is recognized, however, that judgements on overall performance of SDF program experience to date must also reflect the program objectives and strategy during the first three SDF program cycles, as set out in the Program Profile.

The *final two steps* in the present study are:

- ◆ the development of a *recommended work plan or strategy* for the subsequent stages of program evaluation and strengthening the ongoing monitoring and evaluation process; and
- ◆ the presentation of the study's *overall findings and conclusions*.

The study was undertaken by a team from the International Development Management Advisory Group Inc. (IDMAG) and DADA International Inc., with Allan Barry as Team Leader, Frans Anema as Senior Evaluation Specialist and Ernest Hilaire as Research Assistant. It was carried out at CDB headquarters and is based on extensive interviews with Bank personnel, a review of SDF-related documents and files, including various evaluation studies carried out by or for the Bank, and an analysis of portfolio and program data prepared for the study by the Controller's Division and the statistical unit of the Corporate Policy and Planning Division, as well as other documentation provided by IDMAG and DADA.

1.4 Some Overall Evaluation Issues

The key to any evaluation is the development of appropriate evaluation concepts and the identification, design or selection of evaluation issues at different levels of program and project performance and results.

In the case of a program evaluation, a useful tool can be the development of a small number of "horizontal" issues -- or what can be referred to as *evaluation hypotheses* -- intended to highlight particular evaluation questions or to test a few key propositions advanced by some of the stakeholders. Such "hypotheses" usually arise out of a program's objectives or special characteristics, and may relate to comparative advantage or a special *niche*, or to a particular method of operation.

An evaluation hypothesis can sometimes be tested, or conclusions reached, more quickly than with other types of findings, which may require completion of the full evaluation phase. It can also be useful in understanding the special characteristics of the program.

In the present case, it seems useful to identify seven such issues or hypotheses, which can be used during the evaluation process, including both the assessment and the subsequent evaluation phase. These are:

1. The existence of an effective, or potentially effective, *program development process*, capable of translating overall program goals into strategic and operational objectives, and reflecting changing conditions and country-specific needs and strategies. Such a process has both strategic planning and operational programming aspects, and can influence overall program effectiveness and the ease with which operational objectives can be determined for purposes of evaluation.
2. A related hypothesis is that of *program responsiveness*, i.e. that the program has been planned and managed in such a way as to be able to respond to changing program goals, program experience -- including the results of project or thematic evaluation -- and country-level requirements.
3. A third, somewhat similar hypothesis relates to the existence of the basic structure of *an ongoing project monitoring and evaluation system* which can be adapted to meet new requirements, such as those presented by the particular program mandate of SDF 4.

These first three evaluation hypotheses can be tested, or some conclusions reached, during the assessment phase.

4. Overall *cost-effectiveness* of the program is a fourth hypothesis, but one which can usually be judged only on the basis of comparative analysis and assessment of cost-effectiveness issues

1. Scope, Objectives and Methodology

during detailed evaluation.

5. The *comparative advantage* hypothesis can be a particularly useful one. It addresses the issue of whether there are particular or distinctive characteristics of the program, or of the parent institution in relation to the program, which allows it to operate in some areas with a relative advantage over other programs or institutions. Some insights into this hypothesis can be gained during the assessment phase, but field investigation is normally required to reach clear conclusions.

6. A related perspective is what has been called *the partner role* hypothesis, which relates to the perceived benefits of a continuing relationship -- particularly with small states or small but key institutions -- in the provision of technical assistance. The concept is distinct from that of "capacity building", in that this type of assistance is judged by its relevance and timeliness, rather than the institutional capacity left behind. The hypothesis is that a continuing relationship with particular countries or agencies provides more effective assistance in cases where longer term capacity building is not the objective, than would more *ad hoc* assistance from agencies without the same continuing relationship and understanding of the country and its institutions.

7. The *capacity building* hypothesis is a more familiar one, and is that the program, and in particular its technical assistance component, has made an effective contribution to institutional strengthening on a more or less self-sustaining basis.

Both the *partner role* and *capacity-building* hypotheses require field investigation before clear judgements can be reached.

Box 1.3 Some Evaluation Hypotheses

1. *a sound program development process*
2. *program responsiveness over time*
3. *an ongoing M&E system*
4. *cost-effectiveness of the program*
5. *comparative advantage*
6. *a partner role*
7. *capacity-building*

Each of these hypotheses can be used as an additional question or evaluation issue during both the assessment and evaluation phases of the evaluation.

1. Scope, Objectives and Methodology

2. Program Profile

2.1 The Unified Special Development Fund: Origins, Objectives and Governance

The CDB's charter, effective January 1970, established a framework for two types of financial resources for the Bank to use in its operations and in pursuing its *Purpose and Functions*.⁷ These were its *ordinary capital resources*, based on subscribed capital and funds which might be borrowed against the security of its capital and reserves, and *special funds resources*, as might be separately contributed to or "accepted by the Bank for inclusion in" any special fund, including repayments and income from such funds, and any other resources placed at the disposal of a special fund.

The Charter also created a particular special fund, known as the *Special Development Fund* (see Box 2.1).

Box 2.1 The Special Development Fund

1. A special fund to be known as the Special Development Fund is hereby established into which the Bank may receive contributions or loans. The Special Development Fund may be used to make or guarantee loans of high developmental priority, with longer maturities, longer deferred commencement of repayment and lower interest rates than those determined by the Bank for its ordinary operations

Article 8, Agreement Establishing the CDB

This framework provided considerable flexibility for the Bank to receive special funds resources on varying terms and conditions, as long as these were designed to "serve its purpose and fall within its functions."⁸

The Bank's purpose and functions, as established in Articles 1 and 2 of the charter, are relatively broad but, together with other provisions in the Charter, provide a degree of direction and several indicative priorities.

Article 1 defines the Bank's *Purpose* as:

. . . to contribute to the harmonious economic growth and development of the member countries in the Caribbean . . . and to promote economic co-operation and integration among them, having special and urgent regard to the needs of the less developed members of the region.

⁷ *Articles of Agreement*, Articles 1, 2 and 9.

⁸ Article 8, sections 2 and 3.

2. Program Profile

The Bank's assigned *Functions* are set out in Article 2, and include:

- *to assist regional members in the co-ordination of their development programs, in order to achieve better utilization of resources, increase complementarity between their economies, and promote the orderly expansion of international trade, in particular intra-regional trade;*
- *to mobilize additional financial resources for development;*
- *to finance projects and programs contributing to the development of the region or any of the regional members;*
- *to provide appropriate technical assistance;*
- *to promote public and private investment in development projects;*
- *to assist in promoting regional and locally controlled financial institutions; and*
- *to encourage the development of capital markets.*

Special funds were, in practice, made available to the Bank on varying terms from several sources, but the *Special Development Fund* became the CDB's principal source of concessional resources, mobilised largely on what was effectively a grant basis and then provided to the LDCs -- as defined for this purpose by the Bank ⁹-- for necessary economic support infrastructure projects which were not necessarily self-liquidating and to development finance companies for financial intermediation to small private sector projects.¹⁰ Each special fund was managed separately, financially and administratively, and was subject to varying terms and conditions.

The rationale for the SDF and other special funds was considered to arise out of the need to address the structural economic difficulties of its regional members, *particularly the LDCs*, which were "characterised by being very small, externally dependent, essentially monoculture economies prone to natural disasters, and historically dependent on external grants not only to finance their public sector investment programs but also to balance their recurrent expenditure budgets."¹¹

⁹ "Less developed members", as referred to in the Charter, were defined according to a classification used by CARICOM on its establishment in 1973, reflecting a distinction between dependent territories, with lower average incomes (the LDCs), and politically independent and somewhat higher income members of the Community (MDCs). Subsequently, beginning in 1984, a more flexible method of categorizing the Bank's BMCs for the particular purpose of access to concessional funds was developed (see Section 2.3 below).

¹⁰ *Working Paper on the Creation of a (Unified) Special Development Fund*, January 1982, para. 1.

¹¹ *Ibid.*, para. 4.

2. Program Profile

Initial funding for SDF was provided in 1970 and 1971 by the United States, Canada and U.K., followed by three replenishments, including contributions or loans from additional contributors. The U.K., Canada, Venezuela, Colombia, Sweden and Mexico made funds available in the form of interest-free contributions, while the United States and Germany provided funds on loan terms. Country source eligibility for procurement varied somewhat among the different contributions, and in some cases between different tranches from the same Contributor.

By December 31, 1982, more than \$117 million had been made available to the SDF, and total special funds resources amounted to \$146.5 million, in 82 *different accounts*.

The problems with this approach included the differences in procurement conditions, the absence of a regular replenishment cycle, the requirement by some donors for prior approval before their contributions could be used for particular projects, the administrative and financial complexity of administering a multiplicity of funds, and sectoral restrictions on different funds.¹²

To address these difficulties, the Board of Directors agreed, in March 1981, that discussions should be held with SDF Contributors with a view to achieving a common set of conditions in a *Unified Special Development Fund*.

Documents submitted to the ensuing negotiations envisaged that the new SDF would have certain basic features. These included contributions on a regular multi-year basis -- interest-free for an indefinite term, paid in U.S. dollars or convertible currencies, and available for all purposes envisaged in the SDF Rules -- for projects or programs of high developmental priority, as determined from time to time by the Board of Directors and articulated in broad outline during replenishment negotiations.

SDF lending was to continue to be used for broadly similar purposes as in the past, but with some shift in emphasis (see Table 2.1 below). It was also proposed that the allocation of resources to beneficiaries be on the same basis as previously, i.e. 70:30 as between the Bank's LDC:MDC categories of borrowing member countries (BMCs), subject to review by the Board of Directors. In the case of future replenishments, the target LDC:MDC ratio and the Fund's broad sectoral emphasis could be decided in the negotiations.¹³

Discussions over the following two years resulted in revised *Rules for the Special Development Fund*, approved by the Board in March 1983,¹⁴ and agreement among Contributors, in

¹² *Ibid.*, para. 9.

¹³ *Ibid.*, Appendix 2, *general principles*.

¹⁴ The 1983 SDF *Rules* were an amended version of the original 1970 SDF *Rules*, incorporating substantial revisions to reflect the new basis for administering the SDF(U).

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October 1983, on the resources to be made available for the new *SDF(U)*.

The latter included some \$60 million from the contributions of Canada and the U.K. to the "old" SDF (of which about \$10 million remained available for commitment), which was now transferred to the *SDF(U)* and made subject to the new *Rules*,¹⁵ and \$79.35 million¹⁶ in a new replenishment for the 4-year period 1984-1987 (subsequently referred to as the *SDF 1 cycle* of the new *SDF(U)*).

One of the most distinctive features of the replenishment was that *all except one of the Bank's members, including all borrowing member countries, pledged to contribute to the new SDF(U), with a minimum figure for the smallest members.*

The new Fund's resources were to be available for use in any manner and on any terms and conditions not inconsistent with the provisions of the Charter or the *SDF Rules*, and procurement of goods and services could be undertaken in any member country of the Bank and/or any "substantial contributor" to the Fund.

Decisions, except as otherwise provided in the *Rules*, were to "involve the same exercise of responsibilities" by the Bank's Board of Governors, Board of Directors, President and Staff as in the case of ordinary capital operations. Contributors who were not members of the Bank were invited to be present at meetings of the Board of Directors at which projects, policies and

Table 2.1
Proposed Pattern of Lending for SDF(U) 1

Sector	Previous SDF Lending (%)	First SDF(U) Cycle (%)
Direct Lending		
<i>Productive</i>	26.3	42.0
Agriculture, forestry and fishing	12.9	20.0
Manufacturing	9.0	12.0
Tourism	4.4	10.0
<i>Supportive Economic Infrastructure</i>	43.8	23.0
Power and energy	9.2	10.0
Water and sewerage	4.4	5.0
Transportation & communications	30.2	8.0
DFC Global and Sectoral Credits		
<i>Productive</i>	21.5	23.0
Agriculture, forestry and fishing	9.5	9.0
Industry	7.0	6.0
Industrial estates	5.0	8.0
<i>Supportive Economic Infrastructure</i>	8.4	12.0
Housing	7.1	10.0
Student loans	1.3	2.0
Total	100.0	100.0

Source:

Working Paper on Creation of a (Unified) Special Development Fund, p. 25.

¹⁵ Thus ensuring that repayments and income from these contributions would be available to the new *SDF(U)*.

¹⁶ Valued as of October 26, 1983. Figures vary as of different dates, reflecting exchange rate changes for contributions pledged in national currencies and some changes in pledged or expected resources.

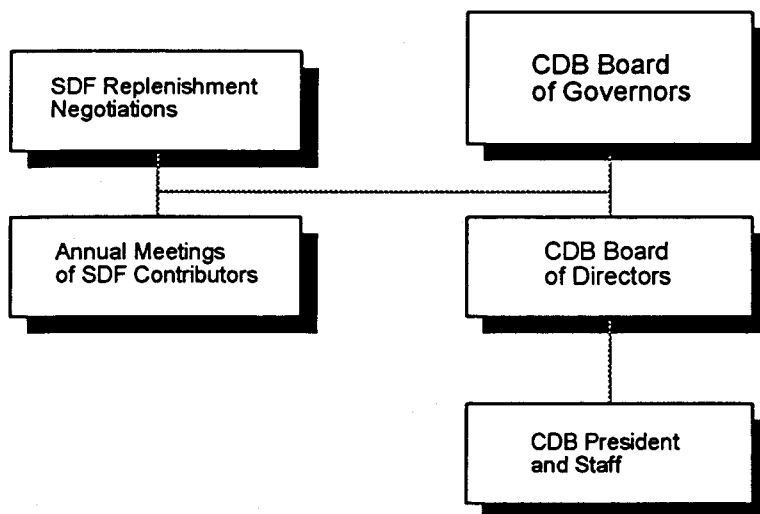
2. Program Profile

other matters related to the SDF were considered, and provision was made for separate consultations with Contributors, where appropriate.

It was also agreed, in addition, that there would be a separate *Annual Meeting of Contributors* -- held at the same time as the Annual Meeting of the CDB's Board of Governors -- to review operations and the progress of the Fund. Every Contributor, whether or not a member of the Bank, would be entitled to participate.

Provision was also made for the inclusion in the CDB's Annual Report of a separate section in respect of the SDF, and for the submission to each fourth Annual Meeting of Contributors of a detailed in-depth evaluation of the operations of the Fund.¹⁷

Figure 2.1
SDF: Program Governance



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A new section in the revised SDF Rules provided more detailed guidelines on *Use of Resources and Sectoral Preferences* (see Box 2.2).

¹⁷ 1983 Rules, Sections 2.1.2, 2.1.3, 2.1.4, 3.2.1, 3.2.2, 3.2.3, 5.3.1 and 5.3.2.

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Box 2.2

SDF(U): Use of Resources and Sector Preferences

Resources shall be available to finance projects and programs of high developmental priority in all sectors for which the CDB lends and provides technical assistance.

In the use and allocation of resources, attention shall be given to the disadvantages to development potential imposed by the limitations of the relative market sizes of the Eligible Member Countries, relevant economic and social indicators (including the level of economic and social infrastructure) and absorptive capacity and, in addition, the following criteria shall be taken into account:

- (i) eligible projects shall be those that have low financial rates of return or are not financially self-liquidating but which normally have an economic rate of return not less than that generally used by CDB in the appraisal of projects for funding in CDB's ordinary operations;
- (ii) without prejudice to the generality of the project criteria at (i) above, the following, because of their special nature, shall be accorded special eligibility for financing:
 - (a) economic support infrastructure projects that are not necessarily self-liquidating, e.g.:
 - water and sewerage,
 - rural electrification programs,
 - irrigation, drainage and land reclamation for agriculture,
 - construction of feeder roads,
 - major road construction,
 - ports;
 - (b) lines of credit to financial intermediaries for productive sector projects;
 - (c) lines of credit for student loans and construction of industrial estates;
 - (d) housing, in limited and special cases where the use of the Resources is matched by local counterpart funds; and
 - (e) agricultural projects which directly benefit small farmers and other low income groups and/or raise the nutritional levels of such groups.

Rules for the Special Development Fund, June 1983, Section 4.

There was also a provision on *Blending*, which provided that SDF resources under the new *Rules* could be used in combination with other Special Funds Resources and/or the Bank's Ordinary Capital Resources, as well as separately.¹⁸

As a result of the revised SDF *Rules* and the arrangements for the SDF(U)'s funding, the Special Development Fund established under paragraph 1 of Article 8 of the Charter now consisted of two separate components:

- (a) the SDF (Unified), governed by the *1983 Rules*, and
- (b) remaining portions of the "old" SDF, to which the *1970 Rules* continued to apply (and to which some contributions continued to be made).

¹⁸ Section 4.3.

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2.2 Replenishments of the Fund and Evolving Program Guidelines

The initial funding arrangements for the SDF(U) covered the 4 years ending in 1987, and there have been three subsequent replenishments, in each case for a 4-year period, as shown in Table 2.2.

Table 2.2
SDF 1- 4: Contributions Pledged

	SDF 1 1984-87 ^a	SDF 2 1988-91	SDF 3 1992-95	SDF 4 ^c 1996-99
<i>US \$ million equivalent</i>				
<i>Regional</i>				
BMCs	10.35	10.36	19.48	19.58
Non-BMCs	10.00	6.66	15.00	5.00
<i>Non-regional</i>				
Members ^b	70.00	76.00	82.00	65.78
Non-members	5.00	5.00	7.00	6.30
	95.30	98.03	123.48	96.66

^a Not including \$75.74 million transferred from "old" SDF by Canada and the U.K.

^b Including countries which have become members since SDF(U) was established.

^c Not including Venezuela and Mexico, whose pledges are still under consideration.

SDF 2

The SDF 2 agreement was concluded in September 1987. Contributors acknowledged the staff work that had been done on the Bank's future role,¹⁹ and endorsed the need for a significant increase in the level and scope of SDF lending and technical assistance.²⁰

The agreement provided various guidelines for the use of funds, including an indicative allocation -- subject to periodic review by the Board of Directors -- for *four separate groupings of the Bank's BMCs*, with suggested amounts in each case for SDF loans, technical assistance grants and basic human needs.²¹

Contributors agreed that the CDB should give priority attention to financing employment-intensive projects benefitting the poorest groups in the poorest BMCs. To support this thrust, an appropriation of up to \$ 8 million was provided for a proposed \$ 20 million Basic Needs Grant Program, provided there was a matching contribution by another donor.²²

¹⁹ *CDB's Future Role 1986-1990*, which had been discussed in both the Board of Directors and the Board of Governors.

²⁰ *Resolution and Report of Contributors*, adopted September 22, 1987.

²¹ The country groupings and indicative allocations followed a similar approach to that which had been agreed in the Board of Directors for the SDF 1 period (Section 2.3 below).

²² The Basic Human Needs (BHN) program had begun in 1979 with funding from USAID for the OECS countries and Barbados. This had been continued with a second program, which established a Basic Needs Trust Fund and began in 1984, with funding committed by both USAID and the CDB.

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About 15 per cent of SDF 2 resources could be used for structural adjustment programs, normally on a co-financing basis with the World Bank and/or the IMF. It was also agreed that the CDB should continue to make sector loans, in consultation with the World Bank, and that, in the preparation of projects to be financed by the SDF, an environmental analysis should be undertaken wherever necessary.

Contributors acknowledged that there was a critical need for the provision of technical assistance to support CDB loan operations and to provide economic advice and assistance to a number of BMCs in formulating and implementing structural adjustment programs. Provision was accordingly made for an appropriation of up to \$10 million from new SDF 2 resources for grant financing of technical assistance, in addition to \$2 million to be set aside for this purpose from SDF net income.

Among other guidelines, the Contributors agreed -- subject to any changes by the Board of Directors -- on a schedule of lending terms for SDF loans, providing a varying interest rate, grace period and overall maturity for the different borrowing country categories.

SDF 3

The SDF 3 negotiations were concluded in May 1991, and provided a number of guidelines for the 1992-1995 program, including fairly detailed indicative allocations. The negotiations, which had extended over the period since October 1989, drew on a series of staff papers that had addressed the role of the SDF in the 1990s and prospective areas of focus for SDF 3, including in respect of poverty alleviation, social programs, technical assistance, enterprise development and environmental mitigation.²³

It was agreed that SDF resources would continue to be used to advance the Bank's aims and objectives, and would be channelled to "high priority development activities mainly in the poorer countries," with a view to strengthening the capacity for self-sustaining development. In addition, Contributors specified that, in order "to help alleviate the widespread poverty in some countries, a judicious proportion of the resources will be used to finance projects which would benefit the poor directly", and resources would be "mainly channelled into projects that, among other things, alleviate poverty, improve the earning capacity of women and the unemployed, enhance rural development, provide critical basic needs and encourage increased competitiveness, enterprise development and industrialisation."²⁴

²³ *SDF Operations and Prospects 1991-1994* (BD 61/89 October 1989), *SDF Operations and Prospects 1990-95* (SDF 3/2 NM-3 April 1990) and *SDF Operations and Prospects 1990-95 Add.1* (BD 32/90 Add. 1 July 1990).

²⁴ *Resolution and Report of Contributors*, adopted May 7, 1991.

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The sectoral focus for SDF 3 was to cover economic and social programs of high developmental priority which were not necessarily self-liquidating, as in water and sewerage, disaster rehabilitation, environmental mitigation, forestry, human resource development, road transportation and lines of credit. It was also agreed that, in many cases, SDF resources would be "used in a judicious blend with OCR to reflect the nature of the project, the country's economic situation and the available SDF allocation to the country."

A key initiative was the allocation of \$5 million for a new sub-program -- the *Small-Scale Enterprise Development Program (SSEDP)* -- envisaged as a means of promoting small scale productive enterprises, to benefit women, unemployed craftsmen, low income producers, and entrepreneurs with limited access to credit.²⁵

It was also agreed that the SDF would take on principal responsibility for the *Basic Needs Trust Fund*,²⁶ with an allocation of \$15 million for this purpose. The BNTF was to finance social development projects and support community participation in development, in ways such as community water supply and sanitation, multi-purpose community buildings, schools, clinics, small village roads and footpaths.

Considerable attention was also directed to technical co-operation, where the CDB was to continue in traditional areas such as national economic management, economic and sector policy advice, the formulation of sector strategies, project identification, feasibility studies and training, and would in addition assist in institutional strengthening in support of structural adjustment, improving the environment for private sector development and strengthening infrastructure management. An appropriation of \$18 million was earmarked for this purpose.

About 20 per cent of SDF 3 resources was also to be available to support structural adjustment, in association with the World Bank and/or the IMF, respectively.

A proposed 4-year SDF 3 program of \$167 million was divided among five general program categories, with individual allocations for each of these:

- *essential economic infrastructure,*
- *social infrastructure,*
- *lines of credit,*

²⁵ Several specific objectives were set for the SSEDP, including: (a) to support NGOs in creating opportunities for skills acquisition, self-employment and job creation among less privileged members of the community, (b) to foster the growth of a business culture in small enterprises, in which skilled youths and women could be the main operators, and (c) to encourage commercial production of goods and services through the use of local materials. The program was provided with \$3 million for credit and \$2 million for business extension services and training.

²⁶ As USAID had indicated that it might not be able to continue providing funds for the program.

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- *technical assistance*, and
- *unallocated*.

Cutting across these program categories were two additional sets of allocations. The first was an allocation for each of several areas related to *Direct Poverty Alleviation*. These totalled some 25 per cent of the SDF program, and covered:

- *BNTF*,
- *skills training*,
- *rural electrification*,
- *industrial estates*,
- *SSEDP*,
- *housing sites and services*, and
- *agriculture*.

The final set of allocations was according to the four country categories, which were similar to those used for SDF 2, but with some significant changes, based on a major review of the country group criteria (see Section 2.3 below). Individual allocations were set for each country category, and these were in turn divided into allocations for:

- *capital projects*,
- *technical assistance loans/grants*, and
- *BNTF grants*.

Capital projects were limited to Groups 2 to 4, and BNTF grants were provided only for Groups 3 and 4. There was also a *Regional* category, which included the new SSEDP and an unallocated \$10 million for the *Disaster Rehabilitation Program (DRP)* as part of the CDB's response mechanism to the frequent occurrence of natural disasters in the region. This allocation matrix totalled the proposed \$167 million SDF 3 program.

SDF 4

Negotiations for the 4-year SDF 4 cycle, covering 1996 to 1999, were concluded in late October 1995. Contributors agreed that continuation of the SDF was required to give eligible BMCs "the necessary breathing space to allow them to cushion the effects of and/or to create an internal capacity to address on a sustained basis many of the structural and contemporary problems besetting them" ²⁷

Among the major structural problems identified were :

- ▶ the very high per capita costs of providing administrative services and basic social and economic infrastructure, as a result of relatively small population sizes;

²⁷ *Resolution and Report of Contributors*, October 1995.

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- ▶ traditionally high incremental capital-output ratios arising from small size;
- ▶ extreme vulnerability to what would be localized natural or man-made disasters in larger countries; and
- ▶ extreme openness of these economies, with heavy dependence on external sources for goods, services, capital and skills.

Major contemporary problems included:

- ▶ the erosion, or threat of virtual elimination, of significant trade preferences for major commodities,;
- ▶ heavy external and domestic debt burdens for some of the larger BMCs; and
- ▶ a considerable reduction in aid flows to the region.

SDF resources were to continue to be used to advance the Bank's aims and objectives and channelled to high priority development activities with very high socio-economic returns but with financial returns that are low, difficult to capture or with a long gestation, and to the poorest countries, which were considered creditworthy for only limited amounts of the Bank's OCR.

More specifically, SDF 4 financing was to be concentrated on five "themes" or program areas:

- *poverty reduction (PR)*,
- *human resource development (HRD)*,
- *environment and sanitation (E&S)*, covering environmental mitigation and natural resource management activities, and natural and man-made disaster mitigation and management,
- *institutional strengthening (IS)*, particularly in the public sector, but also including support for enhancement of productive capacity, and
- *essential socio-economic non-financially self-liquidating physical infra-structure (ESNPI)*.

At least 40 per cent of SDF 4 resources were to be directed towards activities aimed at poverty reduction, and adequate attention was to be given to gender issues.

The SDF 4 program mandate is shown in Box 2.3, with indicative areas of intervention under each of the program themes. The latter are to be further defined on the basis of studies by the CDB, World Bank and national governments on poverty assessment, national environmental action programs, infrastructure usage and needs, educational reform strategies and programs, and other sectoral studies. Programs and projects may be either "stand-alone" or components

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Box 2.3 SDF 4 Program Mandate: The Five Themes, with Indicative Areas of Intervention

1. *Poverty Reduction*

- Rural and urban community development.
- Small-scale enterprise credit and associated TA.
- Continuation of BNTF, for employment generation and improved quality of life of the poor.
- Skills training for youth and the unemployed.
- Shelter upgrading for low income households.
- Programs to address gender issues.

2. *Human Resource Development*

- Improvements to physical infrastructure for basic education.
- Instructional material and equipment.
- Increasing access to post-secondary education.
- Improving quality and relevance of basic education.
- Improvements to institutional and management arrangements to enhance cost-effectiveness of the education sector.
- Promoting analysis of HRD policies and generation of policy options.
- Student loans.

3. *Environment and Sanitation*

- Coastal zone and watershed management.
- Natural hazard management and mitigation.
- Updating of environmental action programs.
- Management of solid and liquid wastes.
- River retraining/ cleaning and clearing of waterways.

- Rural and urban water supply storage systems.
- Environmental impact assessment costs of capital projects.

4. *Institutional Strengthening*

- Strengthening public sector institutions to analyse, reformulate and manage policies/programs.
- Continuing support for CTCS network, with greater emphasis on cost-recovery.
- Strengthening public sector agencies to improve cost-effectiveness and become self-financing.
- Targetted training in project and macro-economic management.
- Development of efficient capital markets.
- Applied empirical research at macro-economic and sector levels.

5. *Essential Socio-Economic Non-financially Self-liquidating Physical Infrastructure*

- Rehabilitation of main, feeder and access roads.
- Limited support for air and sea transport infrastructure, linked to cost recovery strategies.
- Rural power and electricity systems.

40% of SDF 4 resources are to be focused on poverty reduction, and adequate attention is to be given to gender issues in project design and implementation.

Resolution and Report of Contributors, October 1995

of projects in the social and economic sectors that promote these areas of activity. To the extent possible, projects were to be conceived within overall country assistance strategies and be consistent with an acceptable macroeconomic framework.²⁸

To assist in monitoring the use of resources in relation to the sectoral and activity goals set

²⁸ *Ibid.*, paras. 9 and 11.

2. Program Profile

for the cycle, a system was to be instituted to identify and value project and program financing components which satisfy the various goals.

The SDF 4 program was projected at about US \$160 million, or roughly the same in nominal terms as the planned \$167 million for the SDF 3 cycle. The program was to complement the Bank's other financing, and was expected to represent about 33 per cent of overall CDB financing over the period, a percentage substantially lower than in the preceding three SDF cycles. SDF loans were projected at \$130 million, and non-reimbursable financing at \$30 million.

SDF resources could be blended with other funds to finance aspects and components of projects which are eligible for such financing, subject to availability in the country's SDF allocation. The proportion of overall project costs to be financed from SDF was not to exceed 80 per cent for Group 1 and 2 countries, and 90 per cent for Groups 3 and 4.

Indicative allocations were again provided for program areas and for the four country groups, but at a more detailed level, covering 10 sectors, cross-classified according to the five themes or fields of concentration, and showing allocations for OCR, SDF(U) and other Special Funds Resources (Table 2.3).

Table 2.3
SDF 4: Indicative Program Allocations by Sector and Program Theme
(US \$ million)

Sector	Financing Source				Allocation by Theme				
	Total	OCR	OSFR	SDF(U)	Poverty Reduction	HRD	Institutional Strengthening	Environment & Sanitation	Other Infrastructure (ESNPI)
Allocation by Sector									
Agriculture	20.0	14.4	0.6	5.0	1.0	0.0	0.7	1.3	2.0
Industry	15.0	12.2	0.3	2.5	1.0	0.0	0.5	1.0	0.0
Tourism	30.0	27.7	0.3	2.0	0.0	0.0	1.0	1.0	0.0
DFCs	75.0	60.4	1.6	13.0	7.0	3.0	2.0	1.0	0.0
Transportation	100.0	86.5	1.5	12.0	2.9	0.0	2.2	1.9	5.0
Power/Energy	35.0	30.5	0.5	4.0	4.0	0.0	0.0	0.0	0.0
Other Infrastructure	60.0	22.3	4.2	33.5	10.1	0.0	17.6	5.8	0.0
Water	40.0	17.5	2.5	20.0	6.0	0.0	5.0	4.0	5.0
Education & Health	60.0	27.4	3.6	29.0	10.0	13.0	0.0	6.0	0.0
Multi-Sector	57.0	13.2	4.9	39.0	30.0	1.5	0.0	7.5	0.0
Total Financing (of which: Grants)	492.0 (30.0)	312.0 --	20.0 --	160.0 (30.0)	72.0 (18.0)	17.5 (1.0)	29.0 ???.?	29.5 (11.0)	12.0 --

Source: Resolution and Report of Contributors, October 1995.

2. Program Profile

Indicative allocations were also agreed for each country grouping and each of the five themes (Table 2.4).

Table 2.4
SDF 4: Indicative Program Allocations by Country Group and Program Theme
(US \$ million)

Country Group	Poverty Reduction	HRD	Institutional Strengthening	Environment	ESNPI	Totals	Per Cent
1	2.0	--	1.0	1.0	--	4.0	2.5
2	4.0	--	1.0	3.0	--	8.0	5.0
3	50.0	(10.0)	13.0	22.5	1.0	104.0	65.0
4	9.0	(5.0)	6.0	3.0	1.0	19.0	11.9
Regional	4.0	--	3.0	--	--	7.0	4.4
Unallocated	3.0	(3.0)	5.0	--	10.0	18.0	11.3
Totals	72.0	(18.0)	29.0	29.5	12.0	160.0	100.0
Per cent	45.0	10.9	18.1	18.4	7.5	100	

() indicates direct grants portion of financing.

Source: Resolution and Report of Contributors, October 1995.

2.3 Country Eligibility and Terms of Lending

The Bank's *Purpose*, as set out in the Charter, is to promote economic growth and development, as well as economic co-operation and integration, *having special and urgent regard to the needs of the less developed member countries of the region*. This overall mandate had guided the Bank's operations, and provided a basis for the focus of its activity, particularly in respect of concessional resources, including technical assistance.

The nominal distinction between "less developed" and "more developed" countries (LDCs and MDCs) remains as it was originally defined, using a classification adopted by the Caribbean Community on its establishment in 1973. The distinction was between the politically independent, higher income members of the Community, and the smaller, dependent territories which, at the time, had significantly lower average per capita incomes and were heavily dependent on U.K. capital grants and, in some cases, on grants-in-aid for recurrent budgets.

This classification has become less meaningful over time, as more countries became independent and Jamaica and Guyana declined in terms of relative per capita incomes, and as subsequent changes in relative positions have taken place. The 1983 SDF *Rules* referred to a number of factors to be taken into account in allocating SDF resources, including the limitations of relative market size, relevant social and economic indicators, and absorptive capacity.

Bank staff proposed, in early 1984, a more operational classification for programming purposes, in what would have amounted to four country groups, based on perceived needs for concessional resources in relation to the availability of such resources to the Bank. Differing degrees of concessionalism were also proposed, to replace what were then uniform terms, with a differing interest rate, grace period and overall maturity for each country group.²⁹

The Board of Directors, however, decided on a two-tier classification, based on considerations of GNP per capita, level of unemployment, the state of social services, level of social and economic infrastructure, balance of payments and public finances, resource endowment, and access to flexible sources of funding. Five countries were in Group 1 -- the "more fortunate" borrowing member countries -- and 12 countries, including two of the MDCs, were in the "less fortunate" Group 2 category.³⁰

In April 1985, the Board decided to make a further distinction for purposes of allocating SDF resources, using what were in effect three categories, with Guyana and Jamaica in a separate

²⁹ Board Document 44/84, May 14, 1984., *SDF Financial Projections 1984-1987*.

³⁰ BD 24/85, April 11, 1985, draft *SDF Annual Report 1984*.

2. Program Profile

group. A percentage allocation was made for each category, and differing interest rates were set.³¹

A fourth category was added in 1986 for Guyana, and both percentage and dollar allocations for the four country groups, along with differing interest rates and grace and maturity periods, were reflected in the *Mid-Term Review and Financial Projections of the SDF(U) 1986-1990*³² Two countries were shifted between groups in 1987, and this was reflected in the resource allocations and lending terms agreed by Contributors for SDF 2.

These various changes, and the Bank's approach to determining an appropriate "blend" of SDF and OCR resources for particular countries, continued to reflect factors such as relative poverty, creditworthiness and the economic situation, availability of alternative sources of development finance, and the perceived need for some CDB operations in each BMC on a continuing basis, as well as allocation guidelines agreed by Contributors.³³

A major review of the country group classification was undertaken, at the request of Contributors, in the context of the SDF 3 replenishment negotiations. This was provided in early 1991, and was based on the use of both quantitative and qualitative criteria.³⁴

A matrix with seven indicators was used, with a scoring method to group countries into what continued to be four categories, but with significant changes in composition of the country groups. The indicators were:

- per capita income,
- domestic savings ratio,
- external or public debt ratio,
- export ratio in terms of GDP,
- unemployment rate,
- concentration of export products, and
- a composite (and more qualitative) indicator for physical and financial infrastructure and natural resource base.

As a result of this approach, five countries were moved between categories, including both of the two countries previously in Group 2 (Cayman Islands and Jamaica), which were shifted to Groups 1 and 3 respectively. Three other countries (Anguilla, Antigua and Barbuda and B.V.I.) moved from Group 3 to Group 2. The new classification is shown in Box 2.3.

³¹ *Minutes, Ninety-fifth Meeting of the Board of Directors.*

³² BD 25/86, April 10, 1986.

³³ *SDF Operations and Prospects 1990-95*, April 1990, paras. 4.10 and 4.11.

³⁴ *Clarification of Outstanding Issues on the SDF 3 Negotiations*, February 1991, and *A Basis for Determining Country Classification for Purposes of Eligibility for SDF Resources*, May 1991.

2. Program Profile

No further adjustments were made for SDF 4, although one country (Montserrat), which had remained in Group 3 in the 1990 review in recognition of the devastation caused by Hurricane Hugo, was again retained in that category as a result of special consideration.

Over the period since 1984, the countries which have been reclassified between groups (in some cases more than once), are Guyana, Jamaica, Cayman Islands, BVI, Anguilla, and Antigua and Barbuda.

Table 2.5 shows, for the SDF 4 cycle, the relationship between the indicative allocations of SDF 4 funds for the four country groups (Cols. 3 and 4) and the overall CDB planning figures (Col. 2), i.e. the degree of overall "blending" at the country level. This is shown in percentage terms in Col. 5. The present terms matrix is also shown (Cols. 6 to 9), along with some comparative data.

Box 2.4 Country Classification (SDF3/SDF4)^a

Group 1	Group 2
Barbados	Anguilla
Bahamas	Antigua & Barbuda
Cayman Islands	British Virgin Islands
Trinidad & Tobago	
Group 3	
Belize	St. Vincent and the Grenadines
Dominica	Turks and Caicos Islands
Grenada	
Jamaica	
Montserrat	
St. Kitts and Nevis	Group 4
St. Lucia	Guyana

^a Factor weighting reflects per capita income, domestic savings capacity, debt service, export ratio, unemployment, production concentration, financial/physical infrastructure and resource base.

Table 2.5
SDF 4: Projected Activity Levels 1996-1999
Compared to Total CDB Financing, and Financing Terms

Country Group	Total CDB Financing	SDF 4 Financing			SDF Financing Terms (SDF loans)				SDF Financing Per Capita	SDF Average Allocation per BMC
		Total SDF	Grant Portion	% of Total CDB	Interest Rate	Grace Period	Max. Maturity	Grant Element		
(1)	(2) \$ mil.	(3) \$ mil.	(4) \$ mil.	(5) %	(6) %	(7) years	(8) years	(9) %	(10) \$	(11) \$ mil.
Group 1	110.0	4.0	--	3.6	5	5	10	30.8	2.19	1.00
Group 2	35.0	8.0	--	22.9	4	5	25	46.6	87.62	2.67
Group 3	250.0	104.0	14.0	41.6	2.5	10	30	66.3	34.34	11.56
Group 4	27.0	19.0	7.0	70.4	2	10	30	70.7	24.73	19.00
Regional	12.0	7.0	3.0	58.3	2.5	7	25	61.3	--	--
Private Sector	40.0	--	--	0.0	--	--	--	--	--	--
Unallocated	18.0	18.0	6.0	100.0	--	--	--	--	--	--
Total	492.0	160.0	30.0							

Source: Report of Contributors, December 1995

2.4 Program Activity: SDF 1 - SDF 3

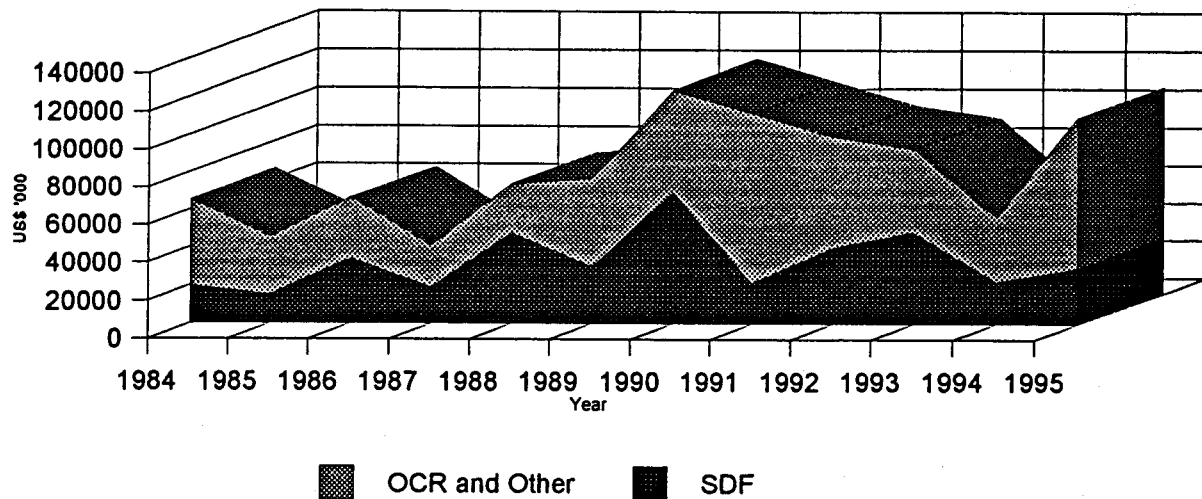
2.4.1 Overview

SDF loan commitments, whether in terms of loan approvals or loan effectiveness,³⁵ have varied significantly from year to year, as might be expected with a small number of borrowers in any year, and a small number of projects. The same has been true for technical assistance and other grants, accentuated by the “lumpiness” of occasional transfers to the BNTF.

This broadly parallels overall CDB lending activity, influenced by varying absorptive and debt service capacity, suspension of new commitments to two borrowers in arrears, and imminent resource constraints at one stage. Changes in the pattern of lending may, as with other MDBs, have been a further factor. Overall program activity, in terms of loan and grant approvals, is shown in Figure 2.2.

Figure 2.2

CDB Financing 1984 - 1995 : SDF and Total Loan and Grant Approvals



The yearly figures for loan and grant approvals, as well as disbursements, are shown in Table 2.6, as are the total figures for each of the three SDF cycles since 1984. In recent years, new commitments, as measured by loan and grant approvals, have varied from a low of about \$ 22 million (1987 and 1994) to a high of nearly \$ 69 million (1990), in the latter case reflecting a \$42 million economic recovery loan to Guyana. Disbursements have been rather more stable, as might be expected, although again there is an extraordinarily high figure for 1990, reflecting the quick-disbursing loan to Guyana.

³⁵ For consistency, program activity is shown throughout the present report in terms of loan and grant approvals. This is also the basis that best reflects program objectives and intentions.

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Table 2.6
SDF 1-SDF 3: Program Activity by Year and Replenishment Cycle

	SDF 1			SDF 2				SDF 3				
	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
<i>US \$ million</i>												
<i>By Year</i>												
Loan approvals ^a	19.0	15.3	32.7	21.2	45.2	28.5	62.5 ^d	23.5	18.8	45.1	20.1	18.6
Average size of loan	2.1	1.5	1.9	3.0	2.7	1.9	3.5	2.1	2.1	3.5	2.2	1.3
Grant approvals	--	0.2	0.5	0.4	1.3	0.7	6.4	2.0	18.0	1.4	2.1	1.8
of which: TA	--	0.2	0.5	0.4	1.3	0.7	4.4	2.0	3.0	1.4	2.1	1.8
BNTF	--	--	--	--	--	--	2.0	--	15.0	--	--	--
Total financing approved	19.0	15.5	33.2	21.6	46.5	29.2	68.9	25.5	36.8	46.5	22.2	20.4
Loan disbursements	0.8	0.9	4.4	17.2	17.1	23.6	58.7	23.3	22.5	18.5	13.9	15.9
Grant disbursements	--	--	--	--	--	2.1	1.9	2.3	2.7	3.8	7.1	6.1
Total disbursements	0.8	0.9	4.4	17.2	17.1	25.7	60.6	25.6	25.2	22.3	21.0	22.0
Net transfer	(2.1) ^e	(1.7) ^e	1.9	13.1	15.6	20.3	52.3 ^d	17.0	14.7	11.8	7.5	8.9
<i>By Cycle</i>												
Loan approvals	--	--	--	88.2	--	--	--	159.7	--	--	--	102.6
Grant approvals	--	--	--	1.1	--	--	--	10.4	--	--	--	23.3
Net total approvals ^b	--	--	--	87.2	--	--	--	157.8	--	--	--	90.8
Total disbursements	--	--	--	23.3	--	--	--	122.7	--	--	--	90.5
Overall Size of the Fund ^c	169.3	167.3	174.8	175.8	271.1	271.9	289.4	289.1	390.0	381.9	396.0	404.7
allocation for TA & BNTF ^f	--	--	--	--	--	1.6	4.0	7.0	12.0	45.0	45.0	45.0
<i>No. of countries/ projects</i>												
Countries in receipt of SDFU funding to date	4	8	14	17	17	17	17	17	17	17	17	17
No. of capital projects	9	10	17	7	17	15	18	11	9	13	9	11
No. of projects by Cycle	--	--	--	42	--	--	--	61	--	--	--	38

Notes:

^a Capital projects only.

^b Net of cancellations.

^c Reflecting reflows and interest on "old" SDF.

^d Includes \$42 m. to Guyana under an Economic Recovery Program.

^e Includes contributed resources and net income, amounts not yet made available, approved but not yet effective, and other pledges.

^f Cumulative.

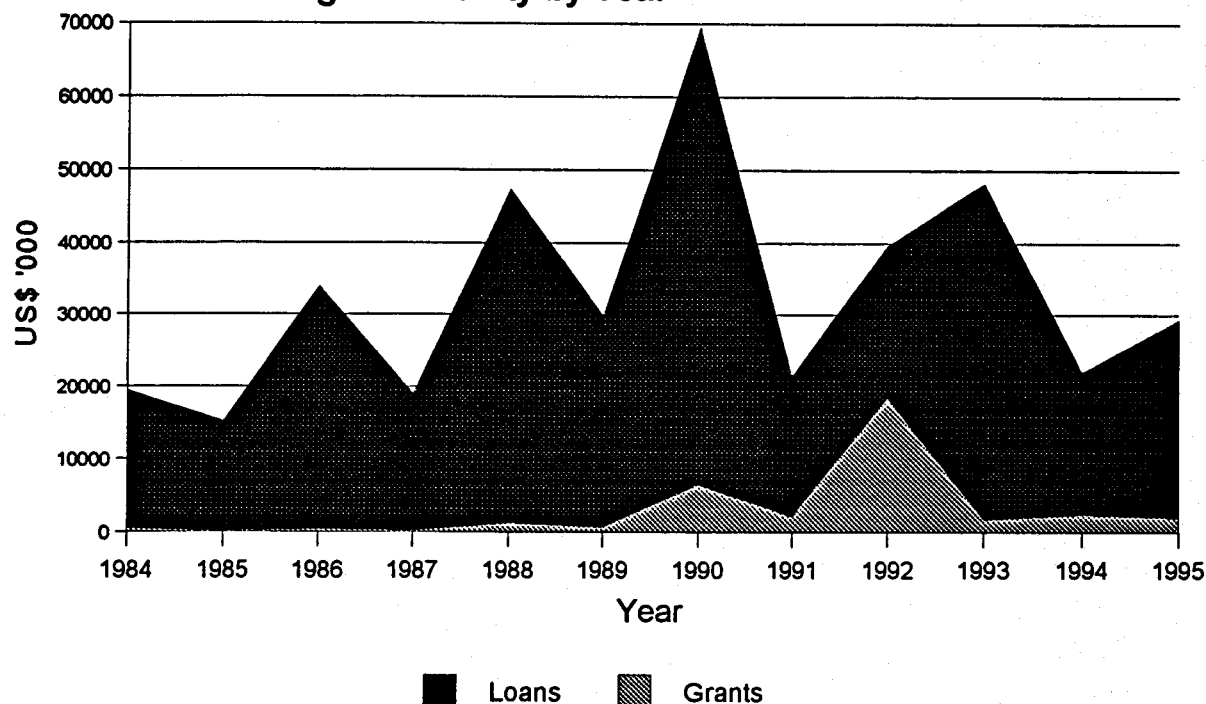
Source: SDF Annual Reports

Also shown in Table 2.6 are figures for the net transfer, which dropped to a low of \$7.5 million in 1994, as well as the grant allocation figures for TA and BNTF, and both the number of projects, which has varied significantly from year to year (between 9 and 18), and the number of countries in receipt of SDF funding, which very quickly reached the full 17 eligible BMCs.

In graphic terms, the variation over the period in terms of SDF loans and SDF grants is shown in Figure 2.3.

Figure 2.3

SDF 1 - SDF 3 : Program Activity by Year



2.4.2 Program Activity by Country and Sector

Program activity in terms of total loan and grant approvals for individual countries and for each of the traditional sectors used in the Bank's loan recording system, is provided in Table 2.7.³⁶ It shows the somewhat narrower and more limited use of SDF resources in the Group 1 and Group 2 countries, and the fairly wide spectrum for deployment of SDF funds in the Group 3 countries in particular, as well as in Guyana (Group 4).

The sectors and sub-programs that have received the highest levels of SDF support have been *transport, power and water, multi-sector* (largely for disaster rehabilitation and structural adjustment) and *DFC lending* (which has covered several sectors). Other sectors with significant SDF funding are *agriculture, manufacturing* (industrial estates) and *technical assistance*, followed closely by the *basic needs program*. A breakdown of the data by sub-sector, showing the use of SDF resources on a more disaggregated basis, is set out in Appendix B, Table B.1.

³⁶ The data base used in the present study was prepared in a special run of loan data by the CDB's Controller's Division and an aggregation of data on grants by the statistical unit of the Corporate Policy and Planning Division.

Table 2.7

SDF 1-SDF 3: Program Activity by Country and Sector
(Loan and grant approvals)

US \$ million

	Agriculture, Forestry, Fishing	Mining	Manu- facturing	Tour- ism	Transport and Communi- cations	Power, Energy & Water	Educat- ion and Health	Multi- sector and Other ^b	DFC Lend- ing ^c	TA Grants	BNTF	Totals
Group 1^a												
Bahamas	-	-	-	-	0.20	1.50	1.00	-	-	0.24	-	2.94
Barbados	0.13	-	2.0	-	2.08	-	1.06	-	0.20	0.73	-	6.19
Cayman Islands	-	-	-	-	-	0.66	0.67	0.29	0.30	0.14	-	2.06
Trinidad & Tobago	0.65	-	-	-	0.77	0.50	-	0.32	2.00	0.21	-	4.45
Sub-total	0.78	-	2.0	-	3.05	2.66	2.73	0.61	2.50	1.28	-	15.61
Group 2^a												
Anguilla	-	-	-	-	-	2.94	-	1.89	2.88	0.25	0.06	8.02
Antigua and Barbuda	-	-	-	-	1.93	-	-	-	-	0.20	0.13	2.26
British Virgin Islands	-	-	-	-	3.68	0.74	-	1.68	5.40	0.44	0.09	12.03
Sub-total	-	-	-	-	5.61	3.68	-	3.57	8.28	0.89	0.28	22.31
Group 3^a												
Belize	1.60	-	2.16	-	1.74	3.12	0.52	-	6.90	0.94	1.86	18.84
Dominica	3.80	-	4.83	2.68	1.63	7.43	1.65	3.55	13.01	0.46	1.88	40.92
Grenada	7.18	-	1.95	-	8.38	-	1.41	3.51	9.10	0.82	1.86	34.21
Montserrat	-	0.10	-	-	5.86	-	-	-	3.00	0.62	0.44	10.02
Jamaica	-	-	4.00	-	5.00	11.63	-	15.00	4.51	1.14	-	41.28
St.Kitts and Nevis	-	-	2.30	1.15	4.07	1.58	2.36	6.80	10.90	0.81	1.43	31.40
St.Lucia	2.45	-	3.70	0.16	7.39	6.42	1.99	5.00	7.00	0.50	1.88	36.49
St.Vincent and the Grenadines Turks and Caicos Islands	6.19	4.00	1.25	-	11.07	-	2.40	3.25	3.41	0.44	1.88	33.89
Sub-total	21.22	4.10	20.19	3.99	46.64	30.18	10.33	37.11	59.73	5.96	11.69	251.14
Group 4^a												
Guyana	5.05	-	-	-	15.79	8.80	-	42.00	-	2.62	5.00	79.26
Regional	-	-	-	-	10.20	-	5.67	-	2.00	9.33	-	27.20
GRAND TOTAL	27.05	4.10	22.19	3.99	81.29	45.32	18.73	83.29	72.51	20.08	16.97	395.52

NOTES: ^a Country groupings as of SDF 3.^b Including \$ 65.8 million for disaster rehabilitation and structural adjustment.^c Covering agriculture, manufacturing, education and housing.

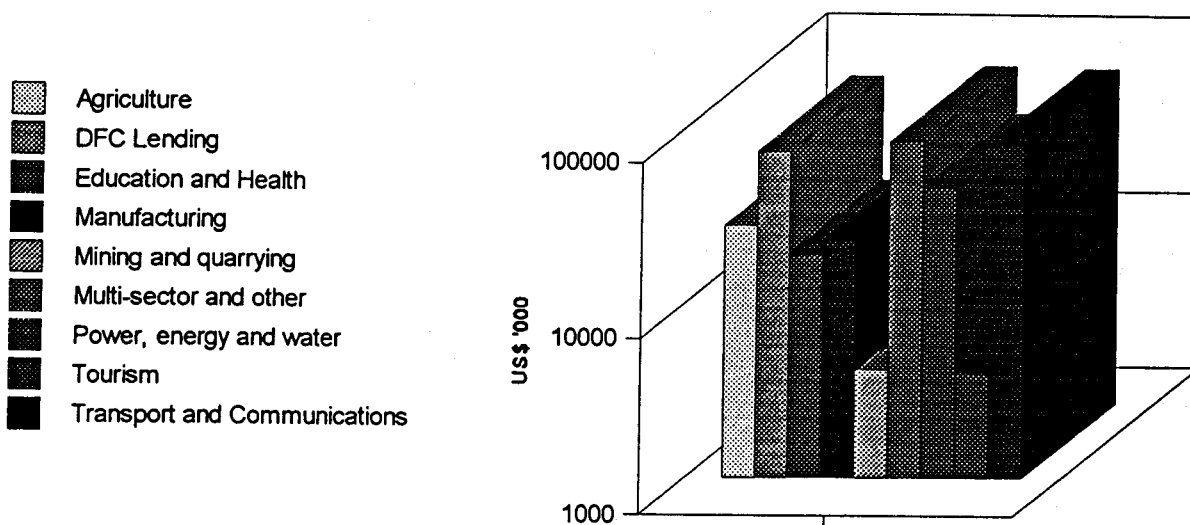
Source : CDB Controller's Division

2. Program Profile

Figure 2.4 shows loan approvals by sector, i.e. the relationship between aggregate commitments over the period for different sectors or sector groups. The three peaks, as already noted, are (reading from right to left in Figure 2.4) *transport, multi-sector* and *DFC lending*, followed (also from right to left) by *electric power and water supply, manufacturing, education and health* and *agriculture*.

Figure 2.4

SDF 1 - SDF 3: Loan Approvals by Sector



Changing patterns over time are best presented in terms of a moving average, as shown in Figure 2.5, which shows trends in lending to particular sectors. The high peak for the *multi-sector* category reflects the structural adjustment loan to Guyana in 1990. *DFC lending*, which was particularly high in 1986 and 1988,³⁷ has shown a declining trend more recently. *Manufacturing (industrial estates)*, which figured in the early part of the period, has disappeared as an SDF sector in the recent past.

Agriculture, forestry and fishing (largely for land settlement and rural development up to 1992), has shown more stability over the period, but did not receive any SDF funds in 1994 and 1995. The most significant rising trend appears to be in *transport*, although this is dominated in the recent past by a single year, 1993, with more than \$24 million in that particular year.

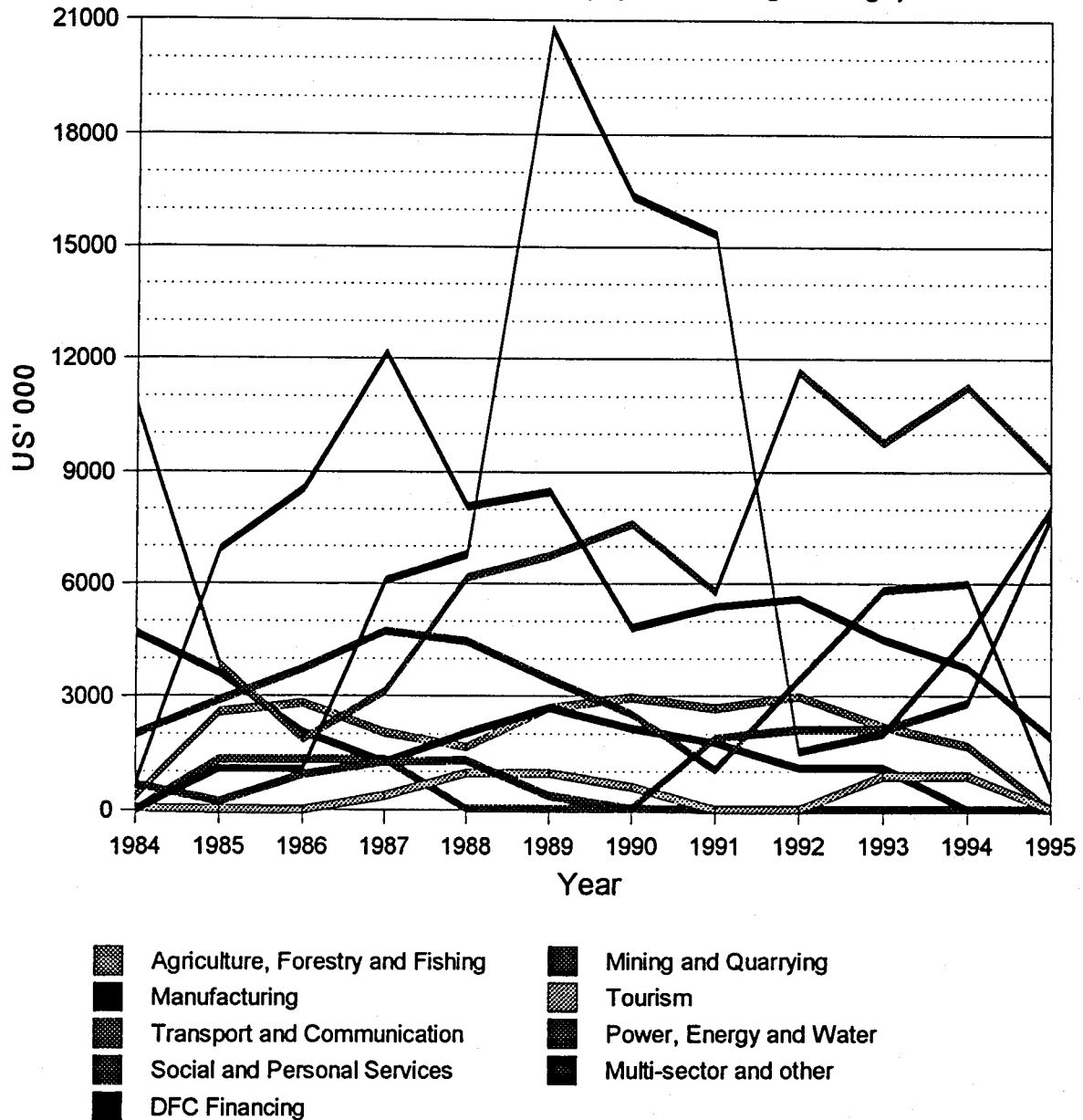
Social and personal services (health and education) also shows a rising trend since 1990, despite an absence of loans to this sector in particular years. *Power and water supply* has remained an

³⁷ See Appendix B, Table B.1.

2. Program Profile

Figure 2.5

SDF 1 - SDF 3 : Program by Year and Sector (3-year moving average)



important SDF sector throughout the period, with the sector total about equally divided between electric power (\$ 22.27 million) and water supply (\$ 23 million).

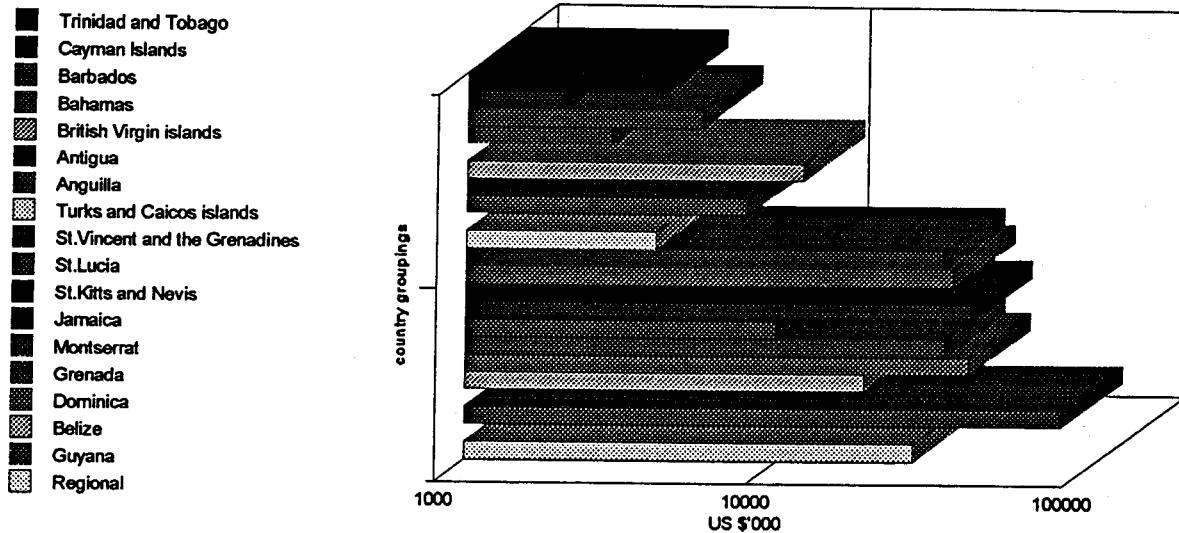
The other two sectors (*mining and tourism*) have received relatively little SDF financing, and mining was significant only in the early part of the period, receiving no SDF lending at all since 1989.

2. Program Profile

The SDF program in terms of *countries and country groups* is shown in Figures 2.6 and 2.7. In Figure 2.6, the four Group 1 countries are shown at the top of the chart, followed by the three countries in Group 2, and the much larger number in Group 3. The two bars at the bottom of the chart show lending to Guyana (Group 4) and lending in the "regional" category.

Figure 2.6

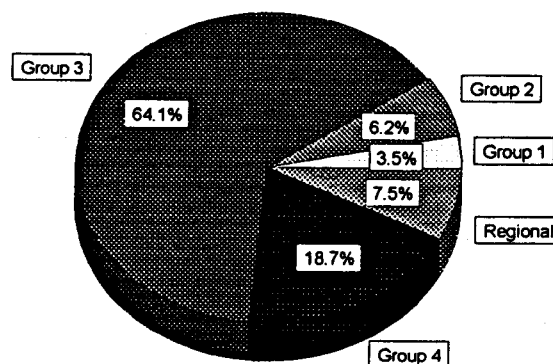
SDF 1 - SDF 3 : Program by Country



Guyana, in Group 4, with close to \$79.3 million, or 18.7 per cent of commitments, has been the largest recipient of SDF assistance. Even more striking is that this has in fact been concentrated in the SDF 2 and SDF 3 periods, after the issue of Guyana's arrears was settled.

Figure 2.7

SDF 1 - SDF 3 : Program by Country Groupings



2. Program Profile

Group 3 countries, as a group, have received the largest share of SDF, some 64 per cent of total commitments. This is consistent with SDF eligibility criteria and the emphasis in the CDB's mandate on the smaller, less developed countries. Groups 1 and 2, with close to 10 per cent, have also received some of the SDF's concessional assistance.

Among the Group 3 countries, the larger recipients have been Jamaica and Dominica, with over \$40 million in SDF commitments each, followed by St. Lucia, Grenada, St. Vincent and the Grenadines, and St. Kitts and Nevis, with between \$31.4 and \$36.4 million each.

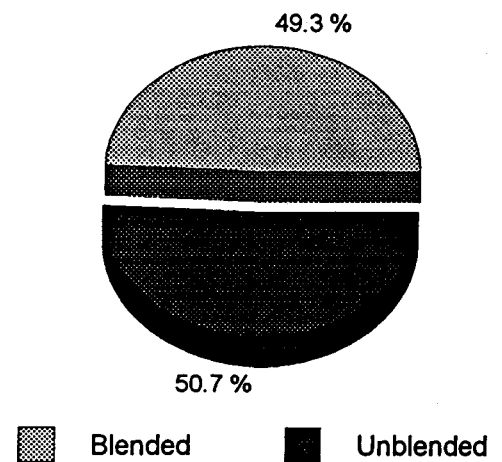
2.4.3 Blending of SDF and OCR Funds

One of the characteristics of the use of SDF resources over the SDF 1 to SDF 3 period has been the "blending", on both a country and a project basis, of concessional SDF funds with OCR lending on conventional terms. Such blending is part of the original role envisaged for the SDF, and was explicitly provided for in the *SDF Rules* and the replenishment agreements, but it has provided a *CDB rather than distinctive SDF character* to a considerable part of the SDF portfolio.³⁸

The selection of projects for SDF funding has been based on the guidelines of the different SDF cycles, including country classification and the indicative country, sector and theme allocations. The limited availability of SDF funds, and the desire to spread these over a number of projects, has meant that other resources have had to be included to meet project financing requirements. A related factor has been an objective of providing, where possible, a continuing SDF program over each cycle.

SDF funds have been used to strengthen project design and/or institutional capacity in all of the BMCs, which helps to explain the extent of blending for Group 1. In the case of DFCs, SDF resources have been used to help both in institutional strengthening and development of these key intermediary institutions, and to support SDF objectives related to small and "micro" businesses,

Figure 2.8 SDF 1-3: Blended Lending
(Groups 1, 2 and 3, excl. disaster rehabilitation and SAL)



³⁸ Presentation of lending levels and sector operations also often are expressed in terms of CDB operations as a whole, without a distinction between OCR and SDF. In a recent study of the CDB (Chandra Hardy, *The Caribbean Development Bank*, NSI, 1995), all data on the Bank's activities are presented without making a distinction between conventional and concessional lending. A similar consolidation appears in the program overview in the Bank's annual report.

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human resource development and low cost housing.

Overall, more than 36 per cent of SDF loan commitments have been blended with OCR funds on a *project* basis, and just over 35 per cent of SDF-supported projects have been "blend" projects. If disaster rehabilitation and structural adjustment lending are excluded, however, along with other lending to Guyana (an SDF-only borrower), the percentage of SDF financing that has been blended with OCR becomes just under 50 per cent, as shown in Figure 2.8.

Table 2.8
SDF 1 - SDF 3: Blending by Country 1984 - 1995
 (Cumulative SDF lending) *US \$ thousands*

	Blended with OCR		Unblended		Totals	
	\$	No. of projects	\$	No. of projects	\$	No. of projects
Group 1						
Bahamas	2,700	3	-	-	2,700	3
Barbados	2,778	2	2,697	7	5,475	9
Cayman Islands	1,627	3	291	1	1,915	4
Trinidad and Tobago	2,950	3	1,284	4	-	6
<i>Sub-total</i>	10,055	11	4,272	12	14,327	22
Group 2						
Anguilla	4,995	4	2,712	2	7,707	6
Antigua and Barbuda	-	-	1,928	1	1,928	1
British Virgin Islands	7,501	5	4,000	3	11,501	8
<i>Sub-total</i>	12,496	9	8,640	6	21,136	15
Group 3						
Belize	8,388	4	7,638	12	16,026	16
Dominica	14,578	6	24,004	19	38,582	25
Grenada	14,129	5	17,393	13	31,522	18
Montserrat	6,350	3	2,613	4	8,963	7
Jamaica	8,225	4	31,914	5	40,139	9
St. Kitts and Nevis	15,534	8	13,697	14	29,231	23
St. Lucia	19,007	10	15,097	14	34,104	24
St. Vincent and the Grenadines	13,346	6	18,186	17	31,532	23
Turks and Caicos Islands	1,900	3	1,492	4	3,392	7
<i>Sub-total</i>	101,457	49	132,034	102	233,491	152
Group 4						
Guyana	-	-	71,640	6	71,640	6
Regional	5,672	1	12,200	3	17,872	4
GRAND TOTAL	129,680	7	228,786	129	358,466	199

Source : CDB Controller's Division

2. Program Profile

Tables 2.8 and 2.9 show the use of blending on a project basis by country and country group, and by sector.

Fifty per cent or more of SDF loan projects in Groups 1 and 2 have been blended projects, and as much as 70 per cent in dollar terms in Group 1 and 60 per cent in Group 2. This reflects, at least in part, the limited availability of SDF funds for these countries. In the case of Group 3, about one-third of SDF projects, and some 43 per cent of SDF financing for the group, have been blended with OCR. Group 4 (Guyana), as already noted, has been an SDF-only borrower, where blending does not apply.

On a sub-program and sector basis, the extent of blending has been highest for DFC lending, with 26 projects and \$50.9 million, or 70.3 per cent of total SDF financing for DFCs, followed by manufacturing, with \$13.9 million or 62.7 per cent of SDF support for this sector, and education and health, with \$13.9 million or 74 per cent, as well as tourism, at 90 per cent of a much smaller level of lending.

Table 2.9
SDF 1 - SDF 3: Blending by Sector 1984-1995
 (Cumulative SDF lending)

US \$ thousand

	Blended with OCR		Unblended		Totals	
	\$	No. of projects	\$	No. of projects	\$	No. of projects
Agriculture	8,420	4	18,623	17	27,043	21
Mining and quarrying	-	-	4,111	3	4,111	3
Manufacturing	13,931	6	8,285	7	22,216	13
Tourism	3,603	2	388	3	3,991	5
Transport and Communications	25,789	15	55,495	43	81,284	58
Power, Energy and Water	10,817	7	34,502	12	45,319	19
Education and Health	13,899	8	4,821	9	18,720	17
Multi-sector and other ^a	2,297	2	84,041	14	86,338	16
DFC Lending ^b	50,925	26	18,519	21	69,444	49
GRAND TOTAL	129,681	70	228,785	129	358,466	199

NOTES : ^a Including \$65.8 million for disaster rehabilitation and structural adjustment.

^b Covering agriculture, manufacturing, education and housing.

Source : CDB Controller's Division

2.4.4 Technical Assistance and the BNTF

Technical assistance has been an important part of the Bank's work, particularly in terms of the use of SDF resources. Such technical assistance has been extended in various forms, including the direct assistance provided by Bank staff in many different ways, from assistance in the project cycle to the provision of economic advice and assistance in the preparation of public sector investment programs. "Indirect" TA has been provided on a grant, loan or contingent loan basis, with the assistance in the latter two cases directly related to the preparation of projects that the Bank itself expects to finance. In the case of a contingent loan, if the project does not proceed, the loan is converted to a grant.

The various purposes for which TA can be provided are shown in Box 2.5. Pre-feasibility and feasibility studies, in the first category, are financed on a loan or contingent loan basis. Other technical assistance in categories 1 to 3 may be financed by either a grant or a loan, the criterion being whether or not the particular operation is income-generating. TA in categories 4 to 7 are all grant-financed.

Grant TA is generally financed through the use of SDF funds, although in earlier years there was a special Technical Assistance Fund (TAF) that was used for this purpose.

For the present study, SDF-financed grant technical assistance is shown in terms of:

- preinvestment activities,
- institutional strengthening,
- other advisory TA,
- training,
- environment (a recent category), and
- Caribbean Technological Consultancy Services (CTCS).

Grant-financed TA projects or interventions (other than CTCS) over the period 1984 to 1995 are shown in Figure 2.9. The largest number of such projects have been for institutional strengthening and other advisory work, followed by training and project preparatory technical assistance (for which there has also been loan and contingent loan financing). In the case of CTCS, there have been more than 2,000 individual TA responses.

On an annual basis, as shown in Figure 2.10, there has been a generally rising trend in grant-financed TA activity (in terms of individual interventions), reflecting the emphasis placed on this program component in successive SDF replenishments.

Box 2.5
Types of Technical Assistance
(grant or loan financed)

1. Pre-investment activities
 - 1.1 Development planning
 - 1.2 Pre-feasibility and feasibility studies
 - 1.3 Investment-linked institutional strengthening
2. Project preparation
3. Project implementation
4. General institutional strengthening
5. General development and other advisory
6. Training
7. CTCS

2. Program Profile

Figure 2.9 SDF Grant Technical Assistance 1984-1995
No. of Projects (excluding CTCS)

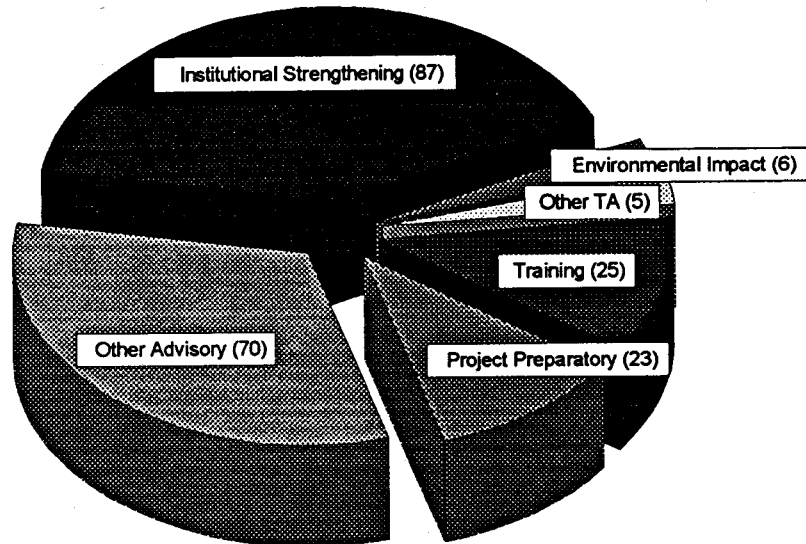
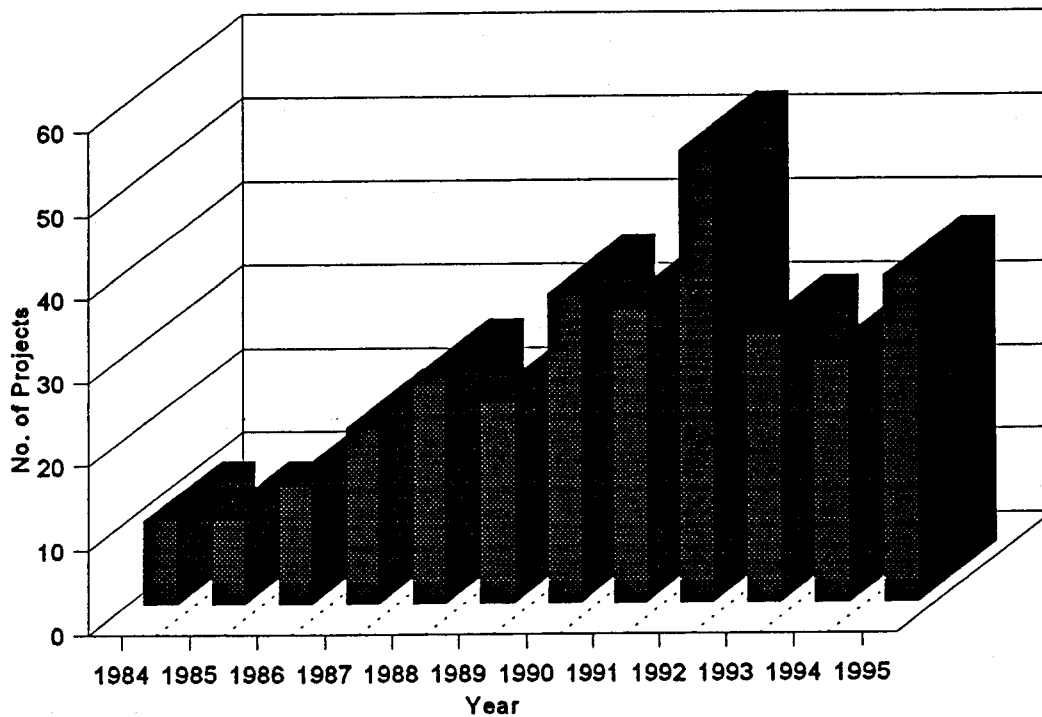


Figure 2.10
SDF Grant Technical Assistance Projects By Year



2. Program Profile

SDF-financed grant assistance in dollar terms, including both technical assistance and the BNTF is shown in Table 2.10.

All of the BMCs have received some TA on a grant basis, although the greatest emphasis has generally been on countries in the Group 3 and Group 4 categories, in addition to Barbados and BVI. The largest individual recipient countries, in dollar terms, have been Guyana, Belize and Jamaica, followed by Grenada, St. Kitts and Nevis, Barbados and Montserrat. There has also been considerable technical assistance in the regional category, particularly for institutional strengthening and other advisory TA.

In terms of the categories shown, the largest amount, by far, has been for institutional strengthening, followed by other advisory assistance, the CTCS and the preinvestment category. Total SDF-financed grant TA over the 12 year period has been \$20.4 million.

The *Basic Needs Trust Fund* has been a further important area of SDF-financed grant assistance. As shown in Table 2.10, all countries in Groups 2, 3 and 4, other than Jamaica, have received BNTF assistance, with the largest allocations for eligible countries in Group 3 and Group 4. Guyana has received the largest single amount.

The total allocation for BNTF over the period has been just under \$17 million.

Technical assistance on a loan basis has also been significant, and used for a number of purposes. During the 1984-1995 period, 46 TA loan were approved for SDF financing, amounting to \$9.7 million. Of this amount, \$2.7 million was provided on a contingency basis, i.e. repayable only if the project in question received financing from the Bank or another source. Most of these TA loan were for preinvestment work such as engineering designs. Five were for institutional strengthening in conjunction with project loans for capital works. There was also one TA loan for training and two for environmental assessment. TA lending is shown in Table 2.11.

Total SDF-financed technical assistance over the period, both grant and loan, was some \$30 million.

Table 2.10
SDF Technical Assistance and BNTF Grants 1984 - 1995
(US\$'000)

	Technical Assistance (TA)							Totals for TA ^c	Basic Needs Trust Fund	Totals
	Pre-investment	Institutional Strengthening	Other Advisory	Training	Environment	CTCS ^b	Other			
Group 1^a										
Cayman Islands	--	42	--	--	97	5	--	144	--	144
Trinidad and Tobago	12	--	16	--	--	116	19	163	--	163
Bahamas	--	164	--	--	--	83	--	247	--	247
Barbados	74	329	168	--	--	164	--	735	--	735
Group 2^a										
Anguilla	--	180	--	--	--	77	--	257	64	321
Antigua	24	28	--	--	--	151	--	203	127	330
British Virgin Islands	--	392	49	--	--	4	--	445	90	535
Group 3^a										
Turks and Caicos	18	166	50	--	--	--	--	234	459	693
Montserrat	--	492	--	--	--	126	--	618	436	1,054
Jamaica	31	793	--	--	--	312	--	1,136	--	1,136
St. Kitts and Nevis	381	141	--	--	--	203	--	809	1,430	2,239
St. Vincent and the Grenadines	--	125	60	--	--	257	--	442	1,884	2,326
Dominica	--	280	20	--	42	115	--	457	1,883	2,340
St. Lucia	--	98	148	32	16	202	--	496	1,884	2,380
Grenada	--	313	122	--	--	384	--	819	1,860	2,679
Belize	200	536	199	--	--	247	--	1,182	1,859	3,041
Group 4^a										
Guyana	196	283	15	--	--	135	2,000	2,629	5,000	7,629
Regional	789	4,238	2,900	981	245	28	199	9,380	--	9,380
TOTAL	1,725	8,600	3,831	1,013	400	2,609	2,218	20,396	16,976	37,372

Source: CDB/CPPD

NOTES: ^a Country groupings as of SDF 3.

^b Caribbean Technological Consultancy Services.

^c Including other TA, largely a \$ 2 million economic recovery grant for Guyana.

Table 2.11
SDF Technical Assistance Loans 1984 - 1995
(US\$'000)

	Technical Assistance (TA)					Totals for TA
	Pre-investment	Institutional Strengthening	Other Advisory	Training	Environment	
Group 1^a						
Cayman Islands	--	--	--	--	291	291
Trinidad and Tobago	515	450	--	--	--	965
Bahamas	200	--	--	--	--	200
Barbados	1,112	--	--	778	--	1,890
Group 2^a						
Anguilla	--	--	--	--	--	--
Antigua	--	--	--	--	--	--
British Virgin Islands	--	--	--	--	--	--
Group 3^a						
Turks and Caicos	1,039	--	--	--	--	1,039
Montserrat	103	--	--	--	--	103
Jamaica	395	175	--	--	286	856
St Kitts and Nevis	497	--	--	--	--	497
St Vincent and the Grenadines						
Dominica	364	--	--	--	--	364
St Lucia	588	--	--	--	--	588
Grenada	877	--	--	--	--	877
Belize	377	177	--	--	--	494
	1,336	159	--	--	--	1,495
Group 4^a						
Guyana	--	--	--	--	--	--
Regional	41	--	--	--	--	41
TOTAL	7,444	901	--	778	577	9,700

Source: CDB/ TCHRDU

NOTES: ^a Country groupings as of SDF 3.
^b Caribbean Technological Consultancy Services.

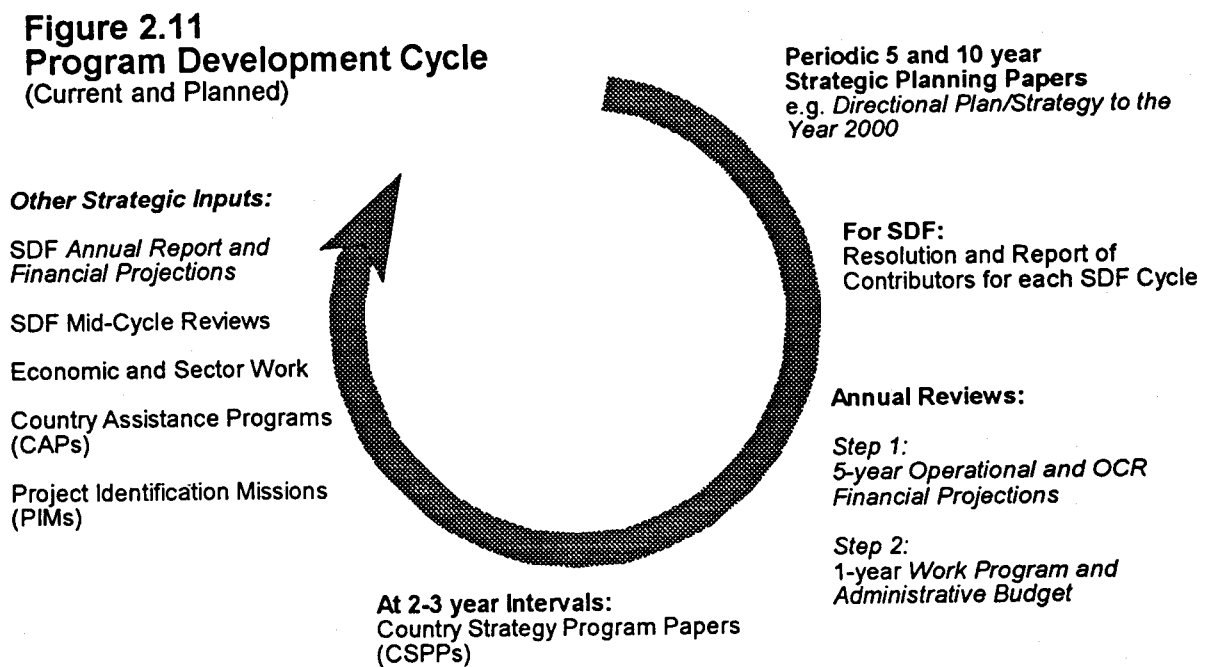
2.5 Program Development: Setting Strategic and Operational Objectives

A key element of program planning and development since 1980 has been a series of periodic strategic planning and programming papers, complemented by annually updated 5-year operational planning documents and an annual work plan and administrative budget. Occasional sector program papers and periodic reviews of country-level strategies have been other aspects of the process, varying somewhat in focus or character over time.

While some of these documents have had a strong emphasis on the OCR operations of the Bank, they have also covered the role and programs of the CDB as a whole, and represent, along with the successive SDF mandates provided by Contributors, the strategic and operational planning framework for both SDF as well as OCR operations.

In schematic terms, this program development cycle, as currently in practice or planned, is shown in Figure 2.11.

Figure 2.11
Program Development Cycle
(Current and Planned)



2.5.1 Medium and Longer Term Strategy

CDB in the Eighties was prepared in 1980, with input from a panel of experts, staff discussions, and review by the Board of Directors, and provided a 10-year planning perspective. A mid-decade strategic review was then undertaken in early 1986, in *CDB's Future Role 1986-1990*.

The next in-depth strategic perspective was developed in the course of 1990 and 1991, leading to the Board's agreement in early 1992 on a document entitled *Directional Plan/Strategy - CDB to the Year 2000*. A further mid-decade review is planned for 1996.

The 1986 Medium-Term Review

The 1986 strategic planning document reviewed the changing economic context, including the deterioration in the economic position of some member countries, set medium-term goals for the Bank, and developed a series of "foci" of development and assistance, as a basis for a programming strategy.

The character or form of CDB assistance was considered, as were elements of a strategy for particular areas of program activity, along with the issues of portfolio quality, lending terms, resource mobilization, financial policy and country-specific program guidelines. The paper included, as a basis for discussion, alternative "scenarios" or levels for the Bank's operational activities.

Among the recommendations were:

- a continuing *development agency as well as development banking function* for the Bank, with greater attention to helping BMCs improve national economic management, and development of the capability for the Bank to become the primary source of economic work on the smaller BMCs;
- a more *proactive role in technical assistance*, including "creative and preventative" TA;
- a priority for *improving portfolio quality*, including:
 - ▶ more intensive project supervision activities, including in the field,
 - ▶ greater efforts in the post-implementation evaluation of projects,
 - ▶ strengthening national capability for project development through institution-building, greater borrower involvement in project development, training in all phases of the project cycle, and development of appropriate economic policies to improve the project environment; and
 - ▶ identification of only *strictly viable* productive sector projects and *essential* cost-effective infrastructure, with greater concentration on overall sector needs and integrated project development;
- initiation of lending for *technical and vocational education* and the *forestry sector*, as well as

2. Program Profile

increased support for residential lower middle income *mortgage financing*, in each case with particular objectives in mind;

- use of *broader lending instruments*, i.e. multi-project, sector and sector adjustment lending; and
- more intensive efforts to lend to the *private sector* for productive projects.³⁹

The strategy was presented in terms of overall objectives and program approaches for the Bank, in most cases without distinguishing between OCR and SDF, although recommendations were made on SDF terms, and indicative allocations were presented for SDF funding for each of the four country groups and for private sector and regional projects.⁴⁰

The Board endorsed the paper as providing broad guidelines for the future direction of the Bank, although noting that some of the recommendations would require more specific decisions before they could become operational.⁴¹

The Directional Plan for the 1990s

The Bank's third decade was marked by a new strategic assessment, beginning with a symposium at the 1990 Annual Meeting on longer issues facing the Bank,⁴² a management and productivity study,⁴³ and a series of discussions in the Board of Directors over the course of 1991 and early 1992 on a new *Directional Plan/Strategy -- CDB to the Year 2000*.⁴⁴ After various revisions, the Board "agreed to the objectives and strategies set out in the . . . Directional Plan/Strategy", on the understanding that the Bank would be able to respond to evolving situations, and that the strategy would be reviewed and revised periodically.⁴⁵

The paper developed an overall strategic view of how the Bank's mission, objectives and operations might be adapted to the requirements of the BMCs in the 1990s, given the Bank's strengths and limitations. This was summarized in a revised mission statement, under which

³⁹ *CDB's Future Role 1986-1990*, Paper BD 14/86, March 1986.

⁴⁰ These were reflected also in the concurrent report for SDF Contributors, *Mid-Term Review and Financial Projections of the SDF(U) 1986-1990*, April 1986.

⁴¹ *Minutes* of the 106th meeting of the Board of Directors, September 11 and 12, 1986.

⁴² *CDB to the Year 2000 - Proceedings, Twentieth Anniversary Symposium, May 1990*.

⁴³ *Corporate Management and Productivity Study*, prepared by Peat Marwick Stevenson & Kellogg, June 1990.

⁴⁴ CDB Papers BD 26/91 (March 1991), BD 29/91 Rev. 1 (December 1991) and BD 26/91 Rev. 2 (February 1992).

⁴⁵ *Minutes* of the 141st meeting of the Board of Directors, February 6, 1992.

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the Bank was to:

*. . . build on its performance both as a financial institution and development agency in efficiently helping BMCs to pursue macroeconomically feasible programs for sustainable development by providing finance and technical assistance, especially for economic and social infrastructure, directly productive activities, human resource development, poverty alleviation and strengthening of national and regional institutions.*⁴⁶

Among the more significant changes in emphasis or direction were:

- an intensification of the policy dialogue with the Bank's BMCs and other development agencies, and a greater emphasis on the role of "policy broker," particularly for the smaller BMCs;
- a strengthening of the Bank's economic work, especially in sector studies and in helping to develop appropriate economic policies;
- broadening the scope of the Bank's public sector lending to include, much more extensively, poverty reduction, human resource development and environmental protection, with an overall increase from 8.9 per cent to 13.9 per cent in the share of lending directed to social infrastructure;
- greater use of sector and multi-project loans;
- broadening the scope of indirect private sector lending;
- increasing technical assistance for institutional strengthening in the management of environmental resources, human resource development, utilities, other physical infrastructure, social infrastructure and productive sectors; and
- an overall expansion in lending operations (OCR and SDF) by 5 per cent annually in real terms over the first half of the decade.

The Bank was to become proactive in identifying and financing opportunities for addressing issues in HRD, poverty reduction, environmental protection and gender-related matters. It was also to increase the country focus of its operations, including the *development of integrated country programs*, and the re-introduction of *project identification missions (PIMs)* to the BMCs, as recommended by the 1990 Management study.

The Bank was, similarly, to become more proactive in responding to technical assistance needs of BMCs, including preinvestment, strengthening institutional borrowers/intermediaries/executing agencies, supporting development of institutions and systems concerned with the management of human and environmental resources, and support for specialised short-term training to improve project preparation, implementation and operation, as well as macroeconomic management. A key element of the approach was to be the development of *country technical co-operation programs*, which were to be reviewed annually.

⁴⁶ Para. 4.11.

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Portfolio quality issues were again addressed in the strategy, with recommendations that included:

- ◆ a requirement for economic and financial returns on loan-financed activities to be not less than 12 and 15 per cent respectively;
- ◆ ensuring that projects were planned within a macroeconomic framework, were sustainable, and were implemented on a timely basis;
- ◆ reflecting the findings and recommendations of post-implementation evaluations in the design and management of new and ongoing projects; and
- ◆ requiring that adequate provision be made in project design for recruiting and retaining the requisite skills for project implementation and operation.

2.5.2 The Operational Program

The Bank's operational program planning process, as it has evolved, has a number of steps and key inputs, as shown in Figures 2.11 and 2.12. The principal documents which come to the Board each year for review and approval are:

- a medium-term operational planning document, presented in the late Spring or early Summer, with considerable emphasis on OCR operations and financing, but covering the complementary activities of both ordinary and special resources operations;
- an annual *Work Program and Administrative Budget*, prepared and presented in the autumn.

In the case of the SDF, these are complemented by the SDF annual report and multi-year financial projections,⁴⁷ presented to the annual meeting of SDF Contributors each Spring, but this is largely a reporting rather than a programming document.

In addition, the most recent emphasis on the development of integrated country strategies and the use of occasional Project Identification Missions provides a stronger medium term focus at the country level, and should become an important input to (and expression of) the overall operational program and, in time, the Bank's strategic directions.

Medium-Term Operational Programming

The most recent medium-term plan is the *Operational and Ordinary Capital Resources Financial Projections 1995-99*.⁴⁸ The paper is similar to predecessor documents, and its coverage includes:

- ◆ a review of the economic challenges facing the Bank's BMCs, as a basis for identifying broad objectives for the Bank in different sectors and program areas;

⁴⁷ See, for example, *Special Development Fund Annual Report 1994 and Financial Projections 1995-99*, April 1995.

⁴⁸ BD 63/95 which, exceptionally, was presented in October 1995.

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- ◆ the overall corporate resource position, proposals for utilising programmed special funds resources, and the complementary role played by OCR and SDF;
- ◆ an identification of priorities for 1995-99, with associated financial implications; and
- ◆ the proposed OCR borrowing program.

Although apparently not intended as the basic programming document for SDF, the annual *Operational Projections* paper does provide a basis for the Board to exercise its responsibilities to review and provide guidance on the Bank's overall medium term operational program and the subsequent preparation of an annual work program and administrative budget. As a result, the paper has developed into a somewhat broader programming document, and may evolve further.

The 1995-99 paper sets out a number of challenges facing the Bank, including:

- improving portfolio quality and the speed of project implementation;
- focusing the Special Development Fund much more on social sector projects, with emphasis on poverty alleviation, institutional strengthening and the environment; and
- responding effectively to the broad spectrum of demands for development financing and policy advice.

Operational activities are to include:

- ◆ increasing the Bank's presence in the BMCs through regular policy dialogue;
- ◆ developing *medium term country assistance programs* (CAPs);
- ◆ using the CAPs as the framework for developing, at 2 to 3 year intervals, *Country Strategy Program Papers* (CSPPs), with a minimum of five CSPPs per year, as the major instrument for defining the Bank's role in the BMCs;
- ◆ aiming technical assistance primarily at strengthening planning and implementation capacity in the BMCs; and
- ◆ effecting a shift in the structure of CDB lending, particularly with respect to the use of concessional funds, and with at least 40 per cent of SDF 4 resources will be targeted at poverty reduction.

The paper sets out indicative program levels for both OCR and SDF by country and by sector, reviews sector objectives and programs, and compares OCR and SDF lending programs for each country by year. The balance of the paper covers issues specific to OCR.

The 1995 *Operational Projections* also provides, in matrix form, a summary of proposed lending strategies for several sectors and for the major themes in the SDF 4 program mandate. In each case, the matrix sets out key issues to be addressed, with the corresponding strategies or activities.

Box 2.5 summarizes proposed strategies for the areas of most direct concern to SDF, paralleling, but representing some further development on, the themes set out in Box 2.3.

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Box 2.6

1995-1999 Operational Strategy: Major SDF-Related Themes

Poverty Reduction

- human settlements upgrading
- community development funds
- small and microenterprise development
- Basic Needs Trust Fund operations
- human resource development, including skills training
- programs to address gender issues
- market development for rural services
- institutional strengthening
- rehabilitation and protection of watersheds
- rural and urban water supply
- solid and liquid waste management
- coastal zone management
- hazard mitigation and management

Human Resource Development

- improve physical infrastructure for basic education
- provision of instructional material and equipment
- increasing access to post-secondary education
- increasing quality and relevance of basic education
- improving institutional and management arrangements
- policy formulation
- student loans
- improved teacher training
- targeted training in macroeconomic and project management
- capital market development
- empirical research

Environment, Water and Sanitation

- policy reform, including incentives for better resource management
- modernisation and expansion
- financial/institutional strengthening of utilities/other public service providers
- transportation policies and legislative reform
- transmission and distribution of electricity
- institutional strengthening and training
- rehabilitation/ preventative maintenance of main feeder roads and access roads
- air and sea transport infrastructure
- disaster rehabilitation
- rural power and electrification

Operational and OCR Financial Projections 1995-99, October 1995

Country Program Strategies

Occasional country program papers, in addition to annual country economic reports, have provided an input to the country programming process, as have *Project Identification Missions, or PIMs*, headed by a Vice President or Director. The latter, however, have been infrequent, and country programming discussions appear to have taken place more usually in the context of other activities. There has, however, been a regular annual process of preparing a short *Country Brief* for each BMC, and these have formed the basis for a discussion of the Bank's operational program for each country in the staff-level *Country Committee*, chaired by the Vice President (Operations).

More recently, as proposed in the *Directional Plan/Strategy* for the 1990s, there has been an emphasis on the development of integrated Country Assistance Programs (CAPs) in

2. Program Profile

consultation with BMCs, to be based on "clearly defined strategies and objectives" for lending and technical assistance operations. The present plan is that these medium-term CAPs would be developed for at least six countries each year, and that individual *Country Strategy and Program Papers* (CSPPs) would, for the first time, be brought to the Board for discussion, starting in 1996.

The preparation of CSPPs, however, if the papers are to be sufficiently in-depth and reflect the country's own strategies and the Bank's overall experience, represents a significant commitment of staff resources. The 1995 Budget provided for some 11 CSPPs, but in the event two were completed, for Belize and for St. Kitts and Nevis, and submitted to the Board in early 1996.⁴⁹ The 1996 Budget provides for six CSPPs to be prepared this year, but this may be difficult to achieve.

The two CSPPs completed to date each provide a country overview, with a review of the Bank's past involvement, operational experience and portfolio performance, an assessment of country economic issues, followed by a proposed country assistance and operational strategy, touching on the proposed focus of the Bank's economic and sector work, the Bank's role in relation to institutional strengthening, and proposed lending program objectives. In the case of Belize, the focus of the lending program is to be on institutional strengthening, infrastructure, poverty reduction and environmental management.

The CSPPs provide a strong basis for both a country-level input to the operational programming process and a country-specific application of strategic and operational objectives. They represent an important strengthening in the Bank's operational programming, and should be a useful tool in addressing and informing the SDF programming process during SDF 4.

Project Identification Missions are also planned to increase, from three in 1995 to six in 1996. PIMs have assumed a broader role as a focus for review of the portfolio and the country policy and program dialogue. If they can be used on a more regular basis, they would have the character of periodic *country programming missions*, and an important complement and input to the development of CAPs and CSPPs.

The Annual Work Program

The final document in the operational programming process is the *Work Program and Administrative Budget*. This summarises progress towards objectives and targets for the current year, defines major short-term objectives and targets for the following year, including staffing requirements, and then presents the administrative budget.

⁴⁹ *Country Strategy Paper - Belize* (Paper BD 3/96, February 1996) and *Country Strategy Paper - St. Kitts and Nevis* (still in draft during preparation of this report).

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With respect to financing and supervision activities, the 1996 Work Program sets out objectives which include:

- ▶ increased emphasis on developing comprehensive *medium-term country assistance programs* for at least six countries,
- ▶ *project identification missions* to about three countries,
- ▶ the conduct of at least two *poverty assessments*,
- ▶ continued support to BMCs in the *preparation of public sector investment programs*, and
- ▶ continued efforts to *enhance the quality of the loan portfolio* through more intensive supervision of projects under implementation, problem projects and project implementing institutions.

Also set out are other key elements of the work program, with projected numbers and amounts for various types of projects, including technical co-operation loans and grants and BNTF sub-projects, projected numbers of sector studies, environmental impact assessments, training courses, CTCS requests to be handled, and areas in which the Bank is identifying or preparing projects in the social development field.

2.6 Project Development and Project Management

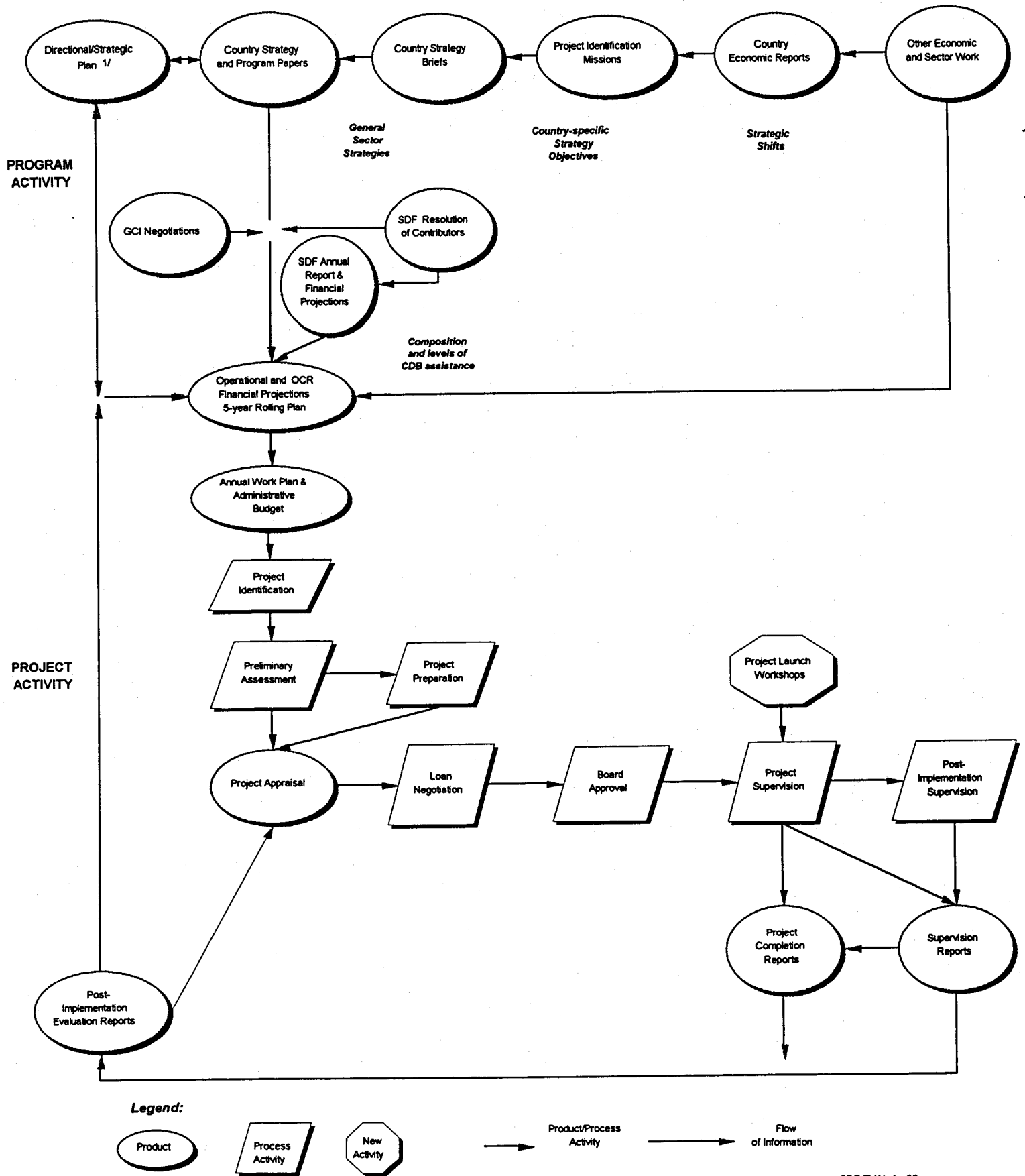
The linkages between the program development process and the various stages of project identification, assessment, appraisal, implementation, supervision and evaluation are shown in Figure 2.12.

Many of these steps are described in the Bank's *Operational Policies and Procedures Manual*,⁵⁰ which sets out also the role of PIMs and the various stages of project review, including consideration by the *Loans Committee* and the *Board of Directors*.

The process of project supervision, although set out in detail in the manual, was recently the subject of a major review, and weaknesses in the system are being addressed in the context of the conclusions of that review. Similarly, guidelines for project completion reporting and post-evaluation are provided in the appropriate manual. The extent to which these processes are followed in the ways envisaged, however, depends in part on available staff resources and potentially conflicting demands. The overall M&E system, covering both project supervision or monitoring and various types of evaluation and performance review, is discussed further in Chapter 4 below.

⁵⁰ See, for example, *Operational Policies and Procedures Manual: Vol. 1 -- Identification, Preparation and Appraisal, Vol. 3 -- Supervision* and *Vol. 4 -- Guidelines for Post-Evaluation*.

Figure 2.12
CDB PROGRAM DEVELOPMENT AND PROJECT PROCESSES



Footnote
 1/ Current Plan for 1990s is being revised for 1996-2000

2. Program Profile

Additional elements in the process are *sector and thematic program reviews*, which have become of increasing importance in the SDF context, as in the case of the social development strategy currently being drafted.

The preparation of *country poverty assessments* has also become an important element in the approach to developing more focused programming aimed at poverty reduction. The first three country poverty assessments -- for Belize, St. Lucia, and St. Vincent and the Grenadines -- are nearing completion.

These additional elements in the process are intended to assist in the development of the operational program, including the selection and design of individual projects. They are, however, also resource-intensive, and can require specialized experience and skills to carry out effectively

2. Program Profile

3. Evaluation Findings to Date

3.1 Introduction

An evaluation of performance with respect to the SDF can be conducted at various levels and with different degrees of depth. Determining the scope of such an evaluation is an essential first step, and it is for this reason, as indicated in Chapter 1, that an evaluation assessment phase normally precedes a full program evaluation.

In some cases, an evaluation of an entire program can be conducted on the basis of project, sector and/or theme examinations that may have already been completed. The result is a synthesis of findings, and the drawing of conclusions with a bearing on the program as a whole.

This approach, however, requires the existence of a sufficient body of existing evaluation material, with enough findings for meaningful program analysis. In the case of the CDB and SDF, while a number of interesting and important evaluations have been undertaken in the past decade, they do not in themselves provide the critical mass necessary for reaching conclusions on all sectors or on some of the key areas where SDF funds have been used.

In a number of instances, however, there are sufficient evaluation findings to provide a reasonable indication of performance. The current chapter attempts to synthesize these findings in selected areas of particular relevance to the SDF. A review of such findings can not only provide an indication of performance in those particular areas, it can also indicate where further evaluation work will be most useful.

The SDF Program and Overall CDB Program Activity

Table 3.1 shows total loans and grants approved by sector during the 25 years of the Bank's existence (\$1.3 billion).⁵¹ Of interest is the fact that 38.7 per cent of the total came from the SDF, a significant portion blended with OCR resources on the basis of allocations that took into account, *inter alia*, the relative poverty of the receiving country, and the particular sector involved.

⁵¹ Covering a longer time frame than the SDF(U)-only data used in Chapter 2 and Appendix Table B.1.

3. Evaluation Findings to Date

Table 3.1
CDB Loans and Grants Approved by Sector 1970-1995

(US\$ 000)

	Total Loans and Grants ^a		Special Development Fund	SDF as % of Total
(1)	(2)	(3)	(4)	(5)
<i>Total - All Sectors</i>	1,303,655	100%	504,285	38.7%
Agriculture/Forestry/Fisheries	86,543	6.6%	44,622	51.6%
Mining and Quarrying	39,118	3.0%	4,393	11.2%
Manufacturing	144,751	11.1%	42,067	29.1%
Tourism	39,765	3.0%	7,247	18.2%
Transport and Communications	310,658	23.8%	111,086	35.8%
Power, Energy and Water	126,373	9.7%	61,441	48.6%
Other Infrastructure	15,220	1.2%	5,300	34.8%
Social and Personal Services	105,721	8.1%	20,836	19.7%
Multi-Sector and Other	159,603	12.2%	109,018	68.3%
Financing and Distribution	275,903	21.2%	98,275	35.6%

^a Includes Ordinary Capital Resources, Venezuelan Trust Fund, Special Development Fund, Other Special Funds.

Source: CDB Annual Reports

The table shows that the area receiving the largest percentage of SDF funding was *Multi-Sector*, covering disaster rehabilitation and structural adjustment lending. Of the \$160 million provided in loans and grants since 1970, some 68 per cent came from the SDF. The smallest SDF percentage is in the *Mining and Quarrying* sector (11.2 per cent). Between these lie a number of sectors which received SDF funding in varying proportions, broadly following objectives associated with the various SDF replenishments and associated country allocations.

A large percentage (33.5 per cent) of overall financing went to *infrastructure*, including transport and communications and power, energy and water. Some 40 per cent of this was from the SDF. The emphasis on infrastructure reflected the region's need to encourage economic production and stimulate tourism.

Of key importance has been the support provided to *development finance corporations (DFCs)*, which -- through on-lending for sub-projects -- has supported small scale agriculture and manufacturing, as well as housing and education. DFCs received a little more than 20 per cent of total CDB financing, of which more than a third came from the SDF.

3. Evaluation Findings to Date

Manufacturing received 11 per cent of the total, with just under 30 per cent from SDF. *Social and Personal Services (health and education)* received about 8 per cent of total funding, with close to one-fifth from SDF. *Agriculture, Forestry and Fisheries* accounted for 6.6 per cent, with more than half from the SDF.

This brief survey is meant to bring out one essential point. A review of performance in any one sector would necessarily have to measure achievements of both OCR and SDF funding. The effects are virtually inseparable. Yet, there are a number of activities which have been identified as particularly eligible for SDF funding. These were initially specified in the 1983 *Rules for the Special Development Fund*, and have in several cases been selected for special focus under SDF 4 (see Box 2.2, page 16 above).

Provided below is evaluation feedback on selected programs which seem of particular importance in this respect. The discussion includes additional commentary, where appropriate, based on discussions with program staff.

The programs reviewed are:

- *development finance corporations (DFCs)*
- *the student loans scheme (SLS)*
- *technical assistance (TA)*
- *Caribbean Technological Consultancy Services (CTCS)*
- *Basic Needs Trust Fund (BNTF)*
- *agricultural feeder roads*
- *training, and*
- *water supply.*

3.2 Development Finance Corporations

Over the past 25 years the Bank has approved loans and grants to DFCs for a total of some \$275 million, of which 35 per cent was financed from SDF. Expenditures were directed to agriculture (one third of the total), manufacturing (some 39 per cent), housing (17 per cent) and education (10 per cent). It should be noted that the 1983 *SDF Rules* make special mention of lines of credit to financial intermediaries for on-lending to productive sectors (Box 2.2).

The results of these lines of credit can be judged from experience in five different countries. In 1988, the PIEU evaluated two lines of credit to DFCs: a small industry credit for Belize, and a similar credit to St. Lucia, involving a review of a total of 16 sub-projects. During 1990, PIEU evaluated three consolidated lines of credit (Grenada, Dominica, and St. Kitts and Nevis), with a review of 38 sub-projects dealing with farm improvement, agricultural

3. Evaluation Findings to Date

production, industrial credit and mortgage finance.⁵²

The primary objectives of these lines of credit can be summarized as follows:

with respect to the DFCs:

- ◆ to strengthen the institutions through improvements in areas related to overall policy, efficiency, portfolio quality and control (sub-project appraisal, management information systems, supervision, etc.);

with respect to sub-borrowers:

- ◆ to provide employment;
- ◆ to make credit available to persons with limited access to such funds, especially in lower income brackets;
- ◆ to increase production of food crops for local consumption;
- ◆ to increase and diversify agricultural production;
- ◆ to earn or save foreign exchange; and
- ◆ to afford sub-borrowers a better quality of life.

Results

The evaluation studies report that the objective of *institutional strengthening* was partly achieved. The CDB provided grant financing for assistance in areas such as accounting and computerization of various systems within the DFCs, installation of management information systems, staff training and organizational restructuring. In some, but not all, cases, this contributed to institutional improvement. Efficiency was improved through the introduction of better management information systems, training, and improvements in financial systems.

In one case (Belize), where institutional performance was less satisfactory than expected, a follow-up visit was made two years later to ascertain whether institutional improvements had been made in the interim. This was in fact the case. Further improvements followed in ensuing years, and currently the DFC in Belize is reported to be an active and profitable institution.

In a few areas, it was more difficult to detect institutional improvements. Of particular concern were *loan supervision and arrears*. Problems were also experienced with the quality of sub-project preparation, which in some instances was less thorough than could have been expected. Post-evaluation recommended much closer Bank supervision for these typically difficult institutional development activities.

⁵² Post evaluation reports on: *Line of Credit 25/SFR-BZ (Small Industry Credit 4th Loan) Belize*, September 1988; *Sub-Projects Funded by Line of Credit 24/SFR-ST.L, St. Lucia*, March 1988; *Consolidated Line of Credit 31/SFR-DO, Dominica*, October 1990; *Consolidated Line of Credit 19/SFR-ST.K, St. Kitts and Nevis*, April 1990; and *Consolidated Line of Credit to Grenada*, October 1990.

3. Evaluation Findings to Date

The Bank's Financial Intermediaries Unit reports that the Bank is currently closely involved with a number of DFCs in an attempt to strengthen these institutions, with some promising results, such as in Grenada and Dominica.

Generally speaking, post-evaluation findings were very positive with respect to the *impact of sub-projects on final recipients*. The various reports note that the CDB has been responsible for the transfer, through DFCs, of millions of dollars to small business persons in the region who may not have been able to obtain funds otherwise to start or expand their businesses. It is the view of the post evaluation reports that "in the absence of these lines of credit, there would be higher unemployment, less development of business skills, less foreign exchange earnings and weaker economies in general".⁵³

In reviewing the post evaluation reports, and discussing the issues further with Bank staff, it seems clear that support for DFCs can constitute an effective way to reach those who would have difficulty obtaining credit through commercial channels. The DFC channel can provide an opportunity for the Bank to support lower income levels of society.

Challenges

Providing support to DFCs, however, presents many challenges. The institutions have a reputation as lenders of last resort, with high-risk portfolios containing numerous loans to small scale entrepreneurs and farmers. Profit margins are slim, overheads are high, and there continues to be a need for government support to meet operating expenses. Some borrowers may view the institutions, owned as they are by government, as funding mechanisms capable of absorbing losses.

Three major areas requiring constant vigilance can be isolated. *First*, there is the continuing challenge of ensuring that the institutions are staffed with qualified professionals. There is a need to attract and retain staff with skills in the areas of policy definition, financial systems and procedures, project appraisal, project supervision and loan administration. An ongoing program of human resource development plays an important role in strengthening such institutions.

Secondly, the area of arrears and loan recovery has proven to be difficult. The level of arrears is normally related to factors such as the quality of project appraisal, the quality and frequency of supervision, and the general "collection climate" of an institution, including the political will to act with determination in the loan recovery process. In a few cases, the absence of political will has tended to undermine an institution's financial stability.

⁵³ *Recommendations and Summaries of Lessons to be Learnt from Ex-Post Evaluation and Other Reports Completed through December 1990*, p.ii.

3. Evaluation Findings to Date

Thirdly, there is the challenge of establishing a sound operational framework, especially in terms of defining a viable financial policy and achieving healthy financial ratios. Institutions can also be affected by unforeseen external factors. A case is last year's hurricane in Dominica, which devastated agricultural crops and directly affected the DFC's financial liquidity.

Of the roughly 43 development finance corporations in the region, the Bank presently deals with approximately 18 on an ongoing basis. To be eligible for Bank support, certain criteria have to be satisfied. These deal with issues such as the quality of organization, management and staffing, accounting policies, financial conditions and loan administration policies.

The Bank pursues institutional strengthening in a number of ways. Of particular importance is the attempt to introduce changes in an institution's financial policy framework. Institutional goals are established through the setting of specific financial ratios to ensure capital adequacy (e.g. debt/equity ratio, debt/capitalization ratio), liquidity, profitability, management of risk, assets/liability management, and collection performance.

CDB support for an institution's financial policy framework is provided through supervision missions and various types of technical assistance. Current examples of TA include the provision of a financial advisor to upgrade skills of the comptroller and management of the DFC in Belize, a banking advisor for Grenada, and five different types of consultancies for Dominica in the space of one year. An important aspect of institutional support is the provision of training in project appraisal and loan administration by the Bank's HRD Unit.

A final objective of the Bank is to make a DFC self-reliant and profitable, a goal that appears to have been reached in, for example, the previously problematic case of Belize, where the DFC has been profitable for the past two years, with, in the opinion of Bank staff, good prospects for the future.

Support to development finance corporations has been intended to allow the Bank to assist lower income members of society. A special challenge has been the attempt to reach small and medium scale enterprises under the *Small Scale Enterprise Development Program*, for which \$5 million was allocated under SDF 3.

The SSEDP relies on the institutional capacity of local financial institutions such as credit unions, building societies and national development foundations deemed worthy to obtain funds from the respective DFC for on-lending to small and medium scale enterprises. To implement the program, the Bank faces not only the challenge of building institutional capacity for the DFCs in question but, in addition, for the sub-borrowing institutions. It is, therefore, not surprising that progress under the SSEDP has been slow.

Nevertheless, Bank staff report that positive results have been achieved in Belize, for example, where the Bank has approved DFC on-lending to four credit unions considered sufficiently strong to be judged accountable. Based on this success, the Small Scale Enterprise Development Program in Belize is to be expanded.

3. Evaluation Findings to Date

As the earlier mentioned post-evaluation reports indicate, institutional challenges cannot be underestimated, and ongoing support will be needed to develop and nourish institutional capacity through technical assistance and training. There is a need to focus on areas such as policy development, financial management, financial systems and procedures, loan administration, computerization, project appraisal, supervision, and collection of arrears. In addition, financing will be needed for human resource development activities.

Institutional problems are at times exacerbated by political interference at the local level. It seems clear that immunity from political interference is of considerable importance to a DFC's longer term viability.

Such challenges are not uncommon for such institutions. They have been addressed in other parts of the world by moving away from public (political) control towards full or partial privatisation, and/or consolidation or integration into a larger unit capable of providing ongoing support to smaller local branches.

A recommendation

In order to provide guidance for the future, and in line with the objective of evaluating key SDF activities, it would seem particularly timely to undertake a well designed *sectoral study* that would concentrate on the performance of DFCs, their impact on final borrowers, including the very poor, and on institutional challenges, the effect of DFC links to government, and the advantages or disadvantages of present organizational structures. Such a study could take a forward looking approach, focusing on financial and managerial sustainability issues. The study would thus contain an important dimension that would place it more in the category of a *strategic program document* than an ex post evaluation in the traditional sense (see Chapter 6 below).

3.3 Student Loans

An area of high priority in the region is education. The CDB has supported this sector in various ways. An important element of support has been provided through the provision of loans under the Student Loans-Scheme (SLS), started in 1972.

The SLS is intended to provide students with access to higher level education. Loans are provided through development finance corporations, and require guarantees and collateral, depending on the amount of loan applied for. Since 1972, some \$26.7 million has been allocated to this program, of which \$23.5 million (88 per cent) was from the SDF.

3. Evaluation Findings to Date

The last occasion on which the SLS was evaluated was in 1988.⁵⁴ This evaluation showed that student loans can address an important need for student financing. It is reported that demand for student loans is some 50 per cent in excess of approvals, both in terms of the number of applicants and the value of loans requested. The study concluded that "*the SLS has contributed significantly to the increased supply of quality human resources in the region despite the migration of 39 per cent of the graduates*".⁵⁵ Job mobility and incremental personal income were the main benefits accruing to borrowers, and "*improved institutional infrastructure and management systems are the main benefits realized by the participating countries*".⁵⁶

Current issues

In spite of the high demand for these loans, there are a number of questions that do not appear to have been satisfactorily answered. The last evaluation was done some eight years ago, and it would be opportune to take a fresh look at the program.

Perhaps the most important question that needs to be examined is the original *rationale* for the SLS. A review of rationale should question the most basic assumptions without prejudice. The rationale issue contains a number of elements, such as:

- ◆ Should the Bank be in the business of student loans, using scarce concessional resources for programs that appear to be especially accessible to those who are better off?
- ◆ Are there approaches, with or without Bank assistance, that might facilitate access to higher education for the economically less well off?
- ◆ What should, or can, the role of the private sector be in this respect?
- ◆ Can other approaches be envisaged, such as personal savings schemes designed to supplement the loan program?

In addition to the issue of rationale, there are questions related to *efficiency and effectiveness*. *Efficiency* questions are concerned with loan approval systems, collection/repayment performance, interest rate levels, eligibility criteria, guarantees and collateral requirements.

With respect to *effectiveness*, the key question is that of the use which has been made of the program, and its general achievements. An evaluation should look at how the program has benefitted people from different socio-economic backgrounds, how relevant curriculum choice has been to employment creation and the economy in general, and how the public and private sectors have benefitted.

⁵⁴ Trevor Hamilton and Associates, *Assessment of the Impact of the Student Loan Scheme of the Caribbean Development Bank*, February 12, 1988.

⁵⁵ *Ibid*, page 2.

⁵⁶ *Ibid*, page 1

3. Evaluation Findings to Date

A mid-term evaluation

The importance of a mid-term evaluation is recognized by Bank staff. Plans are underway to prepare for such an evaluation some time in 1996. The intention to conduct such an evaluation is endorsed by the present report. An evaluation of the SLS seems likely to be particularly useful. It would allow a fresh look at a long-standing and established program, which in many ways appears to have served the region well.

3.4 Technical Assistance Program

One of the key functions of the Bank is the provision of technical assistance, including pre-investment work and the identification and preparation of projects. TA is an important part of the Bank's mandate, and a significant element in the use of SDF funds.⁵⁷

Total SDF grants approved for technical assistance during the period 1984-1995 amounted to \$19.4 million.⁵⁸ For the purposes of this present discussion, the Bank's grant TA to date can be divided into the following categories:⁵⁹

Pre-investment	1.7 million
Institutional strengthening	8.6
Other advisory	3.8
Training	1.0
Environmental impact assessment	0.4
Caribbean Technological Consultancy Service	2.3
Other	2.2
<i>Total</i>	<i>19.4 million</i>

The largest amount, about 43 per cent, was spent on institutional strengthening; the smallest amount on the more recent category of environmental assessment (0.2 per cent).

A number of staff papers have defined the strategy governing the use of TA resources,⁶⁰ and the objectives can be grouped as follows:

- to address a major constraint to development in the region, notably the shortage of qualified middle and higher level managerial, administrative and technical personnel;

⁵⁷ See Chapter 2 above

⁵⁸ This forms a key part, but not all of the Bank's overall TA activities (see Section 2.4.4 above).

⁵⁹ See Table 2.10, page 41 above.

⁶⁰ See, for example, CDB *Staff Circulars* 12/78 and 5/80, and CDB *Staff Paper* 51/78.

3. Evaluation Findings to Date

- to enhance local capabilities, assist in project cycle activities, and improve the flow of resources for socio-economic development.

Viewed simply in terms of the distribution or spending pattern for SDF-financed TA grants, the intended strategy would appear to have been followed. Emphasis, for example, has been placed on institutional strengthening, in line with the priorities for TA noted in Chapter 2.

Evaluation results

Three evaluations of technical assistance activities have been conducted to date -- in 1981, 1984 and 1994.⁶¹

Of interest are the conclusions reached in the 1984 evaluation:

*With respect to the sample of projects reviewed . . . on average these ranked well against our evaluation criteria in terms of effectiveness, significance and efficiency.*⁶²

*Our evaluation . . . indicates that operations have followed a consistent and positive evolutionary trend to the point where objectives generally have been achieved . . . Overall, this . . . has resulted in significant real benefits at a modest outlay.*⁶³

The 1994 evaluation, covering selected technical assistance projects during the period 1985-1991, is similarly positive.⁶⁴ It is based on a random sample of 36 TA projects in 14 BMCs, of which 30 were national projects and 6 were regional. Together they represented a cross-section of TA activities, capable of revealing useful impressions on overall efficiency, effectiveness and impact. The evaluation was based on interviews and an analysis of detailed questionnaires.

Because of a lack of base-line data during project design, a before/after impact assessment could not be made in the traditional sense. The methodology used nevertheless resulted in certain interesting findings.

Major achievements were assessed as including the following:

- *Consultants' reports* were overwhelmingly considered useful in facilitating decision making. Their recommendations were particularly useful for institutional improvements, selection of new technology, and the identification of investment projects.

⁶¹ *First Evaluation of Technical Assistance Fund*, Touche Ross & Co., January 1981; *Technical Assistance Fund, Second Evaluation*, Touche Ross & Co., August 1984; *Post-Evaluation of Caribbean Development Bank's Technical Assistance Programme (1985-1991)*, PIEU, December 1994.

⁶² *Technical Assistance Fund, Second Evaluation*, p. (ii).

⁶³ *Ibid.*, p. 67, and CDB Board Paper 73/85, p. 3.

⁶⁴ See *Post-Evaluation . . . Technical Assistance Programme*, pp. 54-66.

3. Evaluation Findings to Date

- Interviews and questionnaires indicated that *HRD and technology transfer* were effective in the large majority of technical assistance projects. Achievements in these areas resulted from the interaction between counterpart and consultant, formal staff training and the involvement of relevant staff.⁶⁵
- *Modernization of management and organizational restructuring* was pursued through the introduction of strategic planning, re-organization and the introduction of modern management systems. In five of the seven cases which involved management modernization, recommendations were carried out. In two others, the recommendations were not implemented, in one case because recommendations were rejected, and in the other because the project was terminated.
- The *identification of major problems* through TA was considered very effective. This was true for a variety of different projects dealing with issues such as incremental budgeting, corporate financial analysis, market analysis and selected feasibility studies,
- The *supply of materials and equipment*, as part of the technical assistance, was considered very effective. In general, the equipment continued to be of use to the institutions concerned after project termination.
- Technical assistance facilitated the *introduction of new technology*. Of the nine technical assistance projects designed to transfer technology, all were considered to have been instrumental in doing so, e.g. in the fields of alternative energy, computerization, and hydrological data collection.
- Twenty-one of the 36 TA projects were expected to facilitate decision-making for future investments. In most, but not all cases, subsequent *capital investments* took place. Lack of available funds was cited in a few instances where investments did not take place as expected.

This evaluation tends to confirm that the Bank's SDF-supported technical assistance has played a very useful role in contributing to reducing constraints to socio-economic development.

Problem areas

The 1994 evaluation, however, also points out a number of problem areas that need to be addressed, some of which were also identified in the 1984 evaluation. Aside from some difficulties traditionally associated with technical assistance, such as lack of an appropriate counterpart and, in some cases, disappointing consultant performance, *four issues appear to*

⁶⁵ This finding seems more positive than evaluation results for some other TA programs, of other institutions, which revealed failure, or mixed performance, in this area in many cases, leading to re-design of TA concepts and projects. The CDB report did note, however, that "Project effects do not necessarily translate into impact. . . ." (p. 65).

3. Evaluation Findings to Date

stand out:

- ▶ the need to develop overall long and short range planning;
- ▶ the need for a comprehensive monitoring and evaluation system, to monitor not only achievements of individual projects, but also the overall TA program;
- ▶ the weakness represented by limited supervision of TA projects;⁶⁶
- ▶ the need to improve the TA project appraisal process.

In addition, the evaluation report recommended that Project Completion Reports should be completed for TA projects where appropriate.⁶⁷

From an operational point of view, the introduction of a more rigorous monitoring and evaluation system for TA projects would facilitate mid-term corrections during project implementation, as well as measurement of subsequent impact. Of importance in this respect would be to include clear objectives (such as the extent to which the TA is intended to be of the "partner role" or the "capacity building" type) and indicators of achievement in the initial project appraisal. Clarity of objectives and indicators will greatly facilitate supervision and measurement of progress.

While supervisory vigilance is an important requirement, it is also time consuming. Limits to staff availability for this task may need to be reviewed.

Also of interest are evaluation findings concerning the environmental impact of technical assistance. The report points out that environmental impact was not a major concern in TA project design. Yet, technical assistance will, in many cases, lead to capital investments that may have a direct impact on the environment. A key recommendation is that:

Given the growing concern for this problem, the fact that the resulting capital project might not be CDB funded and the unacceptable level of awareness relating to environmental issues at the national and institutional level, the Bank could ensure that at least preliminary environmental impact studies form an integral part of all relevant TA projects.⁶⁸

A further point may also be made. Experience in other international institutions (World Bank, Asian Development Bank, UNDP) points out that there is a real challenge in the *capacity building* type of TA. The *sustainability* of technical assistance -- i.e. its longer term impact and/or the establishment of a self-sustaining learning process -- presents difficulties that are not easily addressed. Although the 1994 CDB evaluation reported success in HRD and technology

⁶⁶ An identical finding to that of the World Bank's 1991 *Task Force* on that institution's technical assistance activities.

⁶⁷ *Post Evaluation of . . . Technical Assistance Programme*, pp. 68-70.

⁶⁸ *Ibid.*, p. 65.

3. Evaluation Findings to Date

transfer, vigilance with respect to longer-term impact has always proven to be necessary in technical assistance work.

One approach that can be used in appropriate cases is to design a TA project with what is called the "process approach" specifically in mind. A "process project" is one where the objectives are set in general terms, but in greater specificity only for the first stage of the project, with a process of continuing adjustment in project design and/or objectives.

3.5 Caribbean Technological Consultancy Services Network

As indicated above, well over 10 per cent of total TA grant expenditures during the 1984-95 period, or \$2.3 million, was used for the CTCS network. An examination of performance feedback tends to indicate that this was money well spent.

The CTCS program was based on a need for technological services by small and medium-sized industries, and the capability of some regional institutions to provide such services. Required was a mechanism that could mobilize regional knowledge and skills, and apply these to meet the needs of Caribbean industry.

The CTCS network was established as a pilot project in January 1982. An initial evaluation in September 1983 concluded that the mechanism had been successful in making available a wide range of consultancy services to small and medium-scale enterprises in a quick response and cost-effective way.

This success persuaded the International Development Research Centre in Canada to fund a 3-year program of the CTCS at a cost of \$467,000. The UNDP also provided a small grant of \$15,000.

Key program objectives were to:

- make available a wide range of technological consultancy services to small and medium-scale businesses with little or no access to such services at the national level;
- permanently increase local technological capabilities in a number of selected fields.

Evaluation results

A second evaluation of the program was undertaken in 1991, on the basis of file reviews, questionnaires and interviews.⁶⁹ The program had provided consulting support in the fields of manufacturing, agriculture, livestock, various types of services (both public and private),

⁶⁹ *Performance Evaluation of Caribbean Technological Consultancy Services (CTCS) Network*, PIEU, June 1991.

3. Evaluation Findings to Date

training and food processing. Half the requests for assistance concerned technological problems experienced by the clients. Training needs were next in importance, followed by managerial and marketing services.

In the overwhelming majority of cases (95 per cent), technical assistance was reported as having had a significant positive effect. The most frequently cited outcome was that staff had become more productive, and that the production process or service was more efficient as a result of the technical assistance provided. There was a belief that operations were now better managed, and equipment utilized in a more efficient way. In a significant number of cases, sales had increased and the business was able to provide a better quality product.

The general level of satisfaction with this service can be estimated from the response given to the question of whether or not the client would be interested in a future association with CTCS. In almost 90 per cent of the cases the response was affirmative.

The efficiency of the program's response to requests for technical assistance was generally considered good. Some 75 per cent of clients were satisfied with the time lapse between request and delivery. Awareness of the existence of the program by the general public, however, was found to be exceedingly low, and the report recommended that more publicity be provided. Publicity has been improved since then through, for example, the preparation and distribution of a brochure and the strengthening of contacts with financial intermediary institutions for referrals.

Challenges

There are distinct limits to the delivery capacity of the CTCS program, both in term of available staff (one section head assisted by two project officers at CDB headquarters) and financial allocations. Expenditures over the past four years have ranged from \$400,000 to \$500,000 per year. The allocation for the next four years has been significantly reduced, to \$1 million.

Some 80 per cent of respondents indicated that the costs of the service were reasonable. On the other hand, all resource persons engaged under the program indicated that their remuneration was too low, and that the CTCS tended to discount the effort involved in preparing for an assignment. These different responses point to one of the principal challenges of the program: financial self-sufficiency.

The program is not self-financing, nor perhaps can it reasonably expected to be, given its goals, to support small and medium-sized enterprises. In the opinion of Bank staff, small business owners cannot afford to pay higher fees for advisory services. Experience has indicated that raising these fees would result in lower demand. While consultants' fees are admittedly on the low side, availability of specialists for these short term assignments appears, nevertheless, to be satisfactory.

3. Evaluation Findings to Date

The CTCS appears to be a useful mechanism for supporting the economically less well off. From its inception until the end of 1995, the CTCS program has accommodated some 2,439 TA requests in a variety of different areas. In the opinion of Bank staff -- supported by the 1991 evaluation -- the indications are that this work has had a useful impact on private enterprise development. If the program is to serve the small entrepreneur effectively, there may not be much flexibility in moving towards financial self-sufficiency.

3.6 Basic Needs Trust Fund (BNTF)

The Basic Needs Trust Fund was established under a grant agreement between USAID and the CDB in 1984. It was a successor to an earlier program, also financed by USAID, for \$10.5 million, which had started in 1979 and focused on education and basic human needs.

The agreement of 1984 establishing the BNTF (referred to as BNTF 2) aimed "*to expand and conserve, using labour intensive technologies, the stock of social and economic infrastructure which is essential to future growth and the provision of basic services and employment in the Eastern Caribbean and Belize*".⁷⁰

This goal was to be achieved through a two-pronged approach:

- (i) to address the need to renovate or replace deteriorating physical infrastructure as well as to create new infrastructure designed to satisfy basic human needs (water, health and education); and
- (ii) to help to reduce unemployment; in other words, the physical infrastructure (schools, water systems, health clinics, roads) should be built with labour-intensive methods.

Under the 1984 agreement, USAID provided \$12.7 million, while \$3.5 was contributed by the CDB. Increases to these contributions were made during the following years, and total funding during the BNTF 2 period (1984-1992) amounted to \$28.2 million, of which \$19.7 million came from USAID and \$8.5 million from the CDB/SDF. Following its establishment in 1984, the SDF(U) was considered a natural source of financing for the type of poverty alleviation activities that were characteristic of the BNTF.

In May 1992, BNTF 3 was approved, with total funding of \$21.25 million, with \$15 million from the Special Development Fund, and the remainder from participating beneficiary countries as counterpart contributions. USAID had by then withdrawn from financing. Beneficiary countries are Belize, Dominica, Grenada, Guyana, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Turks and Caicos Islands. Sub-projects financed since 1992 have been primarily in health, education, water, agriculture and transport.

⁷⁰ USAID-CDB *Grant Agreement*, June 1984.

3. Evaluation Findings to Date

Evaluation findings

An *interim evaluation* of the program was completed in June 1986.⁷¹ The findings mentioned that sub-projects were, with only a few exceptions, well-selected in terms of meeting basic needs. Sub-project types were consistent with the original purpose of the BNTF, i.e. schools, health clinics, and water systems. The performance of engineering consultants was excellent, but planning and design activities by public works and water authorities had experienced difficulty. Private building contractors were doing good quality work, and were more efficient than public authorities. The evaluation did not succeed in reaching a judgement on program effectiveness in terms of employment generation.

In general, the evaluation concluded that the BNTF was on its way to becoming a successful program, but some caution was expressed with respect to the role of the public sector, notably with respect to the planning and design performance of public works and water authorities.

In 1995, an *independent mid-term evaluation* was conducted of the BNTF 3 program.⁷² Findings were positive. Between January 1993 and December 1995, some 174 sub-projects had been implemented, surpassing targets set for the period. The report concluded that BNTF had financed social infrastructure projects which significantly contributed to the well-being of the communities. The major thrust had been in the construction of schools, water systems, health centres, drainage, and sanitation projects.

Essentially, the evaluation found that the program had been successful in reaching the poor by providing facilities that had a positive impact on their lives. A number of recommendations were made, dealing with the need for wider community participation, better reporting and data collection, inclusion of technical skills training, introduction of long term job-creating activity, appointment of community development specialists and review of procurement practices.

Prospective role

In October 1995, SDF Contributors agreed to allocate \$18 million from SDF 4 for the continuation of the BNTF. Of this amount, \$10 million is to go to Group 3 countries (excluding Jamaica) and \$5 million to Group 4 (Guyana), with \$3 million unallocated. Beneficiary countries are to provide a total of \$7.5 million in counterpart funds (Table 4.3). It should be noted that the willingness of beneficiary countries to contribute counterpart funds is indicative of their support for the program and its results.

⁷¹ *Mid-Project Evaluation of the Basic Needs Trust Fund*, Development Alternatives Inc., Washington D.C., June 1986.

⁷² CDB, *Basic Needs Trust Fund, Third Programme Mid-Term Evaluation*, Project Control Associates Limited, October 1995.

3. Evaluation Findings to Date

Table 3.2:
SDF 4 Funding for BNTF
(US\$million)

Countries	SDF	Beneficiaries	Total
Group 3	10.0	5.0	15.0
Group 4	5.0	1.0	6.0
Unallocated	3.0	1.5	4.5
Total	18.0	7.5	25.5

The design of BNTF 4 is based on lessons learned from similar "grass roots" programs elsewhere and the recommendations of the 1995 mid-term evaluation. Experience has shown that community participation at all stages of the sub-project cycle, from identification to design, implementation and maintenance, can have a positive impact on quality and sustainability. Pride of ownership is a powerful motivation for a community. Community participation is also essential to ensure operational continuity after implementation is completed.

Comparative experience

Of some interest in this respect is the experience in Guyana with the *Futures Fund*, a counterpart fund derived from Canadian balance of payment support in the early 1990s.⁷³ With similar objectives to the BNTF, the Futures Fund has been successful in mobilizing communities, organizing them in strong functional units, and entrusting them with clearly defined responsibilities for all aspects of the project cycle. Results have been extremely positive.

Of particular interest is the self-confidence shown by community organizations which were entrusted with important tasks in the design, execution and maintenance of sub-projects. Close supervision of construction by the community, assisted by a technical specialist, resulted in good quality structures at costs substantially lower than could normally be expected. Community participation also ensured the ongoing operation and maintenance of facilities.

Community participation may, of course, more easily be accomplished in certain societies (e.g. Guyana, Belize) than in others.

⁷³ See *Evaluation of the Futures Fund, Guyana*, DADA International Inc., Ottawa, for the Canadian International Development Agency, 1995.

3. Evaluation Findings to Date

An important lesson has been the need for continuing interaction with the community until a level of self-confidence is reached that will result in further and independent initiatives. The requirement of strong initial support for "group building" indicates the emphasis that should be placed on qualified community workers available for frequent visits. Experience suggests that group independence is fostered by a strong community leader. It is also important for group cohesion that the leader emerges spontaneously through a democratic group process, rather than through imposition from the outside.

Another lesson from the Guyana Futures Fund experience which may be of interest in the context of BNTF is the need to foster private investment activities through skills training and well focused technical assistance, with the ultimate aim of generating long term income opportunities.⁷⁴ The conscious introduction in project design of income generating activities for the poor can enhance the scope for longer term employment and complement otherwise more temporary employment opportunities under such a program.

3.7 Agricultural Feeder Roads

The Bank has approved a total of \$ 39 million in loans for the construction of agricultural feeder roads, mainly in Dominica, St.Kitts & Nevis, St. Lucia, St. Vincent and the Grenadines. Some \$ 24 million (62 per cent) was allocated for this purpose from the SDF.

An evaluation of the feeder roads program in St. Kitts & Nevis, Dominica and St.Lucia was completed in June 1994.⁷⁵

Evaluation results

The evaluation report covered the Bank's performance in three islands. It was felt that appraisal reports for St. Vincent and the Grenadines had provided sufficient feedback for learning purposes. While evaluation results were island-specific, there were many common findings. By extension, many of these findings would, generally speaking, also be applicable to St. Vincent and the Grenadines.

The construction of agricultural feeder roads had a positive effect on agricultural production in *St. Lucia*. Areas under cultivation rose by about 25 per cent as a result of the loan program, benefitting primarily banana cultivation. Settlement of farmers in the catchment areas of the feeder roads increased only marginally. Eleven of the 23 roads had a minor negative impact

⁷⁴ *Ibid.*

⁷⁵ *Study to Assess the Economic, Social and Environmental Impacts of CDB-Financed Agricultural Feeder Roads in St.Kitts & Nevis, Dominica and St. Lucia*, prepared by Kairi Consultants Ltd. and Environmental Solutions Ltd., June 1994.

3. Evaluation Findings to Date

on the ecology of the catchment areas. The ecological impact of the other roads, however, was considered more serious, with some receiving a substantial negative rating. Ecological damage in these cases included forest removal on steep slopes and cultivation in areas prone to erosion. It was found that the roads had a positive socio-economic impact, as was evident through increased incomes, ownership of vehicles, better housing and other amenities of life.

In *Dominica*, the feeder roads program also resulted in increased areas under cultivation, rising by 84 per cent. Here also, banana cultivation was the most important beneficiary. In general, there was a slight increase in the number of farmers. For 12 of the 16 feeder roads, there was minor ecological damage. For the remaining four, environmental damage was considered serious, especially due to soil erosion on steep slopes and the removal of forest cover.

The feeder roads program in *St. Kitts & Nevis* had no identifiable positive impact on agricultural production or economic development. In fact, cultivated area fell significantly. Cultivation of all crops (sugarcane, cotton, bananas, root crops, peanuts and vegetables) fell far short of projections, and was substantially below that prevailing before the feeder roads program started. The roads had all been built in areas that saw a dramatic decline in the number of farmers, due to the dominant land tenure pattern, which involves the payment of annual rental of Government lands. The evaluation reports that:

*The single most important contributing factor to this slow and suffocating death of agriculture in these areas is the insecure land tenure system. It is the reason for youth's refusal to invest time, energy and other resources in an uncertain future.*⁷⁶

Ironically, there was an overall positive impact on the environment -- the decline of agriculture resulted in an increase in areas under natural vegetation. Attempts are being made to capitalize on this phenomenon through the development of eco-tourism.

A number of lessons have been learned from this overall experience. The key one is that feeder roads, unless well planned, may have a serious negative effect on the environment. Deforestation is a major issue in the high relief islands of the Caribbean, and poses ecological hazards. The evaluation also pointed out the dangers of increased use of insecticides, fungicides and herbicides on the environment, and it recommended that a more effective mechanism be established to monitor the use of pesticides and quantify the impact on humans, nature and wild life species.

Other lessons are also important. Road maintenance was generally considered unsatisfactory, and borrowing countries did not adhere to the loan agreements specifying ongoing maintenance responsibilities upon completion. As a result, many of these roads became hazardous for use. The evaluation report states that "*the almost universal lack of maintenance of the roads is perhaps the single most important issue in the CDB-financed feeder roads program*".⁷⁷

⁷⁶ *Ibid.*, Vol. 1, p. 76.

⁷⁷ *Ibid.*, p. 79.

3. Evaluation Findings to Date

The location of the roads was not always appropriate, with the result that a number of roads, going through areas not fit for cultivation, added very little to agricultural performance. The problem was the absence of an appropriate land classification system to assist appraisal.

The Bank went through an intensive feeder road construction program from the early seventies to the mid-eighties. One of the underlying objectives was to encourage banana production. The last feeder road loan was provided in the late 1980s, and the Bank has since shifted its attention to other related areas, such as the rehabilitation of main roads. While the Bank would not refuse to consider a request for assistance in feeder road construction, no such requests have been forthcoming, due mainly to the uncertain market outlook for bananas. In the meantime, the Bank has adopted certain principles for the construction of feeder roads, one of which is that no such roads should be built above a certain elevation, in order to protect the environment.

3.8 Economic Management and Project Cycle Training

The Bank provides two types of external training programs. One program deals with economic management, involving macro-economic policy and public sector investment programming. The other deals with elements of the project cycle, and is designed to acquaint BMCs with CDB practices and procedures and to train officials in various elements of project development, including project identification, appraisal, procurement and implementation management.

The CDB and the Economic Development Institute (EDI) of the World Bank decided in 1984 to join forces for the training of government officials from regional member countries in aspects of economic management. The Latin American and Caribbean Institute for Economic and Social Planning (ILPES) subsequently joined as a co-sponsor. In 1989 it was decided that the CDB should assume full responsibility for these courses, although the World Bank and the IMF would continue to provide resource persons, particularly for macroeconomic issues and economic restructuring.

Economic management

The *Economic Management Training Program* was evaluated in 1992 by the PIEU.⁷⁸ Over the intervening years, the Bank's Economics and Programming Department, supported in more recent years by the Human Resource Development Unit, had organised a considerable number of short- and longer-term courses dealing with varied topics such as the public sector

⁷⁸ *Post Evaluation Report on Regional Economic Management Training Programme, (1985-1991)*, PIEU, September 1992.

3. Evaluation Findings to Date

investment program, economic policy analysis, public sector enterprise reform, trade and investment incentives, and expenditure control systems. Participants were largely middle-level officials, but in some cases seminars were organized specifically for senior level officers.

The results of the evaluation indicated that the effectiveness of the program had been generally good. The evaluation was able to establish a "*positive linkage between the knowledge acquired from the courses/seminars and on-the-job performance*".⁷⁹ Factors that tended to diminish the positive effects of the program included frequent transfers and promotions as well as resignations of public servants, and absorption by the private sector, all of which are typical of this type of program.

The evaluation noted that some BMCs had not demonstrated a high degree of interest in the program. It recommended more national courses and seminars in which the respective country would be a co-sponsor. It also recommended "train-the-trainer" courses to institutionalize learning on an ongoing basis.

There appears, however, to have been, in practice, a gradual reduction in this type of training during the past few years. This seems to have been a result of insufficient staff resources and possibly funds. The one course on economic management planned for 1995 had to be cancelled due to unavailability of Bank staff.

This apparently reduced emphasis on economic management training comes at a time when some borrowing member countries are attempting to introduce measures for structural adjustment, have congested project pipelines, and/or are experiencing difficulties with public sector investment program planning. With a reduced training budget for 1996, the outlook for economic management training may not improve.

Project cycle training

With respect to project cycle training, the Bank's Training Unit, originally established as the Project Administration Training Unit (PATU) under a jointly financed IDB/EDF/CDB program, has provided, since 1980, courses and seminars at various levels for BMC personnel involved in the preparation and management of development projects in the Caribbean region. The program supports the Bank's own project lending, and provides a core of personnel familiar with project selection and project management, and with the Bank's own procedures and requirements. The program has included one-month courses in-country and three-month courses at headquarters, as well seminars and workshops.

⁷⁹ *Ibid.*, p. vii.

3. Evaluation Findings to Date

An ex post evaluation of the initial 4-year PATU program by PIEU in 1987⁸⁰ and a subsequent mid-term evaluation of the second program in 1989 by an independent consultant⁸¹ both concluded that the program was directed to an important need and had been effective in providing public sector (and some private sector) personnel with skills in project work (identification, preparation, appraisal, administration and evaluation).

The PIEU study found that the most participants (as of 1987, for a program that had run from late 1980 to early 1985) were still employed by the same institutions and still working in the areas of project identification, preparation, appraisal, implementation and monitoring and supervision. It also concluded that the skills learned were useful and relevant to the participants' work. The program had been intended to be completed in 3 years but had been re-phased over 4 years. The original expectations, however, in terms of range of activities and number of participants were still not possible to meet, and the report indicated the importance of setting realistic objectives and identifying and making available the required resources.

The findings of the 1989 study indicated that *"The overwhelming response was that the training was extremely valuable, better than other available sources and that there was still a large unmet and continuing need."* Normal turnover and promotions could be expected to create a continuing need for training in the various aspects of the project cycle.

More recently, the Bank has instituted, with respect to its own projects, the use of a three day "project launch" workshop in appropriate cases, as for projects that are large in size or one-of-a-kind.

The experience of other MDBs has shown that one of the most effective ways to strengthen project quality, including reducing implementation delays and project costs, is through increased emphasis on training in various key aspects of the project cycle, including the procedures of the lending institution itself.⁸² The CDB's program, therefore, seems likely to be needed on a continuing basis.

⁸⁰ *Post Evaluation Report on Project Administration Training Unit Programme (Phase 1) (Regional)*, PIEU, February 1987, PE 14/86.

⁸¹ *Mid-Term Evaluation of PATU II, Caribbean Development Bank Project Administration Training Unit*, Robert Youker (Management Planning and Control Systems), May 1989.

⁸² See, for example, *Project Quality: An Agenda for Action, Proceedings of the Regional Workshop on Improving Project Quality*, Asian Development Bank, 1995.

3.9 Water Supply

The Bank has approved \$67 million for the construction of water supply facilities since 1970. Forty-four per cent was provided by the SDF. There has not been an overall effectiveness or impact assessment of the performance of this sector, but some impressions can be derived from a small number of project evaluations and a project completion report.⁸³

On the basis of available feedback, it appears that water supply projects have had a good social impact in the respective local areas. The *second loan to St. Lucia* helped to increase the water supply to Castries, providing potable water to most of the population, and reducing the level of Bilharzia contamination. Water demand outgrew supply, and the Bank approved a third loan for further development of the system in 1984, and a fourth loan in 1989.

The project in *the Cayman Islands* benefitted the residents and businesses of George Town, especially poorer persons and those without private systems. The evaluation demonstrated that the project reduced the local intake of contaminated water, which was a health hazard. A survey also demonstrated that the quality of life of those serviced by the system had improved.

Similarly, the *second loan to Grenada* made a successful contribution to the water supply of the local area of St. David's parish, which was not previously serviced by the local water authority. The impact was especially noteworthy for the poorer members of society. Evaluation also showed that the project had an important impact on health standards by allowing access to treated water rather than relying on unsafe water from streams, catchments and wells. This reduced the incidence of gastroenteritis as well as typhoid and other water-borne diseases.

Water supply projects present a constant challenge in terms of institutional capacity building. The situation in *Grenada* may demonstrate this problem. As a condition of the loan, the local water authority was required to introduce a tariff structure that would maintain healthy financial ratios for the institution. Rates remained unchanged, however, for more than a decade (1981-1991), seriously affecting operational performance. It was only in 1992 that legislation was passed to increase rates. In the meantime, the water authority had fallen more and more into debt, directly affecting development and maintenance activities.

In the case of the *third water supply loan to St. Lucia*, the project completion report mentions that performance of the executing agency was less than satisfactory, as evidenced by procurement problems and long delays in project completion.

⁸³ Post evaluations of water supply projects in *Grenada (second loan)* dated October 1993, *the Cayman Islands* dated January 1992, and *St. Lucia (second loan)* of April 1991, as well as a project completion report for a *third St. Lucia water supply project* dated August 1993.

3. Evaluation Findings to Date

The mixed performance of water authorities led the PIEU to conduct a brief study in December 1992 of the efficiency issues involved.⁸⁴

Of the 20 projects reviewed, 18 were affected by one or more of the following factors: delays in signing loan agreements or satisfying loan conditions, time overruns, cost overruns, problems with counterpart funding, and poor project management. Delays in the signing of loan agreements had a number of causes, including the time required to pass the necessary legislation in the borrowing country. Delays in satisfying loan conditions occurred, especially where tariff increases were required.

The review also noted that 90 per cent of the projects had time overruns and 50 per cent experienced cost overruns. Time overruns had their origin in delays at project start-up, but were also caused by other factors, such as weak project management, underestimation of project costs at appraisal, and lack of available counterpart funds. Time overruns often resulted in higher project costs due to inflation. The report recommended that "all stakeholders, including the executing agency, should be intimately involved when preparing projects".⁸⁵

3.10 Other Sectors

This review of program performance touches upon some areas that have benefitted substantially from the use of SDF resources, and for which feedback through evaluation was available. In other areas, feedback is insufficient for this purpose.

An evaluation of the SDF will need to concentrate on those areas which have not been, or have been insufficiently, subjected to review in the past. Since there are a number of sectors for which only limited performance feedback exists, some priority needs to be established. Priorities for performance review should be based on expected future programming needs, or "cross-cutting" areas of concentration, especially for SDF 4. Proposals in this respect are made in Chapter 6.

To accommodate the need for additional feedback, adjustments may also need to be made to the Bank's existing monitoring and evaluation framework. The immediately following chapter discusses this issue.

⁸⁴ CDB, *Review of Water and Sewerage Projects 1972-1992*, PIEU, 1992.

⁸⁵ *Ibid.*, p. 6.

4. A Monitoring and Evaluation Perspective on SDF 4

4.1 Introduction

As set out in Chapter 1, SDF Contributors have requested both an evaluation of SDF experience to date and the design of a framework for systematic monitoring and assessment of ongoing SDF operations. The request was for both an effectiveness and impact assessment (*evaluation*) -- with a view to informing stakeholders on the extent to which SDF objectives have been achieved -- and a performance control mechanism (*monitoring*) -- to allow ongoing project and program review.

It is useful to define the usual distinction between monitoring and evaluation. *Monitoring* is a process of continuing observation, supervision, revision and documentation of activities in relation to their context, objectives, expected results and allocated resources.

Evaluation is regarded as a more in-depth analysis of project achievements against objectives, from which more fundamental lessons can be drawn and applied to future strategy and program design. Evaluation may question the existence of the project or program, and delves deeply into results obtained. The basic program evaluation issues⁸⁶ are:

- *Rationale:* Does the project or program make sense? Is it still relevant?
- *Impacts and effects:* What has happened as a result of the project or program? What were the intended and unintended results?
- *Objectives achievement:* Has the program achieved what was expected?
- *Alternatives:* Are there better ways of achieving the results? Are there more cost-effective options?

The distinction between monitoring and evaluation is not an absolute one. The similarity is that both provide information and recommendations on reassigning resources and redefining priorities. Between the two extremes, i.e. between the periodic data collection exercise of monitoring and the impact and strategic analysis of evaluation, lie a series of types of review and assessment where the distinction becomes more blurred.

⁸⁶ Box 1.2, page 5.

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In an institutional environment where continuing feedback is essential, both types of activity are necessary -- a fact recognized by the usual habit of referring to "monitoring and evaluation" simultaneously. Recognizing the continuum that exists between the two, we can identify the purposes of a *monitoring and evaluation framework*. These purposes can be broadly defined as follows:

- to allow early correction of problems experienced during implementation (*monitoring*); and/or
- to provide a basis for decisions during project implementation on necessary mid-course adjustments in project design or -- in some cases -- project termination (*monitoring*); as well as
- to facilitate and enhance subsequent in-depth evaluation, with potential cost savings (*monitoring*);
- to allow informed decisions with respect to the allocation of resources in a way that will strengthen the achievement of objectives (*monitoring and evaluation*);
- to allow feedback of lessons learned to enhance future allocation of resources and improve the design of future projects (*monitoring and evaluation*); and
- to clarify issues that have overall policy and strategic implications (*evaluation*).

4.2 A Conceptual Monitoring and Evaluation System

Development of a monitoring and evaluation system should be based on a full understanding of the information requirements of the institutional stakeholders (management, operational staff and the Board of Directors, as well as borrowers and, ultimately, shareholders and SDF Contributors). Based on these requirements, the various components of the framework need to be decided on. The components, in turn, determine the monitoring and evaluation instruments that have to be designed.

4.2.1 Information Requirements

The monitoring and evaluation framework will need to satisfy information requirements in both a vertical and a horizontal direction. The vertical flow of information can be depicted in the form of a pyramid, as shown in Figure 4.1

Information is required for decision making at various levels. At the lowest level, detailed information needs relate to a series of task assignments and individual result expectations. This information is essential for planning and control of day-to-day activities. Information collected at this level, based on a number of monitoring instruments, will provide essential

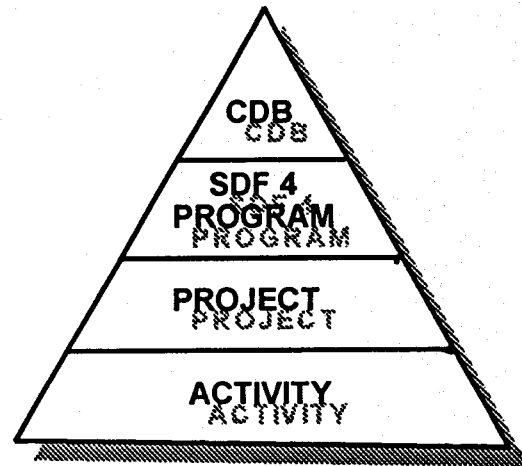
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controls during project implementation and form the building blocks to meet information requirements at higher levels.

As we move up the pyramid, information needs are more aggregative or synthesized, increasingly influencing operational strategy and overall institutional policy.

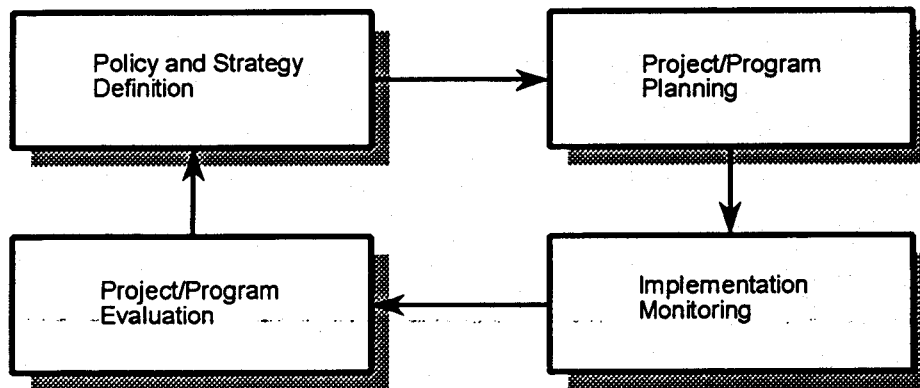
Of importance is the fact that the amount of information is not as important as its quality and relevance. There is a need for increasing synthesis at higher decision-making levels. A bombardment of facts and figures may, in fact, be counter productive.

Figure 4.1
SDF Decision Making Levels



Another critical information flow is the horizontal one, often depicted according to the traditional program and project management cycle (Figure 4.2).

Figure 4.2
Management Cycle - Flow of Information



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These information requirements show the close relationship between planning, monitoring and evaluation. Monitoring should originate at the planning stage, where indicators are defined to track the use of resources, progress of activities and results obtained. Plans should have

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clearly defined objectives, with indicators at each level of decision-making to serve as monitoring parameters during implementation. In turn, monitoring results feed into the evaluation process. The results of evaluation provide feedback that should directly influence overall SDF policy and the strategy and operational program to implement that policy.

4.2.2 Key Components of an M&E Framework

In discussing the basic elements of an M&E framework it is useful to consider, first, those related to *monitoring*, and then those concerned with *evaluation*. The reason is that an effective monitoring system, capable of generating essential feedback for decision makers and serving as a foundation for subsequent evaluation, has its own specific design requirements, which should not be confused with those related to evaluation.

A Monitoring System

A monitoring system has five essential components, which can be summarized as follows:

- *Collection of information*
- *Processing and analysis of information*
- *Information storage*
- *Production and distribution of reports*
- *Decision making and action.*

In designing an *information collection* system, the first thing to be done is to decide which reports should be produced, for what purpose, and for whom. One may distinguish between two types of reports: periodic and routine reports, and specific purpose reports produced on special request. As a general rule, reports should be short and factual. They should contain information on project/program progress, as well as financial details for appropriate control purposes. Monitoring reports dealing with post-implementation would logically cover longer term impact and sustainability issues, including environmental, financial, and managerial sustainability, as well as operations and maintenance.

It is important that report content be designed on the basis of a clear analysis of information needs. Monitoring systems have a tendency to collect more information than is necessary, and thus lose their efficiency. A functional report design is an essential step in setting up a monitoring system.

The *analysis of information collected* has several possible ends, depending on circumstances and stakeholders. Basically, the analysis should satisfy the vertical flow of information requirements (in more synthesized form), and the horizontal flow, where project officers and

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financial officers may be users (see above). The analysis of information gathered may require a processing exercise that would allow the presentation of results in different formats for ease of comprehension. Processing formats need to be designed on the basis of usage, and care should be taken to limit the processing effort to the absolutely essential.

The *storage of information* should be tailored to future use. As a general principle, a distinction can be made between (i) storage for day-to-day use, accessible especially to staff directly concerned, and (ii) storage for wider access, as a reference source and an institutional dissemination and learning tool. The latter type, sometimes referred to as a "Corporate Memory" system, would need to be confined to key summary documents such as special and comprehensive monitoring reports, end-of-project reports, and evaluative reports.

The *production and distribution of reports* needs to be planned on the basis of a clearly defined dissemination strategy. Such a strategy may include various components, ranging from hard copy distribution of main events and lessons learned (e.g. an internal news bulletin) and periodic synthesis of findings for management, to electronic access to information banks. It may include the production of sector-specific or country-specific analysis, a corporate memory system, periodic reviews and summaries of monitoring and evaluation findings, etc.

In designing such a dissemination system, two things need to be kept in mind. First, information overload can be counterproductive. Staff are usually exposed to a large amount of documentation, and can only concentrate on what is important. Secondly, and closely related, dissemination should be clearly focused on the essential, and should be geared to the differing information needs of the target groups, e.g. managers in the vertical information flow, or planners and evaluators in the horizontal flow.

Eventually, the monitoring system should end up in *decision making*, either inside or outside the Bank. There are two types of decisions:

- *implementation decisions*, concerned with normal operations and possible adjustments to ongoing projects and programs; and
- *planning decisions*, which are essential to strategic planning and operational programming, as well as the selection and design of new projects.

The effectiveness of a monitoring system is ultimately determined by the quality of decisions it allows people to make. The final outcome of a properly functioning monitoring system is *action*. Decisions require a clear and realistic idea of how they can be executed and who will do it.

An Evaluation System

In reviewing the concept of an evaluation system, it may be useful to recall the continuum between monitoring and evaluation. The monitoring process needs to be firmly based on a program and project design with clear objectives and verifiable indicators which can measure

4. A Monitoring and Evaluation Perspective on SDF 4

achievement of those objectives. So does evaluation. Both derive their strength and structure from the original technical and managerial design of an activity. Particularly useful in this regard is what is called a *Logical Framework Analysis*, which systematically outlines objectives, inputs, outputs, expected achievements, verifiable indicators and risks.

In addition, the evaluation process is very much dependent on the quality of monitoring that preceded it. Evaluation is more efficient and effective if adequate information-gathering mechanisms were operating during the implementation stage.

Thus, there are significant relationships between monitoring and evaluation. There are also significant similarities, both in terms of their process and intent. Yet, it may be useful to identify areas where they part company. For the sake of simplicity, it can be said that the difference may be found in terms of process and in terms of intent.

With regard to *process*, evaluation is much less of a routine activity than monitoring. Evaluation could be regarded as a "one of a kind" exercise, requiring a special effort, involving a planning phase (normally resulting in an *Evaluation Matrix* that outlines the evaluation strategy), and an execution phase (often requiring special in-house or outside technical expertise).

With respect to *intent*, evaluation is normally directed more towards the clarification of policy and strategic issues that feed into planning and overall program development. It is a key learning tool for management which can provide valuable lessons for all stakeholders.

In developing an evaluation system for any large institution, a number of important decisions need to be made. Four of them stand out:

- Who will have responsibility for the evaluation effort?
- What needs to be evaluated?
- How will the evaluation be conducted?
- How will evaluation results be disseminated?

When speaking of evaluation *responsibility*, an organization will have to decide on a system that can ensure maximum objectivity and competence. Objectivity can be ensured by entrusting evaluation responsibilities to a separate office away from operational departments, and creating a direct reporting line from this evaluation office to the President or Board of Directors (in the case of multilateral development banks) or the executive head of an organization (in the case of a government ministry or public sector agency). Maximum competence can be achieved by staffing the evaluation office with "the best and the brightest".

An evaluation system will need to be based on a clear *annual program*. This program should be approved by the Executive Head and/or the Board of Directors, and should reflect strategic

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and audit requirements. It may contain different types of approaches, including *single project evaluations*, *sectoral evaluations*, *thematic evaluations*, and *country-specific evaluations*. The scope of the program depends not only on strategic information requirements, but also on resource availability.

The question of *how* evaluations should be conducted has been the subject of a large body of literature dealing with general approaches and specific information-gathering techniques. To keep it simple, two key approaches can be emphasized. In the first place, evaluations should, where possible, be *participatory in nature*. This is especially true, for example, for rural development projects where villagers can be invited to become intimately involved in evaluating their own projects. It is also true for other project/program evaluations where participants/recipients can contribute in-depth understanding and become engaged at the same time in the learning process.

The second key approach relates to the importance of careful evaluation planning. A structured and systematic methodology, based on a carefully defined plan, including an evaluation matrix outlining the key issues (rationale, efficiency, effectiveness and impact), has proven to be most effective in past experience.

The importance of *dissemination* and use of evaluation results has often been underestimated. A well designed dissemination strategy, preferably as part of an overall strategic management process, is key to the effectiveness of a monitoring and evaluation system. A well focused dissemination effort is necessary to make the system cost-effective and able to influence decision makers. Generally speaking, there are four principal objectives which can be pursued in the dissemination of evaluation results:

- to strengthen policy making and strategy definition at the levels of longer term strategic planning and medium term operational programming;
- to inform and strengthen detailed planning and implementation of projects and programs;
- to stimulate the overall learning process within the institution; and
- to influence planning and implementation by recipients.

The ways in which evaluation results can be distributed varies, depending on circumstances and objectives. Dissemination can include: brief internal reports for general Bank staff consumption, official news items for special target groups, one/two page summaries or analytical syntheses highlighting corporate policy implications for senior management and the Board; report abstracts for a more general audience inside and outside the Bank; main reports to be stored in a corporate memory facility; special presentations in the form of conferences and seminars; and as a subject of special training.

4.2.3 Pre-requisites for an Effective M&E System

A monitoring and evaluation system is only as good as the resources that go into it, and the use that will be made of it. To be effective, the system requires the *strong support of management*, including a willingness to allocate sufficient resources and an openness to learning from the system. A well functioning monitoring and evaluation process is an integral part of a learning organization, one that constantly improves itself, where decisions reflect lessons learned, where strategies are developed through a process that recognizes views from all participants in the project cycle. The system can function as a powerful decision making tool, but only if it is based on strong management commitment.

A second pre-requisite for an effective monitoring and evaluation system is the *definition of a clear idea of what it should measure*. Enormous amounts of resources can be wasted on the measurement of projects/programs, themes or country impact that will not, or only marginally, contribute to learning. (The pure audit exercise has, of course, a stricter control function and its justification is based on different criteria from those governing the monitoring and evaluation function.) The system requires a strong focus, clear priorities, and a carefully designed periodic plan which outlines the objectives to be achieved. A sense of focus is especially important when a *program evaluation* is contemplated, such as an evaluation of the Special Development Fund. Without a clear focus, evaluators can be led into a number of different directions, not all of which are equally useful for learning purposes and future planning.

4.3 The Current Monitoring and Evaluation System

Preliminary impressions have been obtained of key elements of the current M&E system in the Bank. These impressions are based on selected interviews with Bank staff and an examination of relevant documentation. It should be emphasized that these impressions are indicative in nature and may need to be verified during a subsequent analysis that can be incorporated into the proposed SDF evaluation phase.

The key elements of the Bank's current monitoring and evaluation system are based on the production of the following principal documents (leaving aside other statistical and financial reports which feed into the regular management information system):

- *Supervision Reports*
- *Field Reports*
- *Project Completion Reports*
- *Mid-term Evaluations*

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- *Post Evaluation Reports*
- *Post Implementation Reports.*

4.3.1 Supervision Reporting

The CDB's supervision function was examined in detail by a consultant during 1994, resulting in a report which offered a very useful analysis as well as a number of recommendations to correct particular shortcomings⁸⁷. Some of the key problems identified were:

- ◆ infrequent supervision visits, i.e. below the norms set by the Bank;
- ◆ insufficient focus on the attainment of project objectives and factors inhibiting the achievement of objectives, in favour of attention to auditing or compliance issues;
- ◆ weak institutional capacity of borrowers/executing agencies, directly affecting their reporting capabilities; and
- ◆ production of relatively few Project Completion Reports, preventing the Bank from fully benefitting from lessons learned.

A considerable number of recommendations were made in the report. Key recommendations, intended to improve Bank-wide learning and accepted by management, included:

- revision of the project supervision reporting format to emphasize project performance;
- re-introduction of divisional review of supervision reports;
- inclusion of a supervision plan as part of the standard appraisal report.

Of particular interest, revealing what may be the most significant constraint on the evolution of the Bank's monitoring and evaluation system is reflected in Management's comments with respect to the frequency of supervision missions. The underlying constraint in this area has been a lack of staff availability. With insufficient staff resources, a tradeoff has to be made between supervision and appraisal responsibilities. Management commented that there may be a need to supplement its staff supervision resources with consultants.⁸⁸

Important improvements have been made during the past year in this area. Especially noteworthy is that the design for supervision reports has been changed to cover performance issues. There has also been a decision that all ongoing projects should have had at least one supervision mission by the end of March 1996.

⁸⁷ *Review of CDB's Project Supervision Function*, Paper BD 22/95, 1995.

⁸⁸ *Ibid.*, p. 4.

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4.3.2 Field Reporting

Field reporting by borrowers/executing agencies constitute an important element of a monitoring and evaluation system. It involves both financial and progress information which will provide the Bank with an indication of the current status of a project or program.

Some difficulty has been experienced in this area, and reports are at times late, less than comprehensive, or missing altogether.

In many cases, these problems can be traced to the appraisal stage, where institutional capacity to generate such reports may not have been fully taken into account. Borrowers may also not have appreciated the importance of producing such reports as an internal control system for their own purposes, and may have the mistaken belief that only the Bank stands to benefit.

Efforts have been made more recently to pay greater attention to institutional capacity at the appraisal stage, and this will continue to be important in addressing this type of difficulty, as well as other issues involved in transition planning. Strengthen institutional capacity will often require training and other types of technical assistance.

4.3.3 Project Completion Reporting

The *project completion report (PCR)* was instituted by the Bank as a requirement for all projects completed after January 1, 1991⁸⁹. Generally, a PCR should be no more than five pages, organized in six standard sections covering *project results, implementation performance, borrower's and executing agency's performance, CDB's performance, conclusions and recommendations, and lessons learned*.

Normally a PCR, to be completed by the appropriate projects division, is a relatively cost-effective method of capturing lessons which can be applied in the future to planning and implementation. Should more in-depth analysis be required, the PCR can feed into a post-evaluation study.

Thus far, only a limited number of PCRs have been prepared, and the respective section in the *Operational Policies and Procedures Manual* dealing with full coverage has not yet been complied with. This is apparently due to the heavy workload of operational staff.

⁸⁹ CDB, *Operational Policies and Procedures Manual, Volume 4, Guidelines for Post Evaluation*, February 1993.

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One of the key advantages of a PCR is as a relatively quick and cost-effective way to learn from experience. Learning takes place at two levels:

- ▶ through intimate involvement of the operational division in the completion of the report, and
- ▶ through subsequent dissemination of relevant lessons to a wider audience.

Management noted that the preparation of a PCR may not be appropriate in all cases.⁹⁰ It would probably be useful to define the criteria on the basis of which projects can be identified as requiring a PCR, and other cases where this requirement may, if necessary, be waived. Such criteria could, for example, emphasize particular needs in respect of corporate learning, as well as post-evaluation requirements.

Given staff constraints, consideration may also need to be given to the use of outside consultants for preparation of these reports, a not uncommon practice in other MDBs, but which tends to reduce direct learning for operational staff.

4.3.4 Mid-Term Evaluations

Performance studies of significant depth to assess achievements midway through a project or program are usually referred to as *mid-term evaluations*. They are broader in scope than routine supervision exercises, and are especially designed to obtain findings that can influence a future course of action.

Responsibility for mid-term evaluations would normally, but not automatically, rest with the organizational unit charged with project implementation. Because of the wider scope of such an exercise, and the special expertise that may be required, outside consultants are often asked to become involved.

Examples of mid-term evaluations carried out by the Projects Department are the recently completed evaluation of the BNTF and an earlier study covering feeder roads (see Chapter 3). Both were done by outside consultants, were co-ordinated by the Projects Department, and were of good quality.

The Bank has not done many mid-term evaluations. A principal reason appears to be resource constraints. Another may be that responsibility for mid-term evaluations of a sectoral nature (e.g. a study of the Bank's program performance in a specific sector such as education) does not appear to be clearly assigned, and consideration might be given to whether the PIEU should become more closely involved.

⁹⁰ Paper BD 22/95, p. 4.

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At any rate, the limited number of mid-term evaluations, particularly of a sectoral nature, would appear to have reduced the potential for learning from experience.

4.3.5 Post Evaluation Reporting

The post-evaluation function in the Bank is exercised by a two-person team with long and impressive experience in the subject matter. The process employed by the Post Implementation Evaluation Unit (PIEU) is largely representative of that adopted by other MDBs. The head of the unit reports to the President (as in the case of the AsDB) rather than the Board of Directors (the case with the World Bank and the IDB). About 90 per cent of evaluations are done in-house, and 10 per cent through the use of outside consultants. On average, the two-person team produces about four evaluations each year, while an additional evaluation study is sometimes done by an outside consultant.

While the head of the Unit enjoys independence in the selection of projects for post evaluation, the choice is very much influenced by the the Project Department's work program, in order to be as relevant as possible. The selection can also be influenced by the availability of supervision and project completion reports, as well as the terms and conditions specified by Contributors of specific funds.

Draft reports are circulated to respective Bank staff and the Advisory Council to the President, as well as borrowers and executing agencies for comment. Normally no major revisions are made during this process.

Both the annual evaluation work program and post evaluation results are submitted to the three-member Audit and Post Evaluation Committee of the Board of Directors, for review before being sent on to the full Board. The Committee meets three times a year, and is currently composed of Directors representing Barbados (chair), Canada and the OECS.

Lessons learned are disseminated in printed copy to management and staff, as well as others involved with the projects concerned, including the borrower. An annual report of post evaluations is submitted to the Board.

During the period since the establishment of the SDF(U), some 12 years, a total of about 35 post evaluation reports have been prepared. Of these, a small number were of a regional or sectoral nature, e.g. technical assistance region-wide, national economic management training, agriculture in Belize, industrial development in St. Vincent, water and sewerage region-wide. The rest were project focused. The findings of these post evaluations are useful, and are of importance for learning purposes.

Yet, various constraints can be identified that make the post-evaluation function less effective

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than it could be. The constraints are described in more detail in Section 4.4 below, but can be summarized as:

- In the first place, the post-evaluation function is hampered by a lack of sufficient resources, in terms both of permanent staff and funds to engage outside specialists. The lack of sufficient staff and financial resources is one of the primary causes for what appears to be a limited impact of post-evaluation on Bank strategy.
- Secondly, the post-evaluation function is made more difficult by the scarcity of monitoring feedback. The quality of post-evaluation depends directly on field reports, supervision reports and completion reports, which need to be available and have to be of good quality to be useful.
- Thirdly, it would be useful to introduce certain methodological changes in the preparatory process of post-evaluation. A key enhancement would be the use of an *Evaluation Matrix*, which requires discipline and analytical rigour in defining of issues that need to be reviewed. A clear definition of issues, together with a selection of appropriate indicators, can result in more useful strategic findings.

4.3.6 Post-Implementation Reporting

A unique feature of the Bank's M&E system, and one that seems particularly appropriate, given the circumstances of the region and the Bank's close, ongoing relationship with many of its borrowers, is a process of post-implementation monitoring of projects, i.e. after implementation has been completed and the project has become operational.

This part of the system is much less intensive and costly (in terms of staff and financial resources) than supervisory requirements during implementation, and has proven to be a useful control mechanism. It contributes to good governance of the respective organization, helps to ensure that the investment bears fruit in the longer term, and can provide feedback on project impact. At the same time, it contributes to the Bank's body of knowledge of a particular organization, which can then be applied during design of a subsequent project.

4.4 Main Directions for SDF 4 Monitoring and Evaluation

In looking at the current monitoring and evaluation system, and comparing it to the conceptual model presented earlier in this chapter, a number of conclusions can be drawn.

First of all, *the Bank has established a basic system of monitoring and evaluation that contains all the key elements traditionally expected in such a system.* Its structure essentially corresponds to the models adopted in other international development institutions. It is capable of producing

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feedback that can be applied to both the horizontal and vertical flow of information. Decisions have been taken recently to increase the usefulness of this information, particularly as it relates to the project supervisory function.

Yet, the system has not yet evolved sufficiently to satisfy the requirements of a dynamic learning organization. There are currently large gaps in evaluation work, both in terms of particular themes (e.g. institutional development) and sectors (e.g. education). In order to learn from experience, these gaps should be filled.

The need for improvements in some elements of the system has been suggested above. To illustrate the areas that currently require attention, the Bank's post-evaluation process, within the context of the overall M&E system, is outlined in Figure 4.3. As can be seen, post-evaluation is firmly based on various sources of information, many of which constitute an important part of the monitoring process. Any shortcomings in the quality of monitoring will directly affect the quality of post-evaluation.

As Figure 4.3 illustrates, the entire post-evaluation process can be sub-divided into four main stages:

- the Bank-based *information gathering stage*,
- the *preparatory stage*, designed to plan and focus the evaluation,
- the *field investigation stage*, and
- the stage during which *findings and lessons are disseminated*.

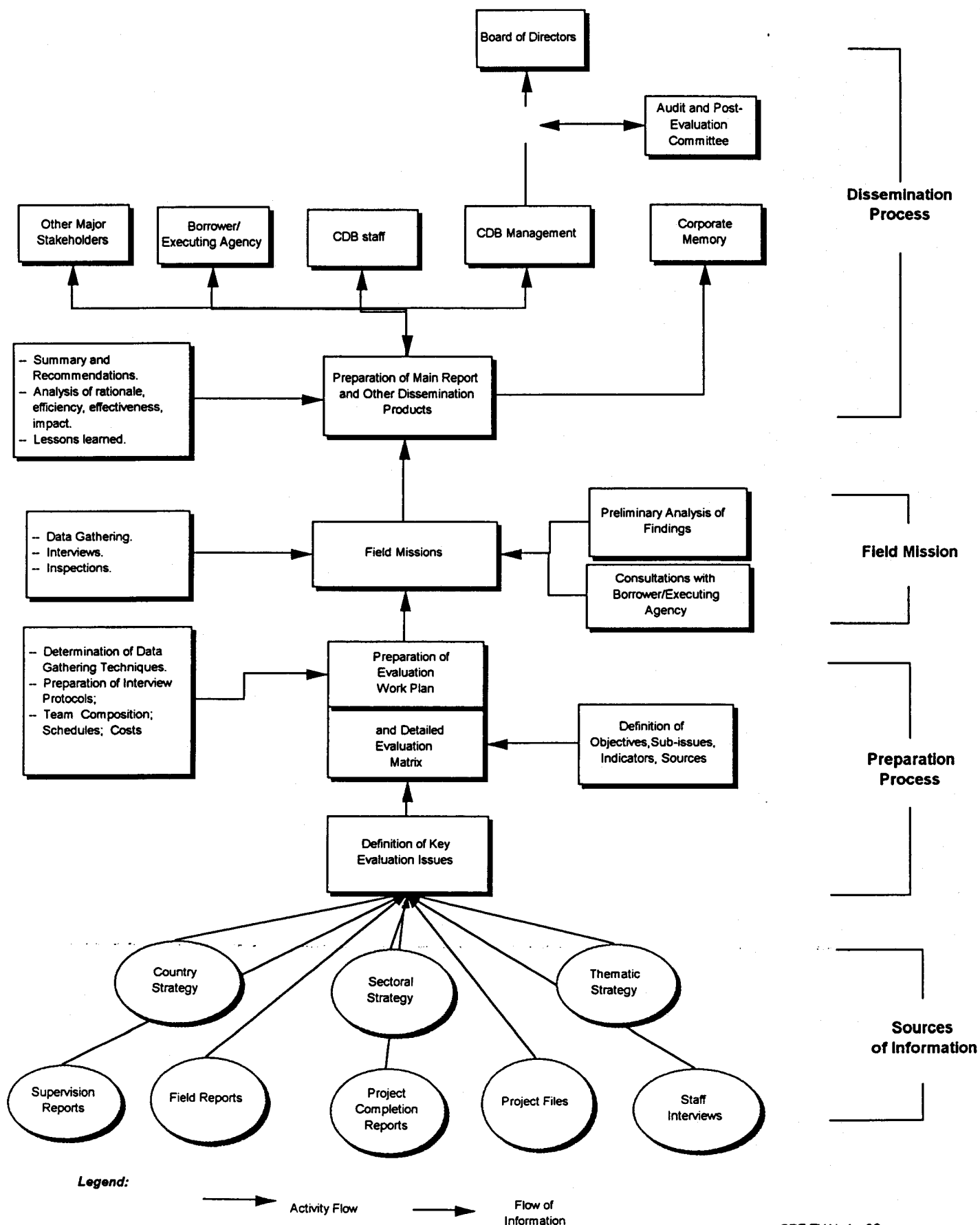
A brief review of these stages can identify areas where improvements should be considered to strengthen the overall learning process.

4.4.1 The Information Gathering Stage

A number of sources of information play an important part in the M&E system in general, and in post-evaluation in particular. These can be divided into those that provide indications of progress and achievements (supervision reports, field reports, project completion reports, project files and project staff), and those that offer benchmarks against which progress can be broadly measured (the Bank's strategy and operational programming documents, as well as the respective project/program appraisal reports in the individual project files).

With respect to the last category of information (the benchmarks), progress is being made in the Bank -- various strategic documents (country/sectoral/thematic) have been prepared, are in the process of being drafted, or are planned for the future. These documents should offer a good foundation for the Bank's M&E system. In addition, project appraisals now include indicators that can form the basis for subsequent monitoring and evaluation.

Figure 4.3
CDB POST-EVALUATION PROCESS



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With respect to those sources of information that provide indications of progress and achievements (supervision reports, field reports and project completion reports), improvements appear to have been made in the frequency of project supervision, and hence in the availability of supervision reports. The supervisory function is a key activity, which permits the Bank to strengthen project quality. It plays an important part in subsequent post-evaluation.

Improvements can be made with respect to the quality and frequency of *field reporting* and *project completion reporting*. With respect to the first, appraisals should pay close attention to institutional capacity, not only because of the need to ensure organizational and managerial sustainability, but also to prepare the beneficiary organization for internal control functions, for which an effective reporting system is fundamental. Improvements in the quality of field reporting will not only satisfy the Bank's information requirements, it will serve as a useful discipline on the part of the implementing agency which may enhance its performance. Appraisals, in looking at institutional capacity, should determine whether there is a need for special training which could be included as part of the project package or applied prior to project implementation.

There also appears to be a need for more regularity in the preparation of Project Completion Reports. Present coverage is generally acknowledged to be insufficient. While the preparation of PCRs may seem burdensome to busy project officers, and perhaps understandably so, the failure to produce such reports undermines the internal learning process in the Bank, learning that occurs during the actual act of PCR preparation itself. It hampers the PIEU in the exercise of its responsibilities in terms of auditing (preparation of a PPAM) and evaluation (which normally benefits greatly from a PCR).

Most importantly, however, is the fact that the failure to complete a PCR may result in important lessons being lost to management, possibly forever. Compared to an evaluation, the capturing of key lessons through a PCR is very cost-effective, provided due attention is paid to the necessary analytical content.

4.4.2 The Evaluation Preparation Stage

It is clear that PIEU plays an important role in the Bank's learning process through the preparation of post-evaluation reports, the clarification of important issues and the definition of useful findings and lessons learned. The start of the new SDF 4 program cycle may be an opportune time to examine critically the Unit's role during the next several years. In particular, it will be useful to consider the Unit's overall strategy in terms of becoming (as much as can be realistically expected) more directly responsive to feedback requirements arising from the thematic emphasis of SDF 4.

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The preparation of annual work plans should become more strategic in nature. Establishing such a strategic focus can have a direct impact on the type of projects and programs to be evaluated, and the type of issues to be emphasized. Increased responsiveness to this new situation may mean an increased evaluation focus on the SDF 4 themes, through both thematic evaluations at a country or regional level and the identification of thematic findings during project-specific or sector-specific evaluations.

PIEU currently prepares itself for an evaluation by defining key issues that should be examined in the field. This exercise offers a useful discipline in establishing the evaluation focus, and its importance should not be under-estimated. In preparing for evaluation work during the period ahead, it may be useful to strengthen this preparatory process further by introducing the concept of an *Evaluation Matrix*. A standard format for such a matrix is presented in Figure 4.4.

An Evaluation Matrix is a systematic method of identifying the key evaluation issues with respect to the rationale, efficiency, effectiveness and impact of a project or a program component. It breaks down these key issues into sub-issues, indicators, and sources of information.

An accepted practice among many evaluators, the completion of a matrix can be of enormous assistance in thinking through the entire evaluation process. Although initially somewhat time-consuming to prepare, it turns out in practice to be a very cost-effective method to define and investigate the key issues in any activity or set of activities.

The use of a detailed evaluation matrix is particularly useful in evaluating program themes such as poverty alleviation or human resource development, where evaluation is often a complicated undertaking. It is thus very well suited for the evaluation of SDF 4 areas of special focus.

Figure 4.4 Evaluation Matrix

Key Issues/Objectives	Major Questions and Sub-Questions	Objectively Verifiable Indicators	Methods of Assessment and Sources of Information
Rationale			
Efficiency			
Effectiveness			
Impact			

4.4.3 The Field Investigation Stage

The quality of field investigation depends very much on the preparatory process that precedes it. A carefully worked-out plan of action with a well defined evaluation matrix may significantly improve the quality of findings.

If it is accepted that the M&E system of the Bank should, among other objectives, become more responsive to the thematic emphasis set out in the SDF 4 mandate, the Bank will need to consider the adequacy of resources currently available to support the M&E function. The measurement of thematic issues will require additional resources, including staff, short term consultants and travel funds, to ensure quality feedback. Of particular importance would be participation by selected functional specialists to assist the PIEU in this difficult task.

The appointment of a longer term evaluation specialist (staff or contract, internal or external) to support the Unit for perhaps two years could be very effective. Such a person would be able to assist in the co-ordination of evaluation work, provide advice to the Projects Department in the preparation of mid-term evaluations, and assist in the introduction of new methodologies. Suggested terms of reference for such a position is provided in Box 4.1. In addition, there is a need for a research assistant to help in preparatory work and data analysis.

Box 4.1

Additional Evaluation Specialist - Key Tasks

The Evaluation Specialist will be required to assist the Post Implementation Evaluation Unit in the following tasks:

- participate in the planning of a four year work program of the Post Implementation Evaluation Unit that addresses the Bank's information needs for strategic planning, and satisfies SDF 4 feedback requirements;
- provide assistance in the methodological enhancement of post-evaluation preparation and design;
- provide advice to the Projects Department in the preparation, methodology and design of mid-term evaluations;
- develop a dissemination strategy for monitoring and evaluation findings, targeted to specific stakeholders;
- assist in the preparation and coordination of thematic evaluations;
- participate in the field investigation of selected evaluations.

4.4.4 The Dissemination Stage

In terms of dissemination of findings and lessons learned, it may be useful to allow the M&E system to evolve towards a situation where lessons are captured more systematically, synthesized and customized according to the requirements of specific target groups (e.g. a brief synthesis with strategic implications for management and/or policy implications for the Board), and disseminated in a variety of forms.

Two points should be made in respect of the capturing of information for dissemination purposes. First, it should be recognized that the whole M&E system should contribute findings, not just the post-evaluation function. This implies, among other things, the need for a rigorous process of PCR completion, including the careful analysis of lessons learned from these reports. It also means that key findings from supervision and post-implementation reports should become part of the information-capturing process.

Secondly, a dissemination strategy should, at least initially, not be too ambitious, given available resources. It should be based on a realistic appreciation of needs and costs. But even low cost ideas can contribute to the learning process. One of these could be a periodic synthesis of findings and lessons learned. No such overall synthesis appears to have been attempted thus far. (A brief review of performance on the basis of existing evaluation and project completion reports is offered in Chapter 3.)

The evolutionary process suggested above essentially deals with a tightening up of certain systems and procedures and the introduction of greater focus. It is with respect to the last element, i.e. *focus*, that further decisions are required to nourish the Bank's learning process. The clarification of focus is essential if an M&E system is to be goal-oriented and serve the thematic objectives of SDF 4 in particular.

Two steps are required. *First*, it is necessary to define clear policy objectives in pursuit of the SDF 4 themes. The preparation of policy documents (some work has already been done in this area) is a first step in narrowing down the directions that will govern SDF operations. It will also be necessary to go a step further, since policy statements, by their nature, sometimes suffer from generalities and a failure to define operational objectives. *The second step* will be to clarify general policies by translating them into operational program terms. This will identify the type of specific activities that would best fulfil the SDF 4 mandate.

To focus the M&E system, it will be necessary to define the key issues that need to be monitored and evaluated through SDF 4. This will have implications for the PIEU in establishing an annual work plan. It will also have implications for the preparation of other reports, such as project completion reports, and the extent to which these reports should highlight specific SDF 4 themes. It is by focusing the M&E system on the measurement of such issues, and by routinely capturing information and lessons learned concerning them, that the potential will be created for significant learning. Selected issues are presented in the next chapter.

5. Designing the Framework: Key M&E Issues for SDF 4

5.1 Introduction

Monitoring and evaluation can be undertaken of the projects and programs in the Bank's portfolio, but it is more difficult to attribute specific results to the use of SDF resources. The difficulty arises, in part, from the initial purpose of the SDF, to assist the Bank in undertaking its general mandate, and from the practice of blending SDF funds with Ordinary Capital Resources on a project, institutional, sector and country basis. Only in those cases where projects or programs were financed exclusively from SDF resources (such as BNTF) can monitoring and evaluation provide findings that are clearly specific to SDF funding only. In blended projects in particular, any evaluation will necessarily relate to the use of both types of financing.

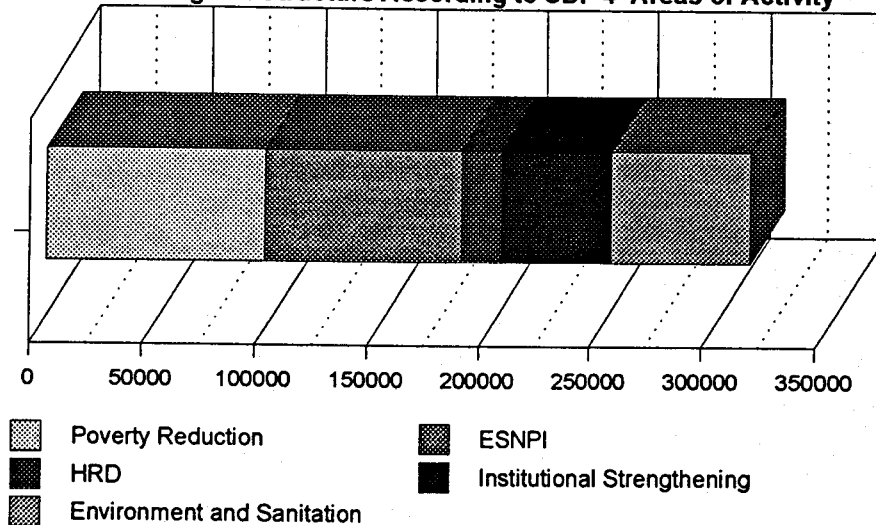
In other words, an evaluation of the Special Development Fund could, almost necessarily, imply an evaluation of much of Bank's overall portfolio. On the other hand, to the extent that the specific purposes for which SDF resources were used or blended with OCR can be identified, along with the criteria that were applied, it becomes possible to isolate the general characteristics of these purposes and criteria, and to attempt to relate particular results and effects to them.

This chapter is designed to identify some of the key issues that have become increasingly important in the context of SDF objectives, as reviewed in Chapter 2. Although the purposes underlying SDF replenishments have evolved over the years, and become more clearly enunciated, there are several common strands of a "thematic" nature, in addition, of course, to the country eligibility criteria.

It is possible, for example, to group SDF lending to date according to the same classification being used for SDF 4, as is shown in an overly simplified way in Figure 5.1.⁹¹ The balance between these categories, of course, is likely to be considerably different for SDF 4.

⁹¹ The figure is intended only to be illustrative, and was developed from a brief review of project content by the study's research staff. Some of the individual projects, however, might, under a different screening system, fall into a category of "other."

Figure 5.1
SDF 1-SDF 3: Program Structure According to SDF 4 Areas of Activity



It is suggested, therefore, that further assessment of the performance of SDF operations to date be primarily thematic in nature. By identifying some of the predominant themes for which SDF financing has been intended, and by basing a monitoring and evaluation system for SDF-supported projects on these, it becomes possible to isolate findings that may be more directly applicable to the SDF than to other sources of financing. In assessing any individual elements of the program it will, of course, be important to bear in mind the strategic and operational objectives that were applicable at the time the project was approved.

There is also another advantage to this particular approach. The findings and lessons of such an assessment can feed directly and purposefully into the planning for the SDF 4 operational program, including components of projects that are closely reflective of SDF objectives, as well as "freestanding" SDF projects. It would, in addition, complement an enhanced monitoring and evaluation system for SDF 4 which, as proposed in the previous chapter, would benefit from a systematic capturing of lessons pertaining to these principal themes.

The Bank's overall monitoring and evaluation system, of course, should not be confined to the assessment of SDF issues only. There is other information relating to the use of OCR resources, and issues of a technical, sectoral or country-specific nature that the Bank needs to capture. But here we are concerned primarily with the type of information that needs to be accumulated to provide feedback on effectiveness and impact in respect of particular themes that SDF Contributors wish to emphasize.

5. Designing the Framework

The following objectives and issues pertain to operations and selected themes that seem most relevant for SDF purposes. They are generic in nature, and indicative of the type of questions that should be asked in an evaluation, as well as the type of information that the Bank may wish to accumulate through its M&E system during the SDF 4 program period.

The objectives (Box 5.1) emerge from the goals underlying SDF 4, but will also permit an assessment of past performance, even if in selected areas of the project portfolio to date, and are in any case related to past "themes" in SDF operations and funding allocations. An identification of key issues in respect of each objective is provided in Sections 5.2 and 5.3.

Box 5.1 **Key Monitoring and Evaluation Objectives**

- | | |
|--------------------|--|
| <i>Objective 1</i> | To determine the Rationale, Efficiency and Effectiveness of the Project/Program PLANNING Stage, with specific reference to SDF areas of focus. |
| <i>Objective 2</i> | To determine the Rationale, Efficiency and Effectiveness of MANAGEMENT AT IMPLEMENTATION stage, with specific reference to SDF areas of focus. |
| <i>Objective 3</i> | To determine the effectiveness and impact of HUMAN RESOURCE DEVELOPMENT. |
| <i>Objective 4</i> | To determine the effectiveness and impact of INSTITUTIONAL DEVELOPMENT. |
| <i>Objective 5</i> | To determine effectiveness and impact in fostering GENDER EQUITY. |
| <i>Objective 6</i> | To determine effectiveness and impact in POVERTY REDUCTION. |
| <i>Objective 7</i> | To determine effectiveness and impact in safeguarding and improving the ENVIRONMENT. |

5.2 Project Planning and Implementation

The stages of program/project planning and project (or sub-program) implementation are key areas of attention in any evaluation. Among the issues that can be addressed are the extent to which SDF-specific themes were given adequate attention, a factor which becomes increasingly important in the case of new SDF 4 projects, and the monitoring and supervision of them.

Box 5.2 and 5.3 attempt to capture some of the issues involved.

Box 5.2

M&E Issues: Project/Program Planning

Monitoring and Evaluation Objective

To determine the rationale, efficiency and effectiveness of the Project/Program Planning stage with specific reference to SDF areas of particular concern.

Key Generic Issues

1. Did the project, in its definition, respond to the developmental objectives and priorities of the recipient country/region?
2. Were the activities of other donors taken into account in planning and designing the project/program?
3. Was the design of the project/program, or components thereof, consistent with the applicable SDF objectives and priorities, and was the attainability of these objectives and priorities sufficiently well assessed?
4. Was the Bank's corporate memory, previous country and sectoral experience, and official policies and strategies taken into account in assessing the project?
5. Was institutional capacity and managerial competence adequately considered?
6. Was there adequate attention to "transition planning," i.e. to ensuring the institutional and personnel requirements for effective project implementation were in place before project startup? Was the need for technical assistance, training or other institutional strengthening adequately considered?
7. Were conditions in the country adequately taken into account, including social, economic and political conditions?
8. Were linkages to other sectors taken into account?
9. Were representatives of the borrowing country actively involved in the feasibility analysis of the project or program?
10. Was the project or program designed on the basis of a *Logical Framework Analysis*, clearly identifying goals and objectives, inputs and outputs, objectively verifiable indicators, and risks? Were the objectives realistic and attainable?
11. Was the equipment component well planned in terms of sufficiency and appropriateness, maintenance requirements and support, spare parts provisions and inventory management?
12. Was the procurement component adequately and realistically planned, with appropriate allowance for time requirements?

Continued

5. Designing the Framework

Box 5.2 continued

M&E Issues: Project/Program Planning

13. Were alternatives built into the project or program in case of non-fulfilment of the recipient's obligations?
14. Was the work breakdown structure carefully designed with clear definition of responsibilities, reporting structures and advisory linkages?
15. Were control measures adequately introduced, including field report content and schedule, a Bank supervision plan and post-implementation monitoring? a possible mid-term review? Was institutional capacity created to adequately fulfil field reporting responsibilities?
16. Was the budget detailed and comprehensive? Were rates of return properly calculated?
17. Has the question of sustainability been adequately addressed? In particular:
 - Have the outputs that must be sustained been carefully defined?
 - Have beneficiaries been identified, were they consulted in the project selection/project design process, and to what extent has a sufficiently representative core of stakeholders been formed to ensure continuity of operations?
 - Have the recipient country's policies been identified as having either a positive or negative effect on the pursuit of objectives?
 - Has sufficient attention been paid to the institution-building process?
 - What financial or administrative measures have been taken to assure continuity of operations?
 - What are the opportunity costs or alternatives to the goods and services made available during implementation?
 - What is the period of time required to ensure the project/program becomes sustainable?
 - Has the environmental impact been appropriately reviewed, and have measures been incorporated in the design to safeguard the environment, and preferably ameliorate it?
18. Was the environmental impact of the project or program properly assessed and taken into account in project/program design?
19. Was gender equity considered in the feasibility analysis, and was it reflected in the design work?

Box 5.3

M&E Issues: Management at Implementation

Monitoring and Evaluation Objective

To determine the efficiency and effectiveness of the Management at Implementation stage, with specific reference to SDF areas of particular attention.

Key Generic Issues

1. Was the Bank's supervision of the project efficient and effective?
2. Was progress and financial field reporting sufficiently comprehensive and regular to serve as an adequate management tool for the Bank and the recipient? Did the field reports adequately treat relevant cross-cutting themes?
3. Did supervision reports adequately analyze progress in the pursuit of the relevant cross-cutting themes?
4. Did Bank management derive sufficient findings from the monitoring process to influence project implementation effectively?
5. Was the receiving/executing organization sufficiently strengthened before and during project implementation to carry out its responsibilities adequately?
6. Were the causes of any divergence between anticipated achievements as defined during the design stage, and actual achievements upon project completion, due to management? How did this manifest itself?
7. Did the recipient country fulfil its responsibilities in an efficient and effective manner?
8. Were timetables and budgets adhered to in accordance with performance of activities and delivery of outputs?
9. Was there stability in the field staff and what effect, if any, did personnel changes have on project outputs?
10. Did management take adequate action to ensure organizational, financial and environmental sustainability?
11. Was procurement managed adequately?
12. Was there a mid-term review of project/program objectives and achievements to determine possible need for change and justify continuation?

5.3 SDF 4 Focus and Themes: Human Resource Development, Institutional Development, Gender Equity, Poverty Reduction and Environment

The following issues may provide the Bank with some guidance in measuring impact with respect to the cross-cutting areas of concentration increasingly emphasized by SDF Contributors. They should be regarded as only indicative of the type of questions that should be asked during evaluation and monitoring.⁹²

The importance of thoroughly preparing for an evaluation should be stressed. While the issues presented below in Boxes 5.4 to 5.8 provide a starting point for preparation, additional steps include the definition of sub-issues where possible, as well as the specification of respective indicators that can be measured or assessed.

⁹² The issues on *institutional development* are derived from an excellent publication of the International Development Research Centre, *Institutional Assessment, A Framework for Strengthening Organizational Capacity for IDRC's Research Partners* (Ottawa, 1995).

Key issues on *poverty reduction* are based on a study by Duguay Williams done for CIDA's Evaluation Division in 1989, *Focus on Poverty Alleviation: A Concept Paper* (Ottawa, 1989).

With respect to key issues on the *environment*, see also the recently published unofficial document by the World Bank entitled *Environmental Indicators* (Washington, D.C., February 1996).

Box 5.4

M&E Issues: Human Resource Development

Monitoring and Evaluation Objective

To determine the effectiveness and impact of SDF projects and programs dealing with **Human Resource Development**.

Key Design Issues

1. Has use been made of sector studies, research, experience and project design of other donors? Have similar projects/programs been studied for learning purposes?
2. Have other sources of information on national and local conditions been studied, such as:
 - studies to identify the organizations and individuals affected by the project to ensure that institutional capabilities are assessed and that full consultation takes place?
 - manpower surveys to assess absorptive capacity for graduates and the availability of qualified counterparts?
 - current assessments of gender proportions in educational institutions?
 - socio-cultural studies that identify demographic and gender characteristics of target groups, traditional leadership, traditional values and beliefs?
 - studies of special consideration groups such as rural poor and marginal youth?
3. To the extent appropriate, were employment, wage and education policies of the recipient government examined? Were there more appropriate responses than formal training, such as more effective utilization of existing human resources, better wage and incentive practices, more on-the-job training, or reorganization?
4. Were local experts, officials and beneficiaries included in the preparation team to foster local commitment and ensure that preparation is sensitive to local conditions?
5. Was a target group identified? Was this necessary or desirable for the longer-term impact of the project/program?
6. Was a suitable facility available, either in the recipient country or a neighbouring country, to minimize cost and cultural adaptation?
7. Was project entry phased-in through an appropriate transition period and/or a project launch workshop to allow for participation and possible adjustments?
8. Have support components for trainees been provided, such as home leave, pre-departure briefing, supplementary language training, tutoring/support services?
9. Did the project/program require a high level of managerial, administrative and logistical skills? Was this taken into account in project/program preparation and design?
10. Has a monitoring and evaluation framework been developed to collect data for feedback purposes with respect to efficiency, effectiveness and impact?
11. Has the concept of gender equity been introduced in project design?

Continued

Box 5.4 continued

M&E Issues: Human Resource Development

Key Management and Implementation Issues

1. Did the executing agency demonstrate leadership and commitment to make the project/program succeed?
2. Were the systems and procedures of the executing agency sufficiently well established to allow for efficient and cost-effective administration?
3. Did the project/program manager exhibit the right initiatives, inter-personal know how, motivational skills, and management expertise?
4. Was progress and financial reporting adequate and provided on the basis of a well-designed format? Did it serve a useful purpose in pointing out required project/program adjustments? Was the reporting sufficiently based on information requirements to allow judgements on effectiveness and impact?
5. Were support services efficient and effective?
6. Were the roles and responsibilities of all parties involved clearly understood and executed?

Key Effectiveness and Impact Issues

1. Do graduates and trainees have the opportunity and capability to use their new knowledge in their work? Have they been employed in positions for which they were trained?
2. To what extent are the recipients able to absorb and run the systems developed and sustain them without on-going assistance?
3. Have the services provided by the institutions to their clients improved?
4. Have linkages that may have been designed into the project been maintained?
5. What was the performance level of trainees? What was their own satisfaction level?
6. Were there alternative ways of human resource development that could have been more effective?
7. Have the objectives of gender equity been achieved?
8. Has the HRD project/program had an impact on the natural environment? Did it benefit the natural environment, did it damage the natural environment, or was it environmentally neutral?

Box 5.5

M&E Issues: Institutional Development

Monitoring and Evaluation Objective

To determine the effectiveness and impact of SDF projects and programs dealing with Institutional Development.

Key Planning Issues

1. Was the project design based on a careful analysis of the institution, its strengths and weaknesses, its constraints and its opportunities?
2. In particular, did the institutional assessment properly deal with the following areas:
 - the external environment of the institution (e.g. the legal, technological, political, economic, and social/cultural environment)?
 - the motivational character of the institution (e.g. its history, its mission, its culture, its incentive structure)?
 - the institutional capacity of the institution (e.g. its strategic leadership, human resources, other core resources, program management, process management, inter-institutional linkages)?
 - the institutional performance (e.g. movement towards its objectives, efficient use of resources, its continued relevance)?
3. Did the planning document clearly define key areas of weakness, and provide a detailed course of action to address these areas of weakness?
4. Were the inputs required to address areas of weakness (e.g. technical assistance, training, materials and equipment) well identified?
5. Were pre-conditions and covenants for project effectiveness (e.g. counterpart appointments, required legal changes, required organizational changes, etc) well defined and agreed upon?
6. Was the concept of gender equality introduced in project design?
7. Was any impact on the natural environment considered in project design?

Continued

Box 5.5 continued

M&E Issues: Institutional Development

Key Management and Implementation Issues

1. Was the recruitment of consultants on time and consistent with the rules and regulations of the Bank? Was the performance of technical assistance personnel adequate?
2. Was training focused, efficient and effective? Have trainees been placed in positions where new skills can be used?
3. Was the procurement process conducted on the basis of the Bank's rules and regulations? Was procurement on schedule? Did the procurement satisfy the intended purpose?
4. Was the Bank's supervision performed regularly, and did it usefully influence the implementation process?
5. Was field reporting dealing with progress and financial issues adequate and on time?
6. Was there clear evidence of full participation by the institution's management in the strengthening process?
7. Was a mid-term review undertaken of project objectives, scope, design, methods and overall feasibility? Were appropriate mid-course adjustments made as a result of that review or of the application of a "process approach" to the particular project?

Key Effectiveness and Impact Issues

1. Due to the project or program, has the institution become more relevant to the legal, political, technological, economic, and social/cultural environment within which it operates.?
2. Has the institution become more capable in achieving its basic objectives? Has it become more effective in moving towards fulfilment of its mission?
3. Are the improvements introduced through the project/program sustainable in the long term? Is there clear evidence of local commitment to long-term sustainability? In particular:
 - Are there improvements in financial performance and profitability and a movement toward self-financing?
 - Is there increased strength and independence of management?
4. Have objectives of gender equity been achieved?
5. Has the institutional development project had an impact on the natural environment? Did it benefit the natural environment, did it damage the natural environment, or was it environmentally neutral?

Box 5.6

M&E Issues: Gender Equity

Monitoring and Evaluation Objective

To determine the effectiveness and impact of SDF projects and programs dealing with **Gender Equity**

Key Planning Issues

1. Were gender equity considerations included among the factors that helped in the identification of the project? Were gender equity considerations part of the overall project design?
2. Was the feasibility research team concerned with obtaining information on the socio-economic and gender structure of the target population?
3. Was gender equity considered with respect to participation in, and/or management of, relevant project activities?
4. Were special provisions made to encourage benefits to accrue to the socially and economically weaker gender group? Was there support for this orientation also from the stronger gender group?

Key Management and Implementation Issues

1. Did project reporting include gender disaggregated indices of progress?
2. Were organizational and management structures reflective of gender equity considerations?

Key Effectiveness and Impact Issues

1. Was the project effective in directing benefits to the socially and economically weaker gender group?
2. Are project results, in terms of gender dimensions, sustainable in the long run?
3. Has the natural environment been affected by the project/program?

Box 5.7

M&E Issues: Poverty Reduction

Monitoring and Evaluation Objective

To determine the effectiveness and impact of SDF projects and programs dealing with **Poverty Reduction**.

Key Issues

The process of poverty reduction is multi-faceted, and includes a large number of different activities. Poverty reduction efforts deal with issues such as raising income levels through employment creation, increased production, better access to markets, etc.; providing access to social/economic/technical services; providing health services; ensuring availability of land and water resources; providing adequate housing; providing adequate access to education; and other issues.

Essentially, however, it can be said that poverty reduction activities focus on improvements in four key areas: individual/group choice, individual/group access, individual/group power, and individual/group equity.

Key issues for measurement at all stages of the project cycle and during post-evaluation revolve around these four generic questions:

1. Has the ability to make choices (group and/or individual) been increased? Measurement will be concerned with areas such as:
 - Choosing one's personal future
 - Projecting a community's future
 - Mapping the road to a better community
 - Identifying personal aspirations
 - Identifying constraints to achievement
 - Measuring time needed for change
 - Hope for the future for/by children and youth

2. Has (individual and/or group) access to knowledge and services been improved? Measurement will be concerned with areas such as:
 - Taking inventory of local social/economic and technical services
 - Comparing knowledge of local services with actual availability
 - Measuring availability and use of medical facilities
 - Reviewing the organization of and participation in local associations
 - Examining potential for and participation in local credit, savings and investment schemes
 - Appraising school curricula and attendance

continued

5. Designing the Framework

Box 5.7 continued

M&E Issues: Poverty Reduction

3. Has individual and/or group power to make decisions and carry them out been increased? Measurement will be concerned with areas such as:
 - Reviewing ability to plan and make changes
 - Reviewing and describing relationships with others
 - Discussing people and things which cause fear
 - Discussing how things could be better, or worse
 - Listing things that are most frustrating to the individual or group
 - Asking how things have changed.

4. Has individual and/or group equality been enhanced? Measurement will be concerned with areas such as:
 - Assessing local laws and their enforcement
 - Examining access to water and land
 - Rating conditions of employment and levels of pay
 - Parental responsibilities
 - Questioning relevance of school curriculum to daily life
 - Eliciting views of the community by the young
 - Analyzing barriers to participation in specific forms of activity

Box 5.8 M&E Issues: Environment

Monitoring and Evaluation Objective

To determine the effectiveness and impact of SDF projects and programs dealing with the Environment.

Key Issues

In measuring environmental impact, it should be remembered that all human activity affects the environment. Unless there is a conscious decision to allow nature to return to its wild state and withdraw human presence, or unless activity is consciously designed to repair environmental damage caused by previous human intervention, it can be maintained that human activity, by definition, tends to affect natural symbiotic relationships in a more or less serious fashion.

Measurement is no easy task, since environmental effects tend to be project or program specific and can manifest themselves in numerous different ways. Universal indicators of environmental impact are, therefore, difficult, if not impossible, to define.

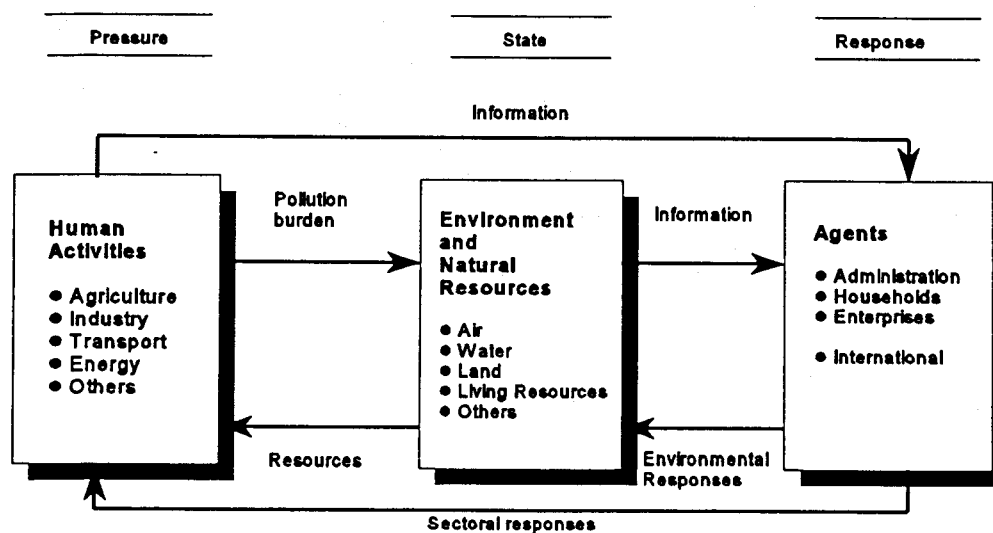
It is necessary for project/program planners to identify project-specific environmental indicators every time activities are designed for Bank financing. This preoccupation at the design stage will not only force environmental vigilance, it will set the stage for subsequent measurement.

5. Designing the Framework

Box 5.8 continued: M&E Issues: Environment

Key issues that should be considered in the measurement of environmental impact can perhaps be best understood within the context of the well known Pressure-State-Response (PSR) framework prepared by the OECD in 1994.

**Figure 5.2 The Pressure-State-Response Model:
A Conceptual Framework for Environmental Performance Indicators**



This framework presents in schematic form the three factors involved in environmental impact measurement. Human activities cause environmental pressures in agriculture, industry, transport, energy, and others (for example, agricultural chemicals, car emissions, etc). The pressures act upon the environment and its natural resources, air, water, land, living resources and others, thus tending to create a degradation of the state of the environment (for example, damage done to the reefs of the islands due to agricultural run-off). The response to the pressures on the state of the environment can be given by selected operating agencies, i.e. the local administration, households, enterprises and international agents (such as the CDB).

Essentially, then, key issues of measurement are concerned with:

- identification of the environmental pressures, i.e. the underlying causes of the problem
- description of the state of the environment resulting from these pressures
- responses made by the Bank to mitigate these pressures, and/or repair damage done to the state of the environment

The above framework for environmental impact assessment, at the planning, implementation and evaluation stages, can be applied at all levels (national, sectoral, communal, household), and to all types of human activities (projects/programs).

6. A Strategic Approach to Evaluation and Program Development

In deciding on the scope and design of further evaluation work to assess SDF effects and impact, there are two basic questions: what is relevant? and what is realistic?

The criterion of *relevance* serves to focus the evaluation on areas that are of most immediate concern in terms of SDF program needs, and/or areas where limited or no evaluative feedback is available. Relevance is also concerned with the measurement of things that need to be measured, i.e. those that are clearly identifiable as belonging to the program in question.

The criterion of *realism* is concerned with available resources and time. A program evaluation must necessarily be limited by the availability of resources. It should also be limited by the speed with which feedback is needed to satisfy information requirements.

Both criteria have to recognize the special feedback requirements that flow from the SDF 4 program mandate, including the objective of an intra-cycle review during the program period.

6.1 An Overall Program Evaluation

There are two considerations that would argue in favour of a full program evaluation. The first is that the SDF has benefitted most BMCs and a number of different sectors, albeit with the appropriate weighting. SDF blending with OCR (in sector, institutional and project terms) would also, in principle, require an evaluation of much the CDB's portfolio in order to capture the effect of the last SDF dollar.

The second reason is that current evaluation feedback on the Bank's performance provides only a partial picture of the whole. There are important gaps in sectoral and thematic evaluation coverage, and no country evaluation of the Bank's impact has yet been attempted.

There are, however also arguments against the full program evaluation option. First of all, it would be time consuming, involving rationale, efficiency, effectiveness and impact issues that would need to be explored beyond the mere anecdotal level to be credible. It is also relatively

6. A Strategic Approach

expensive in relation to prospective benefits.

Even if agreement could be reached to limit the effort, there is still the question of how the effect of OCR funding can be separated from the effect of the SDF in projects or programs to be evaluated. This is a problem that will always be present in an evaluation of the use of SDF resources, but it is more the case in some sectors than others.

Lastly, a full program evaluation may contain performance feedback that would be interesting from an historical point of view, but may be less relevant to future programming, at least insofar as SDF is concerned. If evaluation is to be aimed at contributing to planning and programming, it should focus on areas where this type of help is most needed.

A more selective approach would be based on a careful consideration of :

- (i) essential *sectoral performance feedback* required to define Bank strategy and operational program planning;
- (ii) priority requirements for feedback in *thematic* areas identified during the SDF 4 replenishment negotiations; and
- (iii) selected *sector-specific strategic directions* that may need to be considered pursuant to SDF objectives.

Such a selective approach would be best based on the SDF 4 indicative areas of intervention, as outlined in *Box 2.3* in Chapter 2.

6.2. Evaluation of Selected Sectors or Sub-Sectors

It was recommended earlier in this report a sector study be undertaken of the effectiveness of *lines of credit to DFCs*, with the objective of providing input into a long-term strategy for strengthening these key institutions and introducing stronger elements of sustainability into their operations. The rationale for this recommendation can be found in the SDF 4 program mandate, with its emphasis on small-scale enterprise credit and associated technical assistance (*Box 2.3*).

Of particular importance in a DFC evaluation will be a review of the small and medium scale enterprise development program, which is designed to provide credit, through DFCs, to primary-tier on-lending organizations such as credit unions, national development foundations and national development banks. These intermediaries are, potentially, ideally suited to support the lowest income segments of society, but institutional factors have thus far seriously limited attempts to use this channel.

It will also be important to review how effective DFCs have been in providing mortgage financing for housing, and the scope that exists for shelter upgrading for low-income

6. A Strategic Approach

households through lines of credit, an approach mentioned in the SDF 4 mandate.

Box 6.1 offers some key objectives that should be pursued in this evaluation.

Box 6.1 **Evaluation of DFCs - Key Objectives**

The evaluation will focus on the following key objectives:

- Establish the relevance of DFCs in achieving Bank objectives, with particular focus on poverty reduction.
- Determine Bank achievements in institutional strengthening of DFCs, with particular reference to financial management, policy development, loan administration, project appraisal and supervision, financial systems and procedures, collection of arrears, and human resource development.
- Examine the impact of DFCs on final borrowers, with particular emphasis on the areas of agriculture and manufacturing.
- Review the impact of the Bank's Small Scale Enterprise Development Program, and identify the challenges and constraints that have been experienced.
- Examine DFC compliance with CDB line of credit covenants, and determine the effect of covenants on the operations of DFCs, with particular emphasis on capacity building.
- Review the role of intermediary institutions such as credit unions, national development foundations and development banks, and determine constraints on the effective use of these institutions.
- Propose a role for the Bank and/or the DFCs in strengthening these intermediary institutions and preparing them for a wider scope of activities in line with SDF poverty reduction objectives.
- Examine the role of DFCs in providing mortgage financing, and propose ways in which this facility can better benefit the poor in the future, including the use of intermediary institutions.
- Review the scope for change in the constitutional structure of DFCs, including options such as full or partial privatisation, to make them politically more independent.
- Examine ways in which DFCs can pursue the goal of gender equity in their operations.

Earlier in this report, it was also recommended that there be a separate study of the effectiveness of the *student loans scheme*, with the aim of either confirming or adjusting strategy for the future. Although student loans are provided through the DFCs as intermediaries, the subject matter is important and complex enough to warrant a special study separate from a

6. A Strategic Approach

DFC evaluation. The sub-sector is also included in the mandate for SDF 4, where it is identified as one of the components of human resource development (*Box 2.3*).

The last evaluation of student loans was done in 1988.⁹³ Bank staff are in the process of preparing for this evaluation and intend to conduct it some time in 1996. *Box 6.2* recommends certain key objectives for a student loans evaluation.

Box 6.2 **Evaluation of Student Loans - Key Objectives**

The key objectives of an evaluation of the Student Loans Scheme will be to:

- Examine the rationale of Bank involvement in the provision of student loans.
- Determine the impact of the student loans program on: (i) the students themselves, (ii) technical and professional services available in the country concerned, (iii) the public sector and (iv) the private sector.
- Review the accessibility of the program to different socio-economic segments of the population, and reach a judgement on the adequacy with which the system is serving higher educational requirements of the population at large.
- Examine how the student loans scheme has pursued gender equity.
- Examine the efficiency of student loans management, with an emphasis on the appropriateness of eligibility criteria, selection and approval systems (including delegated authorities), collection/repayment performance, guarantees and collateral requirements, interest rate policies, and general portfolio management.
- Review alternative ways to stimulate higher education in the region with particular focus on making the system more widely accessible, introducing innovative schemes such as savings plans, and possibly involving the private sector.

These two sectoral evaluations can be classified as *mid-term evaluations*, intended to contribute to ongoing strategy. They would, therefore, fall within the responsibilities of the Projects Department. Sufficient resources to carry out the studies would need to be made available.

There are a number of other sectors for which little or no feedback exists. One, for example, is *sanitation*, which is closely related to the health sector, and has important environmental implications. Feedback on this sector would seem important to obtain, and consideration might be given to including it in the normal ongoing evaluation program of the PIEU.

⁹³ Trevor Hamilton and Associates, *Assessment of the Impact of the Student Loan Scheme of the Caribbean Development Bank*, February 12, 1988.

6.3 Thematic Evaluations

In order to satisfy the requirements of SDF 4, feedback is required for selected areas of concentration, or *program themes*, which tend to cut across sectors. Some of the issues can be defined as follows:

- How effective has the Bank been in fostering strong national and regional institutions, and what strategies should it adopt to achieve its objectives in this regard in the future?
- What operational strategies should the Bank adopt to become an effective agent of environmental protection?
- How effective have been the Bank's efforts in poverty reduction, and what strategic and operational adjustments may be necessary to strengthen SDF impact in this regard?
- What has been the Bank's impact on human resource development, and what should be its strategic focus for the future?

In examining these major themes, one is struck by their very broad scope. Evaluations designed to address these questions could be time-consuming and costly. It will be necessary to be selective, and to confine the effort to what is reasonable and relevant.

In establishing limits for a thematic review, the Bank should be guided by its requirements for strategic information. With respect to *poverty reduction*, for example, much strategic information will be gathered if the sectoral studies proposed above are undertaken. These encompass credit, skills training, gender issues and shelter upgrading. A recently completed evaluation of the BNTF has also provided excellent feedback on that program and on the more general concept of community development. In addition, the Bank has embarked on important country poverty assessments, which should provide considerable strategic guidance. An additional study to review the theme of poverty reduction, therefore, is not needed at this time.

With respect to *human resource development*, however, the picture is quite different. As interpreted in the SDF 4 Program mandate, HRD refers primarily to the education sector (*Box 2.3*), in which the Bank has not been particularly active over the years. Rather than an evaluation as such, it would be more appropriate to conduct a more strategic study of the sector to define future programming. This is proposed below.

There is also only limited feedback available with respect to both *institutional development* and *environmental impact*. While evaluations have been conducted of the technical assistance program and the CTCS network (see Chapter 3), there is limited information on issues such as the Bank's impact on capacity building in public sector institutions, or targeted training in project and macroeconomic management.

6. A Strategic Approach

An evaluation concentrating on institutional development could provide valuable feedback on one of the key mandates of the Bank and SDF. It would clarify an area that has been the subject of much discussion and effort, but which has not been systematically examined through evaluation. Box 6.3 proposes objectives for such a study.

Box 6.3

Evaluation of Institutional Development - Key Objectives

- Determine the quality of project design in addressing institutional requirements with specific reference to required inputs, expected outputs, and objectively verifiable indicators.
- More specifically, review the relevance and adequacy of the analysis of institutional weaknesses, and the appropriateness of a detailed course of action to address these weaknesses.
- Establish the extent to which the pre-conditions and covenants related to project effectiveness were appropriate and conducive to capacity building.
- Analyze the effectiveness of Bank management in terms of recruitment of consultants, procurement, training, supervision and control.
- Determine whether the institution has become more effective in achieving its basic objectives as a consequence of Bank support.
- Determine whether the institution has become more relevant to the legal, political, technological, economic, and social/cultural environment within which it operates.
- Review whether the capacity building efforts have resulted in sustainable improvements in terms of financial viability, strength and commitment of staff and management, key systems and procedures, long term policy definition, and gender equity.
- Assess whether appropriate adjustments were made in the course of project implementation, and whether more formal use of the *process project* approach might have been advantageous.
- Establish the degree to which capacity building has had an environmental impact.

Similarly, an evaluation of the Bank's role in protecting the *environment* is called for. An environmental impact evaluation is recommended because of the increasing international concern on the dichotomy of development *vs.* The environment, the seriousness of environmental problems in the region that have come to light in recent years, and the highlighting of the environment as a central focus for SDF 4. To strengthen its relevance, an environmental impact evaluation should concentrate on projects appraised after the Bank's policy on Environmental Impact Analysis policy was introduced in the late 1980s.

6. A Strategic Approach

Box 6.4 offers a set of objectives for the evaluation of environmental impact. Because of the all-encompassing nature of environmental impact, the overall objectives can only be stated in generic terms, and will need to be adapted to project characteristics.. A conceptual basis for this is provided in Chapter 5, in *Box 5.8*.

Box 6.4 **Evaluation of Environmental Impact - Key Objectives.**

- Establish whether the selection of projects submitted to an environmental impact analysis has been appropriate and relevant, and determine whether the analyses themselves were well focussed.
- Determine whether the design of the project or program clearly identified a detailed and relevant environmental action program designed to mitigate or improve environmental impact.
- Ascertain whether environmental indicators have been defined during the appraisal stage and whether they are clear and objectively verifiable.
- Assess Bank performance during implementation, to ensure compliance with proposed environmental measures.
- Assess institutional performance in complying with agreed environmental measures, including action by management as well as the legal, political, technological, economic and socio/cultural framework within which the institution operates.
- Judge the final results and impacts of the projects and programs being studied, in terms of their environmental sustainability.

The preparation of a thematic evaluation is as important as conducting the field investigation itself. A definition of scope, the formulation of key questions and sub-questions, and the identification of indicators and sources of information, all of which form the elements of an evaluation matrix (see *Figure 4.4* in Chapter 4), is time consuming, but essential for success in a difficult evaluation assignment.

It may be possible to limit the investigation on both institutional development and environmental impact to *a relatively small number of key countries* representative of the issues to be examined. *A country-level impact evaluation -- confined to these two themes -- may be an attractive approach* The objective would be to identify three or four countries where the Bank has been particularly active in areas that would offer good examples of capacity building and environmental impact, and to use these countries for in-depth examination

6.4 Sector Strategy Assessments

The above package of sectoral and thematic evaluations constitutes a reasonable minimum for strengthening the body of information and "lessons learned" to guide future SDF planning. These studies should be not only *retrospective*, but also *prospective*, leading to recommendations on strategy.

As suggested earlier, the SDF 4 mandate is particularly clear on the importance of human resource development, including basic education, access to post-secondary education, technical education, and improvements to institutional and management arrangements (*Box 2.3*). Of special importance in relation to poverty reduction is skills training for youth and the unemployed. While the Bank has prepared a Human Resource Development policy paper,⁹⁴ there is not yet a strategic operational work plan to apply the policy.

Box 6.5

Sector Strategy Assessment: Education Sector - Key Objectives

- Establish the rationale for a CDB/SDF role in the education sector, and delineate the scope of this role taking into account current Bank activities in the areas of student loans, BNTF, and the OECS/CDB/IDB Regional Technical and Vocational Education Project.
- Examine, in particular, the feasibility of a Bank role in (i) the improvement of physical infrastructure for basic and technical education, (ii) development and provision of instructional material for basic and technical education, (iii) improvement of quality and relevance of basic and technical education and (iv) improvement in institutional and management arrangements in the education sector.
- Establish a concrete role for CDB technical assistance to support institutional improvements in the education sector, including support to public authorities in policy reform, public sector investment planning, organizational re-structuring, establishment of information systems, management and administration, and other capacity building measures.
- Identify, at the pre-feasibility level, proposals for subsequent feasibility analysis by the Bank in any of the above areas.

⁹⁴ CDB, *Sector Policy Paper, Human Resource Development*, November 1993.

6. A Strategic Approach

In order to develop a stronger operational focus for HRD, a strategic study should be undertaken. The study should, in practical and concrete terms, identify the scope in practice for SDF-supported action in this area. Box 6.5 proposes objectives for such a study.

Another sector for which there is only a limited strategic or evaluative information base is *forestry*. This sector was singled out for attention under the SDF 3 program mandate in 1991, and included as a sector requiring attention in the Bank's 1986 strategic review. It is also implied in the 1995-1999 operational strategy under the major theme of rehabilitation and protection of watersheds.⁹⁵ In addition, the increasing importance of environmental protection, and the SDF 4 focus on this program theme, would suggest careful consideration be given to developing a role for the Bank and SDF in the forestry sector. Very little, however, has been undertaken so far in terms of actual SDF lending,⁹⁶ or in terms of defining a work plan. Objectives for a strategic sector study are provided in Box 6.6.

Box 6.6

Sector Strategy Assessment: Forestry Sector - Key Objectives

- Establish a rationale for Bank involvement in the forestry sector.
- Determine the scope for country-specific support in the area of watershed protection and rehabilitation.
- Examine the scope for country-specific support in the areas of erosion control and general environmental protection through re-forestation and other means.
- Review the potential for agro-forestry in the region as a means of diversification and income generation.
- Identify the potential for the promotion of eco-tourism on the basis of specifically identified support to forestry programs.
- Define forestry-based income generating opportunities for potential Bank support.
- Review the scope for technical assistance to public authorities in the forestry sector, focusing on policy formulation, public sector investment planning, management and administration of projects and programs, training, organizational review, and other capacity building measures.
- Identify, at the pre-feasibility level, concrete projects or programs in the forestry sector for possible subsequent feasibility analysis by the Bank.

⁹⁵ See Chapter 2.

⁹⁶ A forestry project in Trinidad and Tobago for \$ 450,000 was approved in 1989.

6.5 Resource Implications

The SDF 4 emphasis on social aspects of development has significant resource implications. The important area of poverty reduction, which is intended to absorb 40 per cent of SDF funding, is served by one professional staff member and, most recently, an outside specialist appointed for a fixed term. The environmental component is handled by one specialist. There is no dedicated institutional analyst to guide technical assistance in capacity building. There is also no technical education/skills training specialist to define an effective program under poverty reduction. And there is no social policy analyst to recommend strategy in the social sector.

The limited availability of specialist staff has implications for the Bank's ability to conduct sectoral studies in-house. The sectoral study program outlined above will, therefore, have to rely heavily on selected consultants.

The limited staff and financial resources available to the PIEU makes it unrealistic to expect the Unit's present capacity to take on an evaluation of the two themes of institutional strengthening and environmental impact. The PIEU has other ongoing responsibilities that are separate from the special effort required for thematic evaluations. These two studies will also need to rely heavily on outside consultants.

Yet, it would be useful for PIEU to be closely involved in the evaluation process, as a natural extension of its current responsibilities. A coordinating and supervisory role should be envisaged for the Unit. Even a coordinating/supervisory role, however, would require staff resources not currently available within the Unit if it is to fulfill other responsibilities. The recommendation in Chapter 4 to engage an evaluation specialist with specific tasks (see *Box 4.1*) for a two year period, as well as a research assistant, would provide the Unit with the necessary staff resources.

The overall costs of the proposed strategic review and evaluation program, based on the engagement of regional consultants (*but excluding additions to Bank staff that may be necessary to cope with the additional work load implied in social development and evaluation*), is presented in Table 6.1. The use of non-regional consultants would probably be some 20 per cent more expensive.

6. A Strategic Approach

Table 6.1
Proposed Work Plan: Draft Budget

Performance and Strategic Reviews	
Mid-Term Evaluation: Student Loans Program (2 persons, 6 weeks each)	US \$ 50,000
Mid-Term Evaluation: DFCs (2 persons, 10 weeks each)	80,000
Education (2 persons, 6 weeks each)	50,000
Forestry (1 person, 8 weeks)	32,000
Total: mid-term evaluations and strategic reviews	\$ 212,000
Thematic Evaluations	
Institutional Development (2 persons, 12 weeks each)	US \$ 95,000
Environmental Impact (2 persons, 10 weeks each)	77,000
Total: thematic evaluations	\$ 172,000
TOTAL	US \$ 384,000

6.6 Preparing for a Mid-Cycle Review

A well defined approach to SDF evaluation would focus on a few selected sectoral evaluations. It is proposed above that these include lending to DFCs (including the SSED and mortgage financing), with student loans as a separate study. It is also proposed that there be strategic reviews of the education and forestry sectors and in addition, thematic studies on institutional development and environmental impact.

This carefully limited scope for SDF evaluation work would satisfy the criteria of relevance and realism. To be fully relevant, however, the studies should be completed within a reasonably short period of time.

A schedule for the proposed studies is provided in Figure 6.1. The intention would be that all or most of this work would be completed well before the mid-point of the SDF 4 program cycle. It will be particularly important to have the work completed by then, since the primary purpose would be to strengthen and help to focus the application of the SDF 4 mandate and the Bank's operational program, insofar as it relates to SDF 4.

This report recommends that the evaluation work plan be viewed as a key element in preparing for an early Mid-Cycle Review, which will need to be submitted by mid-1997 if it is to be able to influence effectively a subsequently prepared operational program for the years 1998 and 1999, including the development of an appropriate project pipeline.

There will also be at least three country poverty assessments, the social policy review, and several country strategy papers available by then, as well as the overall mid-decade Strategic Review for the Bank as a whole. The timing, therefore, for any mid-course adjustments in SDF 4 programming and allocations would be timely and appropriate.

**Figure 6.1
Proposed Work Plan Schedule**

	1996												1997											
	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec					
1. Enhanced Monitoring and Feedback																								
Supervision Reports (SRs)																								
Field Reports (FRs)																								
Project Completion Reports (PCRs)																								
2. Mid-term Sector Evaluations/Sector Strategy Reviews																								
Student Loans																								
DFCs																								
Education																								
Forestry																								
3. Post-Evaluation Studies																								
Institutional Development																								
Environmental Impact																								
4. SDF Mid-Cycle Review																								
Input to Review																								

7. Findings and Conclusions

The present study has had three general objectives, as set out in the *Terms of Reference*:

- *to provide a focus and framework for evaluation of the performance and impact of the SDF program to date, i.e. the first three program cycles of the unified Special Development Fund;*
- *to reach some conclusions on operational performance, insofar as this is possible in the context of a short evaluation assessment; and*
- *to develop a framework that can be used to strengthen or focus the ongoing monitoring and evaluation process during the SDF 4 program cycle.*

The first objective has been covered in Chapters 1, 2, 5 and 6, and the third objective, that relating to an ongoing M&E framework, is addressed in Chapters 4 and 5. All of the Chapters contribute to the study's principal findings and conclusions. These are summarized below.

Overall Perspective

1. The SDF has played an important and useful part in the work of the Bank, and in the assistance provided to borrowing member countries, particularly those in the Group 3 and Group 4 categories. It is difficult to envisage the role of the Bank having evolved in the way it has without the availability of substantial concessional resources through a unified SDF.
2. An evaluation of the SDF program and its operational performance, nevertheless, requires a careful definition of evaluation objectives and a considerable degree of focus, as the SDF program has developed *pari passu* with, and complementary to, that of the Bank as a whole. The various sources of funds available to the Bank have been integral to its overall program, and SDF-specific results and performance are not easily identified. As a general proposition, however, it seems clear that concessional funds on relatively flexible terms -- concentrated on the more disadvantaged of the Bank's BMCs -- have allowed the institution to do things it could not otherwise have done, or done as effectively.

7. Findings and Conclusions

3. A much more focused SDF-specific mandate has recently emerged, with the SDF 4 replenishment agreement. *A conclusion of this report is that a primary objective for the evaluation of SDF program experience to date should be to assist in guiding the planning and implementation of this new SDF mandate.* This will, nevertheless, allow the assessment of performance against goals and objectives as they were applicable at the time projects were undertaken, but in areas most useful to planning and programming needs for the period ahead.

Strategic and Operational Objectives

4. The starting point of any evaluation is an identification of goals and objectives at various levels. In the case of the unified SDF, the broad goals of the program are derived from the Bank's *Charter*, the 1983 *SDF Rules*, and the guidelines or mandate set out in the various replenishment agreements. Program goals also need to be defined in the context of strategic directions set for the Bank as a whole, as in the 1986 *Medium-Term Strategic Review* and the *Directional Plan/Strategy for the 1990s*.
5. More operational "themes", or *areas of special focus for the SDF*, have gradually emerged from replenishment agreements, particularly those covering SDF 3 and, most significantly, SDF 4. For SDF 1 and SDF 2, however, the special focus was largely in terms of the countries of concentration, determined according to per capita income, relative vulnerability, and related factors.
6. Detailed operational programming objectives have not, until SDF 4, been clearly defined, at least in distinction to the Bank's overall operational program for SDF-eligible countries, with the exception of three program components or sub-programs -- *technical assistance*, the *Basic Needs Trust Fund* (effective with SDF 2) and the *Small-Scale Enterprise Development Program* (effective with SDF 3).

It should be noted that indicative lending allocations by sector or sub-sector, although providing programming guidelines, do not necessarily establish operational objectives of the kind that can be used, for example, in a program evaluation.

7. The Bank's general approach to planning and programming (Figure 2.11) provides a well-structured and flexible management tool, which can be used, as appropriate, to provide a greater degree of strategic and operational direction on a continuing basis, as would seem to be required by the SDF 4 program guidelines.

The overall program development process consists, *inter alia*, of :

- a *periodic reassessment of strategic directions*,
- annually up-dated *medium-term operational and OCR projections*, and
- a more specific *annual work plan and administrative budget*, as well as
- newly introduced *medium-term country program strategies*, as both an input and an instrument for the operational program.

7. Findings and Conclusions

These are the basic elements of an effective strategic management process or cycle, which can be adapted to meet changing requirements.

8. The upcoming 1996 mid-decade review of strategic directions provides an opportunity -- as did that of 1986 -- to reconsider both the broad outlines of the Bank's general program strategy and key issues of more detailed operational strategy, e.g. operating methods and sector focus. The SDF 4 guidelines should constitute an important input to that review, as should the Bank's evolving experience at a country and project level. *A recommendation of this report is that the new Strategy for the balance of the 1990s make a clearer distinction between the strategic directions envisaged for the Bank as a whole and those for the SDF.*
9. *A related recommendation is that the annual operational projections should be viewed as the Bank's Medium-Term Operational Program (or "Operational Program and Projections") for both OCR and SDF, and serve as a key focus of the Board's work in providing general direction for the Bank's operational activities. As a policy and program development instrument, such an "OPP" would -- in respect of the SDF -- complement the progress-report-oriented SDF Annual Report, prepared for each year's meeting of SDF Contributors.*

Program Structure and Responsiveness

10. As suggested above, the operational objectives for the SDF have not, until recently, been distinctively different from those for the Bank as a whole, except in a few key areas. The list of sectors or program areas eligible for SDF financing which were listed in the 1983 *SDF Rules* (see Box 2.2, page 16 above) largely reflected the Bank's judgement on overall country priorities. As might be expected, the program structure has in turn reflected this list of eligible categories, including infrastructure (water and sewerage, rural electrification, feeder roads, ports, etc.), lines of credit to financial intermediaries (including for student loans and housing), and support for the agriculture sector intended to benefit small farmers.

As shown in Figure 7.1, there have been some trends in the sectoral concentration of SDF lending over the 12 year period, as in the case of DFCs, which appears to show a gradually declining trend since 1986, and a fairly strong build-up over most of the period in transport, covering road, water and air transport. There has also been a very recent increase in health (reflecting a figure of \$7 million for OECS waste management in 1995), and a recent fall-off in lending for electric power and agriculture.⁹⁷

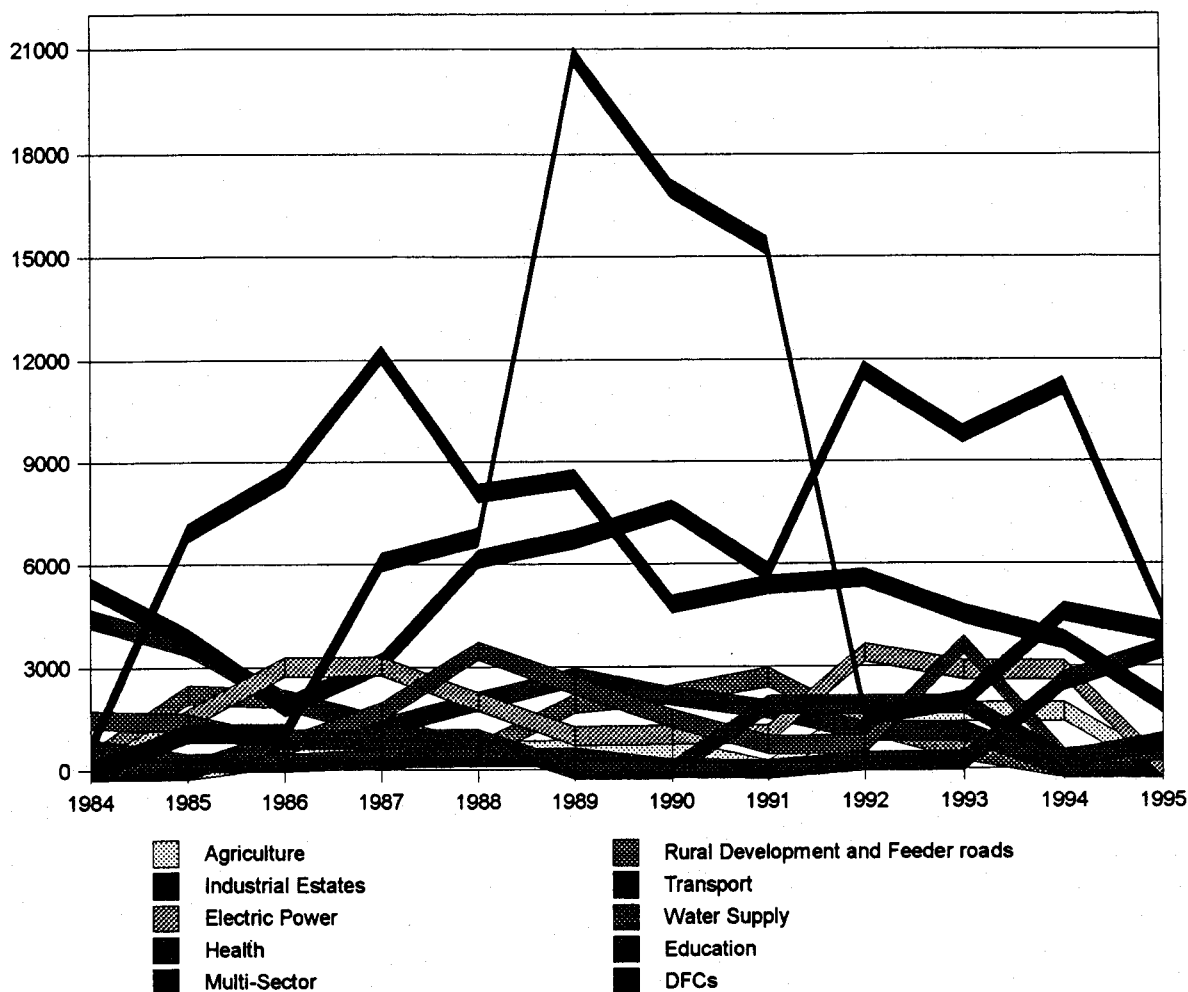
The allocations for BNTF and technical assistance (see Tables 2.6 and 2.10) have, of course, also reflected particular areas of SDF focus.

⁹⁷ The figures shown for the starting and closing years of the series (1984 and 1995) are adjusted from the annual figure in each case, to better reflect the trend..

7. Findings and Conclusions

Figure 7.1

SDF 1- SDF 3: Selected Sectors and Subsectors (3-year moving average)



11. The SDF 4 program mandate, with its more detailed level of program guidelines, presents a particular challenge for the Bank in developing appropriate and effective operational objectives which are both relevant to country-specific circumstances and reflect the Bank's own capabilities and comparative advantages.

The SDF 4 agreement envisages that program focus in respect of the five central themes (Box 2.3, page 22) will be further developed on the basis of country and sector work, poverty assessment studies, institutional strengthening, and educational reform strategies. An important opportunity for further focusing the SDF 4 mandate would be a *Mid-Cycle Review*, which can take advantage of work on the 1996 *Strategy*, the poverty studies completed to date, current and proposed policy work on social development and sector strategies, the initial papers in the new series of country strategies, and further evaluation work on SDF program experience.

7. Findings and Conclusions

Our recommendation is that a Mid-Cycle Review be undertaken at an early enough stage to influence development of the project pipeline prior to the start of the last two years of the SDF program cycle. It should be feasible to target the submission of such a review to the Board for mid-1997, and the Work Plan recommendations in Chapter 6 have been developed with this timetable in mind.

Role and Identity of the SDF

12. The Bank's operations have been financed, according to the applicable policies and guidelines, from either Ordinary Capital Resources or Special Funds Resources, and in many cases through a "blend" of both types of funds at the project as well as sector and country level. This has allowed the Bank to operate with considerable flexibility, and with the ability to use SDF funds in many different ways. The result, however, as already emphasized, has been the lack of a clearly separate identity for the SDF, both operationally and presentationally.
13. *A key conclusion of this report is that a greater degree of program identity for the SDF, and more clearly focused operational objectives, are required by the nature of the SDF 4 program mandate and are likely also to have several important related benefits.*

Among the latter would be a more structured set of criteria for the monitoring and evaluation process, which should improve the ability of that process to contribute to program development, project quality and identifiable program impact.

Setting the objective of a stronger SDF program identity should also contribute to the usefulness of the Mid-Cycle Review, in turn helping to improve program focus and, potentially, program impact.

Equally importantly, a better defined identity for the SDF could improve the program's visibility from the perspective of Contributors and facilitate consideration of future replenishments. It should improve the attractiveness of the SDF from the perspective of key Contributors, by making it easier to show the results of their contributions in their internal program and budgeting process, and in material prepared for Parliamentary and public use.

Assessing Operational Costs

14. A comparative study of program and operational costs has been beyond the scope of the present evaluation assessment. Rough estimates based on administrative budgets and project numbers, however, suggest that project-processing costs for the CDB are

7. Findings and Conclusions

substantially below those of other MDBs operating in the region.⁹⁸

What should be recognized is that larger institutions, with larger borrowers and substantially larger average loan size can be expected to have very different levels of operating costs in terms of their loan portfolios, i.e. they should be able to take advantage of economies of scale and size of loan unavailable to an institution specializing in smaller projects. Care, therefore, should be taken in selecting indicators for assessing the CDB's operational costs. Comparators should be designed to reflect the special characteristics of the CDB, its relatively small loan size, and its regional and advisory roles, which could be viewed (for budget purposes) as distinct from its lending activities.

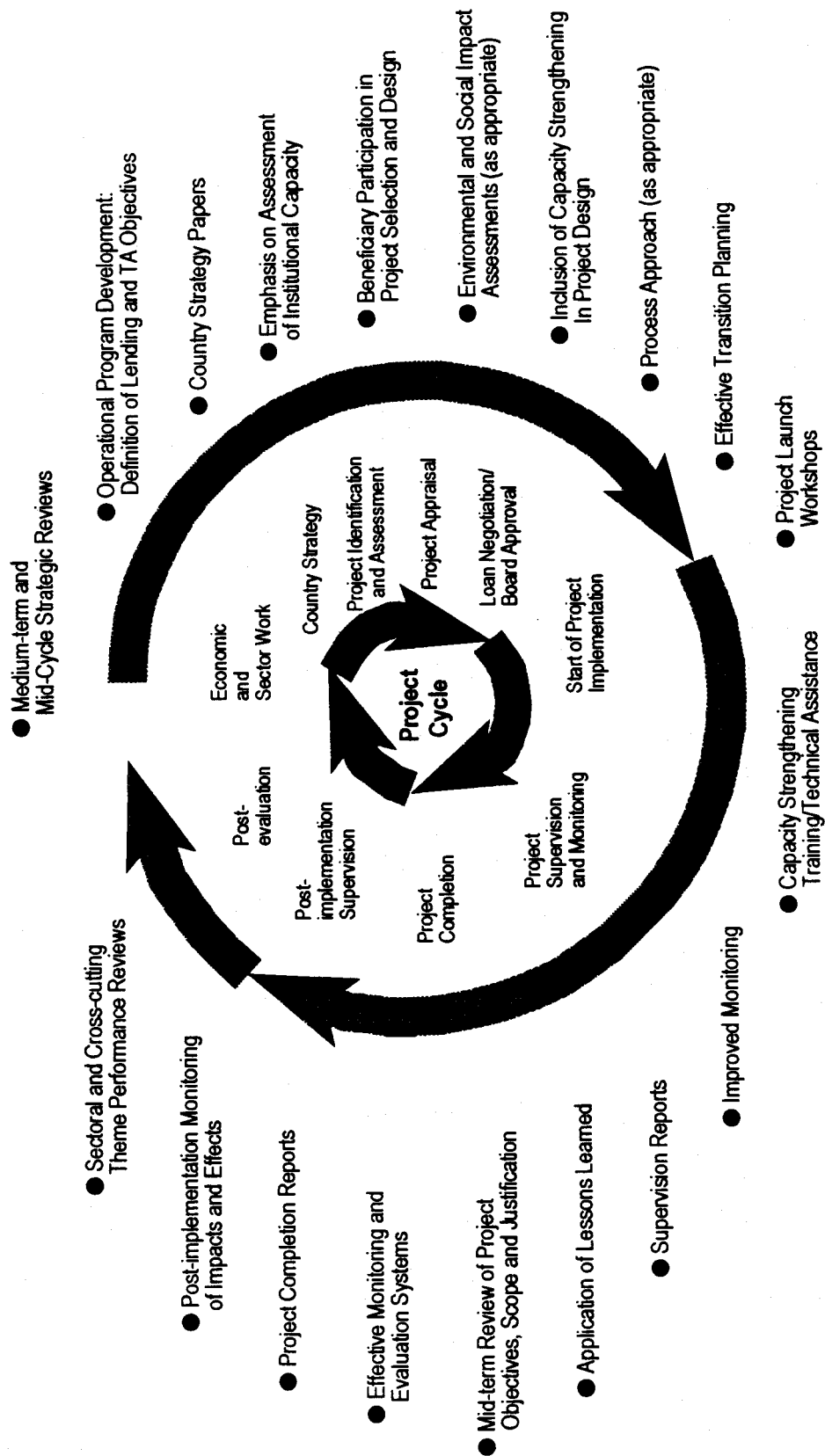
15. *A conclusion of the present study is that the new demands of the SDF 4 mandate, together with increased commitments in relation to country economic and country programming work, and the recommendations of this report for an increased commitment of resources for project monitoring, supervision and evaluation, will require a reassessment of available staff resources. Each of these areas appears to be critical to the Bank's ability to undertake the responsibilities it has been given and to ensure the necessary level of effort in maintaining and strengthening program quality (see Figure 7.2).*

The SDF 4 program themes, in particular, are in areas that experience in other institutions has shown to be more staff-intensive, with longer gestation periods, than lending in traditional sectors. Monitoring and evaluation -- consistent with objectives already set in both the 1986 and 1990 strategic policy reviews (Section 2.5.1 above) -- are also at the stage where a quantum increase in resources is required if the SDF program is to draw effectively on experience to date and if the Bank is to become a learning institution in the fullest sense.

16. An extensive examination of existing workloads has not been possible in the present study. It has, however, become clear in the course of the study that in a number of key areas the professional resources of the Bank are fully taxed in relation to current responsibilities. It is not clear that additional resources for project supervision and monitoring, mid-term and post-implementation evaluation, operational program development, and policy and project development in areas of special concern to SDF such as social policy, institutional strengthening, technical education and skills enhancement can be made available within existing establishment levels without sacrificing operational effectiveness in other areas. *The staffing issue requires further review.*

⁹⁸ See also Chandra Hardy, *The Caribbean Development Bank*, page 19.

**Figure 7.2
Factors in SDF Program Quality**



7. Findings and Conclusions

Program Rationale

17. The original program rationale for the SDF, as a means of enabling the Bank to address its mandated objectives in the smaller, more vulnerable BMCs, appears to have been a sound one. It seems unlikely that the Bank could have supported a number of developments in many of its BMCs in the variety of ways that it has without the availability of concessional resources, unless it had been prepared to reduce income and reserve generation in OCR operations, which could have undermined its longer term viability.
18. The current rationale for a concessional lending facility is based on a number of factors relating to particular characteristics of the Group 3 and Group 4 BMCs (see Chapter 2, Section 2.3), the emphasis on poverty alleviation (including the Basic Needs Trust Fund) and on institutional strengthening through technical assistance, the difficulty many of the Group 3 and Group 4 countries would have in incurring substantial public sector debt on purely conventional (OCR) terms for social capital, and the other areas of emphasis in the SDF 4 mandate.

Group 4, which covers Guyana, is clearly a concessional funds category, whether using SDF or IDA criteria. Guyana's income per capita is currently US \$ 350⁹⁹ and it has only very recently emerged from a very serious debt problem.

With respect to the Group 3 countries, there are considerable differences in income per capita, but the relative vulnerability of many of these countries to a sharp change in export earnings and natural disasters continues to be a valid factor in assessing their capability for additional debt on conventional terms. To place this factor more clearly in perspective, *it could be useful for the Bank to develop a relatively simple "vulnerability index"* based on, e.g. the percentage of export earnings and/or national income at risk from possible or probable changes in market access. It should be recognized that for the period ahead the impending loss of preferences and price support for major exports makes the incurring of substantial additional debt on conventional terms by some of these countries particularly dubious.

There are, in addition, elements in the Bank's special role, or "comparative advantage," in relation to the Group 3 countries which seem likely to require continued access to at least some concessional funding. In this category are the Bank's role in relation to institutional strengthening, to what is referred to in Chapter 1 as "partner role" types of technical assistance, and to disaster rehabilitation, where the Bank's role seems an important, if infrequent one.

⁹⁹ 1993 data. *World Development Report, 1995*.

7. Findings and Conclusions

19. The preliminary findings of the country poverty assessments for Belize, St. Lucia, and St. Vincent and the Grenadines which are nearing completion, together with earlier poverty studies undertaken by the World Bank and ODA for Guyana, Jamaica and Dominica suggest that some BMCs have experienced marked declines in the living standards of significant sections of their populations. The incidence of poverty, as defined in these studies, ranges up to 33 per cent for Belize, 34 per cent in Jamaica and over 43 per cent in Guyana. For St. Lucia and Dominica, the estimates are 25 and 27 per cent. Extreme poverty is estimated at as high as 14.4 per cent in Belize and 29 per cent in Guyana.¹⁰⁰

These figures -- together with the prospective loss of jobs and income associated with prospective market changes for sugar and bananas -- underpin the case for a major focus on poverty alleviation and human resource development, particularly in terms of the investment in social capital, social sector institutional reform, education and skills training needed to provide alternative incomes for small farmers and others who can be expected to bear a significant part of the burden of adjustment to loss of markets for traditional exports, as well as the type of assistance represented by the Basic Needs Trust Fund. There are also other groups, as among women and youth, which also are marginal to the economy.

20. The Bank's overall role in technical co-operation -- both the "partner role" type of TA represented by economic policy advice and assistance with public sector investment programs, and the institutional strengthening or "capacity building" type of TA -- remains an important one, and an aspect of the Bank's particular comparative advantage. Although some TA can be provided as part of OCR project loans, and some as part of the normal administrative budget, concessional funding on a grant or SDF loan basis remains an important underpinning of the Bank's work in this area.
21. Another, and rather different, aspect of the rationale for the SDF relates to the strong support provided by the regional members, including the borrowing member countries. This represents a significantly different kind of burden-sharing and self-help than is the case with most concessional funding facilities. To the extent that strong non-regional donor support assists in ensuring direct financial participation by the BMCs and other regional members, it is an element of strength which should not easily be given up.

The Bank's Current M&E System

22. The monitoring and evaluation system currently in place is based on a *sound fundamental structure* that should, in principle, be able to satisfy the Bank's requirements for performance feedback. This structure, based on different types of progress reporting

¹⁰⁰ *Social Development Policy and Strategy - Discussion Paper*, BD 28/96, in draft April 1996.

7. Findings and Conclusions

during and after implementation, as well as mid-term and post-evaluation studies, contains the essential elements required for capturing necessary information to support the Bank's operational and decision-making processes.

23. The monitoring and evaluation system as it is functioning in practice, however, does not fully succeed in providing the performance feedback required for effective learning purposes. While some progress has been made with respect to supervision reports, the general scope, quality and frequency of performance monitoring reports (notably field reports from executing agencies and project completion reports by projects staff) appear to be generally *insufficient* to allow the capturing of information in a consistent and meaningful way. Although post-evaluation reports have been useful in highlighting performance in a number of areas, as have several mid-term evaluations, there *remain important gaps* in sectoral and thematic coverage, due at least partly to the limited resources which have been available for the evaluation function.

The effectiveness of the dissemination of findings is very much influenced by the overall quality of the monitoring and evaluation system of an institution. If the system has limited coverage (e.g. if a critical mass of sectoral or thematic feedback does not exist), dissemination products tailored to the needs of different target groups, such as management, contributors and other stakeholders, may lack substance. The currently limited monitoring and evaluation coverage of the system seems to be the basic reason for the *absence of a more creative strategy for the dissemination of findings* by the Bank.

Achievement of Objectives

24. A review of evaluations of Bank performance in selected areas associated with SDF financing has shown *important achievements*. The effectiveness of SDF-supported programs is evident from the evaluations which have been done on *lines of credit, student loans, technical assistance, the Basic Needs Trust Fund, training, water supply, and feeder roads* (see Chapter 3). A review of findings in these areas generally confirms the effective use of SDF funds, including in terms of benefiting lower income segments of the population, as well as human resource development.
25. Important challenges remain, however. Evaluations to date have identified, among other things, the need for vigilance in the areas of *institutional development* (e.g. with respect to DFCs and water supply authorities), and *environmental impact* (notably with respect to feeder roads and technical assistance). In addition, the limited number of evaluations available for review does not allow for a comprehensive analysis of priority concerns.

Available documentation providing evaluative information on performance is *insufficiently comprehensive* to arrive at firm conclusions on the achievement of objectives in several sectors and/or areas of concentration for SDF 4.

7. Findings and Conclusions

Priority Requirements for Evaluative and Strategic Studies

26. The specific institutional questions associated with *development finance companies*, and the importance of the Bank's long standing support to higher education in the region through *student loans*, argues in favor of a critical review of these two areas, with the aim of identifying possible innovative strategies which might be adopted in the future. A review of these two areas would fall within the category of *mid-term evaluations*, and as such should be the responsibility of the Projects Department.
27. In addition, it is apparent that little information exists to guide strategy formulation in two sectors closely associated with SDF priorities -- *education and forestry*, in the latter case as an important potential area for "stand-alone" environment projects. In order to identify and design projects and programs in these two sectors in the future, it is recommended that *strategic studies* be undertaken in both areas.
28. While performance feedback and ongoing strategic studies on poverty reduction should provide considerable information for more focused project and program planning in this field, this is not the case with respect to two other SDF areas of concentration -- *institutional capacity building and environmental impact*. Cross-sectoral studies to illuminate these two SDF themes and provide an input for SDF operational programming should be undertaken as soon as possible. The PIEU will require adequate resources to carry out these two *evaluation studies*.
29. The proposed evaluations and strategic studies will need to be conducted with the *assistance of outside consultants*. Sufficient financial resources will be needed to make this possible.

Monitoring and Evaluations Systems for SDF 4

30. The current M&E system of the Bank does *not automatically* obtain performance information on the cross-cutting areas of concentration for SDF 4. Thematic feedback is required not only from projects specifically designed to pursue a particular theme, but also from projects whose principal objectives may be more wide-ranging.

To achieve broader coverage, monitoring reports should *as a matter of course* include an appendix elaborating on achievements in the areas of concentration for SDF 4.

The post-evaluation function of the Bank will also have to develop a *strategy designed to capture feedback on cross-cutting themes*. This will require (i) specific analysis of these themes in the course of specific project evaluations, as well as (ii) cross-sectoral studies to measure the impact of the Bank's activities in two areas recommended above -- institutional capacity building and environmental impact.

7. Findings and Conclusions

31. The additional scope of post-evaluation activities, and the increased complexity of the tasks envisaged, would call for *methodological improvements* to the preparation and execution of post-evaluations. Of particular importance in this respect is the use of an *evaluation matrix*, which encourages a disciplined approach in analyzing key questions of rationale, efficiency, effectiveness and impact, together with the identification of key indicators.
32. The more demanding role required of the PIEU during SDF 4 will have *resource implications*, both in terms of required funding and in terms of staffing. Cross-cutting thematic studies are, by their nature, long and complicated. They require meticulous preparation on the basis of carefully designed work plans and evaluation matrices. Their execution is time-consuming. The PIEU requires the services over the medium term (probably 2 years) of an evaluation specialist with considerable experience in methodology. A full-time research assistant would also be useful.

Proposed Work Plan

33. The work plan for further evaluation studies should be designed in such a way that important feedback will be available *well before the mid-way point* in the four-year cycle. As indicated above, a Mid-Cycle Review will permit judgements to be reached on necessary adjustments for the remaining years of the SDF 4 cycle. It will also provide a background of information on performance which can assist Contributors in deciding on a subsequent SDF program cycle.
34. Given this relatively short time span, *it is recommended that a three-pronged approach be adopted:*
 - *enhancement of the current M&E system* -- with emphasis on the automaticity of capturing required cross-cutting information through the monitoring process; this requires the establishment of a regular system of feedback on thematic issues at several levels:
 - ▶ *field reports from executing agencies,*
 - ▶ *supervision reports during implementation,*
 - ▶ *project completion reports, and*
 - ▶ *supervision reports post implementation;*
 - *an expanded scope for post-evaluation activities* -- an immediate initial evaluation effort is recommended, to focus on thematic concerns on which relatively little information is currently available, i.e. *institutional development and environmental impact*. The co-ordination of these studies would fall on the PIEU. In addition, a system should be established to allow the regular *capturing of SDF thematic issues in the traditional project and sector evaluations* which the Unit presently conducts;

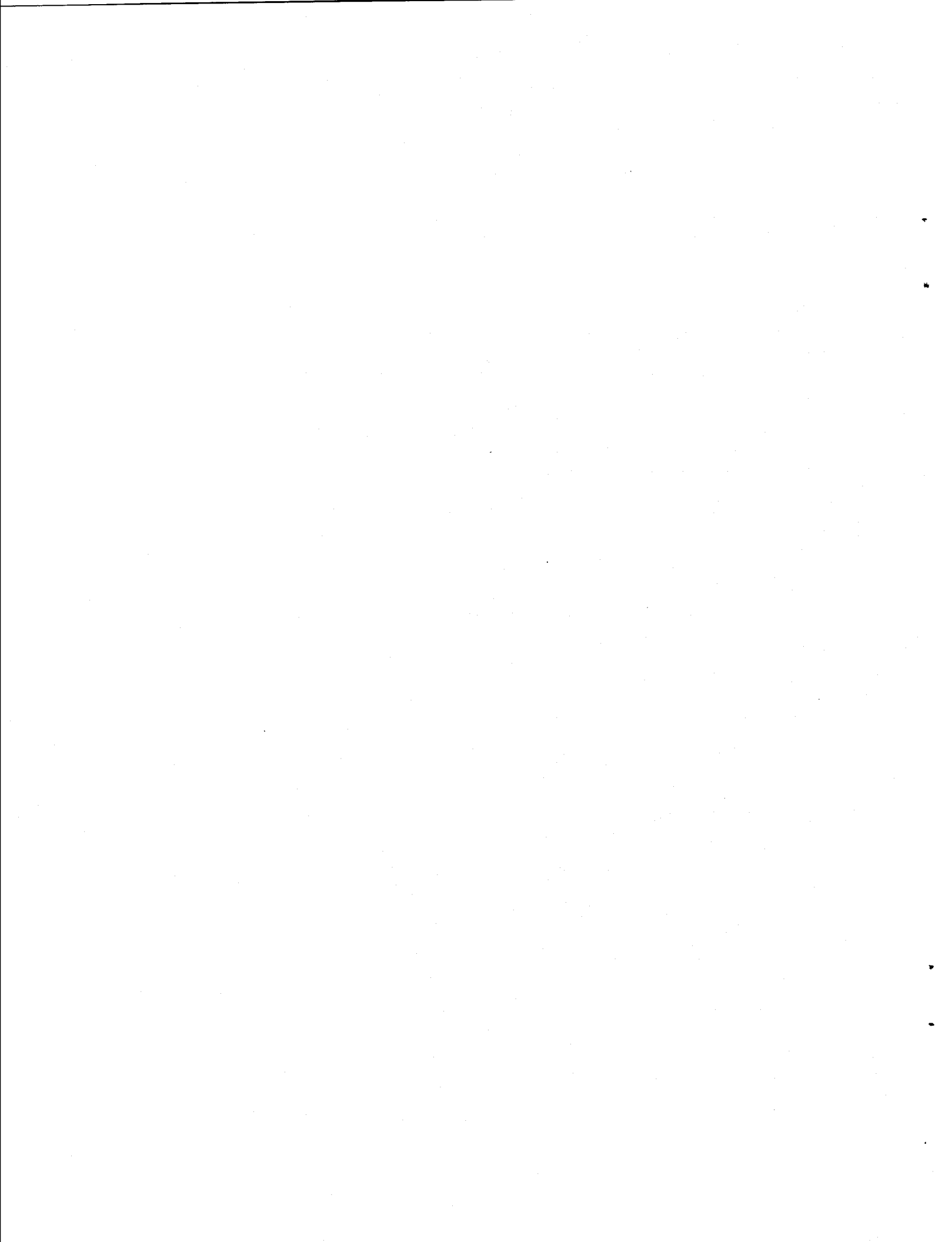
7. Findings and Conclusions

- *selected mid-term evaluative and strategic studies* -- to be conducted by the Projects Department; these studies would have immediate relevance to the SDF, comprising a mid-term evaluation of CDB/SDF support for DFCs, a mid-term evaluation of the students loans scheme, and strategic assessments of the education and forestry sectors.

The budget for a focused evaluation of selected areas of SDF interest, using regional consultants, is estimated at about US\$400,000. The use of non-regional consultants, where appropriate, could raise costs by perhaps 20 per cent.

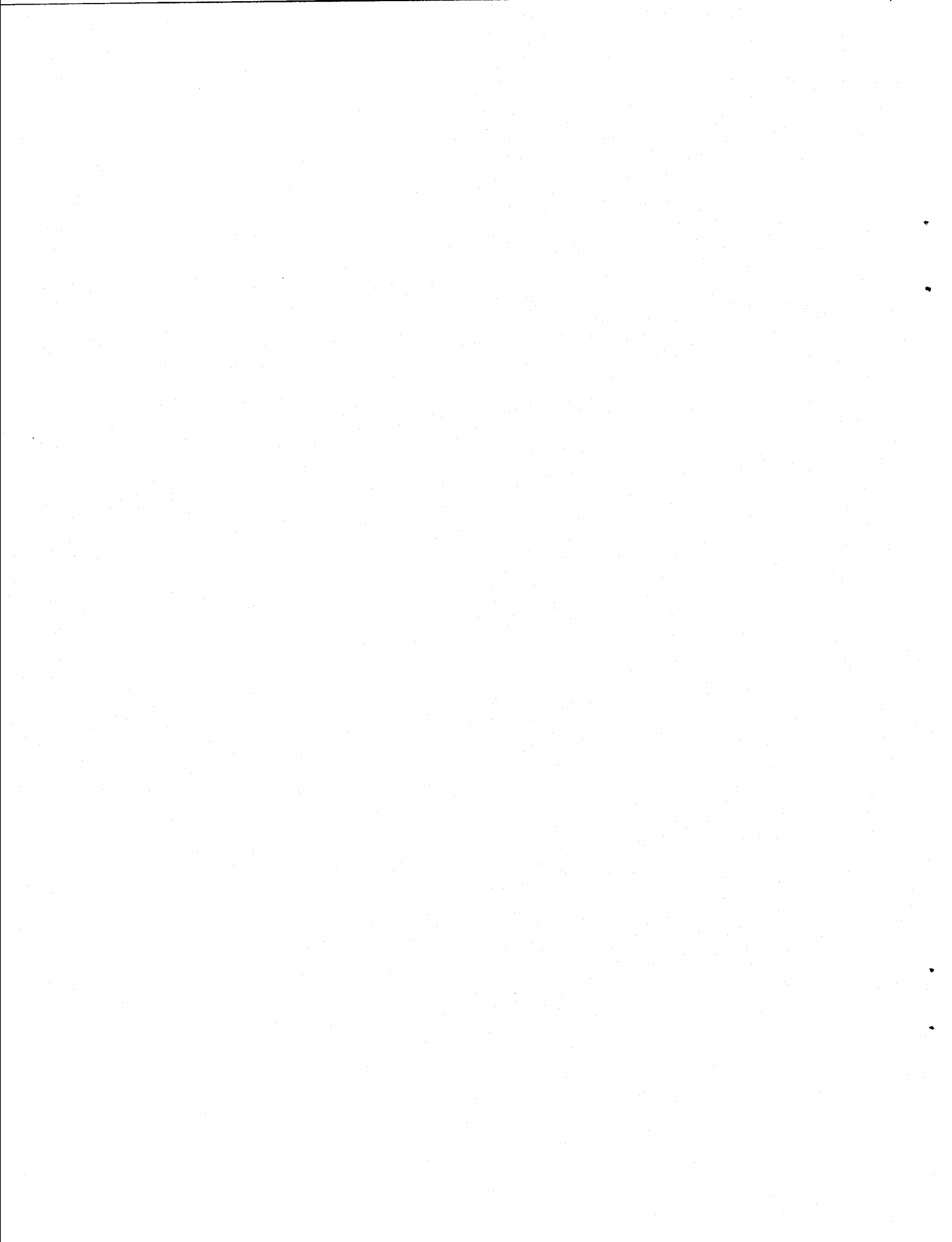
The various elements of the proposed Work Plan, however, are a key to strengthening the available information on program performance and provide a basis for operational program development, including the strengthening of SDF 4 program focus and overall program quality.

Details of the Work Plan are set out in Chapter 6.



APPENDICES

- A. Terms of Reference
- B. Program Statistics:
 - B.1 SDF 1-SDF 3: Lending by Year and Sector
 - B.2 SDF 1-SDF 3: Blending by Country and by Sector
- C. Bibliography



**TERMS OF REFERENCE
EVALUATION OF THE OPERATION OF UNIFIED PORTION OF
SPECIAL DEVELOPMENT FUND (1984-1995)**

BACKGROUND

In May 1983, the Board of Directors of the Caribbean Development Bank (CDB) adopted new rules for the operation of the Special Development Fund (SDF) which applies to additional contributions to the unified portion of the SDF (SDF(U)). Contributions were made at four-year intervals commencing January 1, 1984, and during the twelve years of financing was focussed on:

- (a) high priority socio-economic projects with low financial rates of returns in CDB's most disadvantaged borrowing member countries (BMCs); and
- (b) programmes and projects in countries which are not creditworthy for financing from CDB's Ordinary Capital Resources.

More specifically, the SDF(U) has been used to support among others: economic infrastructure project/programmes; structural adjustment; technical assistance; the laying of the foundation for the development of the productive sector mainly through credits to national development finance institutions for loans to agriculture, industry, tourism, housing and establishment of industrial estates; social and industrial development activities such as the Basic Needs Programme and the Caribbean Technological Consultancy Services Network respectively; and Student Loans.

CDB's ability to support various country initiatives varies from time to time and, in an environment of scarce resources, it has to make every effort to find an appropriate methodology for even more intense prioritisation in the allocation of resources. CDB therefore proposes to hire consultants to evaluate the overall performance and impact of the SDF(U) and to recommend to the Bank an appropriate methodology for monitoring SDF performance during future cycles.

OBJECTIVES

The objectives of this consultancy are to:

- (a) undertake an evaluation assessment of the SDF(U) including the preparation of an evaluation framework to:
 - (i) evaluate the performance of the SDF(U), during the period 1984-1995, in terms of the extent to which its overall objectives are being attained; and
 - (ii) assess the development impact of the SDF(U) on the economies of the beneficiary countries;

APPENDIX A

- (b) develop, and to the extent feasible, test selected evaluation hypotheses, with preliminary conclusions as appropriate; and
- (c) prepare a preliminary framework for monitoring and assessing the performance and impact of SDF-4 against selected objectives.

SCOPE OF SERVICES

The Consultants shall, *inter alia*:

- (a) develop a full understanding of the programme and its environment. This will require an analysis of the history, policies, specific rules and strategies of the SDF(U);
- (b) analyse the overall SDF portfolio, cross-cutting themes, the planning process, the implementation process, and the reporting, monitoring and evaluation processes;
- (c) identify and set priorities for evaluation issues and develop a hierarchy of objectives that the SDF has been intended to follow over the first three operational cycles;
- (d) discuss with the project supervisors and management the activities undertaken at (a) to (c) in order to establish a range of evaluation issues to be further analysed;
- (e) undertake a small number of short field visits to gain the perspectives and views of those directly concerned with SDF projects and activities in three of the BMCs;
- (f) develop appropriate methodologies for assessing effectiveness and impact, taking into account the following categories:-

Results Achieved. The extent to which the fund has been effective in meeting its varied objectives over time, within budgetary constraints.

Cost-effectiveness. The extent to which the most appropriate, efficient and cost-effective methods have been used to meet objectives.

Continued relevance. The extent to which the SDF, as judged from its performance over the first three cycles, continues to be relevant in terms of Regional priorities and needs, taking into account the policy directions established for SDF-4.

- (g) identify, develop and test the selected evaluation hypotheses where possible; and

APPENDIX A

- (h) develop a general approach and framework for monitoring and evaluation during SDF-4 and future cycles;

CDB's Management and Staff will work closely with the Consultants to supply financial, operational and any other data required, both of a historical nature and for future SDF(U) contributions.

TIMING AND REPORTING REQUIREMENTS

The Consultants shall furnish CDB with:

- (a) five (5) copies of their draft report within five (5) weeks of their engagement;
and
- (b) five (5) copies of their final report within one (1) week of receipt of comments from CDB.

Appendix B.1
SDF 1 - SDF 3 : Lending by Year and by Sector (sub-sector breakdown)
 (Loan approvals) US\$ million

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995
Agriculture, Forestry and Fishing												
Agriculture	0.35	3.88	3.53	1.04	1.55	2.37	4.15	2.36	1.53	5.05	--	--
Forestry	--	--	--	1.04	--	1.79	--	--	--	5.05	--	--
Fishing	--	--	--	--	--	0.45	--	--	--	--	--	--
Land settlement and Rural Development	0.35	3.88	2.43	--	1.55	0.13	4.15	2.36	1.53	--	--	--
Of which : Feeder roads and bridges	0.15	3.88	2.38	--	--	0.13	4.15	2.29	--	--	--	--
Mining and Quarrying												
	--	--	4.01	--	--	0.10	--	--	--	--	--	--
Manufacturing												
	4.69	4.00	2.16	--	1.63	4.44	2.00	--	3.30	--	--	--
Of which : Industrial estates	4.44	4.00	2.16	--	1.63	4.44	2.00	--	3.30	--	--	--
Tourism												
	0.05	--	--	--	1.10	0.81	--	--	--	--	2.66	--
Transport and Communication												
Transport	10.71	0.30	0.53	4.74	4.11	9.65	6.46	6.42	4.17	24.10	1.05	9.06
Of which : Road transport	10.71	0.30	0.53	4.74	4.11	9.65	6.46	6.42	4.17	24.10	1.05	9.06
Water transport	--	--	--	4.50	3.40	6.18	--	0.71	0.98	23.71	1.05	0.42
Air transport	1.20	0.30	0.45	--	--	2.66	3.46	5.71	2.48	0.03	--	0.06
Railway transport	9.51	--	0.08	0.24	0.71	0.80	3.00	--	0.70	0.36	--	8.59
Communication	--	--	--	--	--	--	--	--	--	--	--	--
Power, Energy and Water												
	2.00	1.44	5.24	4.54	4.46	4.42	1.50	1.68	2.07	8.63	8.84	0.50
Of which : Electric power	--	1.44	3.08	4.54	1.46	--	1.50	1.58	--	8.63	0.04	--
Water supply	2.00	--	2.16	--	3.00	4.42	--	0.09	2.07	--	8.80	0.50
Social and Personal Services												
	0.67	--	--	2.80	1.00	0.11	--	--	5.67	0.69	--	7.78
Housing	--	--	--	--	--	--	--	--	--	--	--	--
Health	0.67	--	--	--	1.00	0.11	--	--	5.67	0.69	--	7.00
Education	--	--	--	2.80	--	--	--	--	--	--	--	0.78
Personal services	--	--	--	--	--	--	--	--	--	--	--	--
Multi-sector and Other												
	--	--	3.25	--	15.00	5.36	42.00	3.70	0.29	0.62	5.12	8.00
Of which : Urban development	--	--	3.25	--	--	--	--	3.70	--	--	--	--
Disaster rehabilitation	--	--	--	--	15.00	5.36	--	--	--	--	--	--
DFC Financing												
	0.70	5.35	14.73	5.60	16.13	2.50	6.80	5.20	4.16	7.39	2.00	1.90

Source : CDB Controller's Division

Appendix B.2
SDF 1- SDF 3: Blended Lending by Country and Sector

(Loan approvals)
US \$ million

	Agriculture, Forestry, Fishing	Mining	Manufacturing	Tourism	Transport and Communications	Power, Energy & Water	Education and Health	Multi-sector and Other ^b	DFC Lending ^c	Totals
Group 1^a										
Bahamas	-	-	-	-	0.20	1.50	1.00	-	-	2.70
Barbados	-	-	2.0	-	-	-	0.78	-	-	2.78
Cayman Islands	-	-	-	-	-	0.66	0.67	-	0.30	1.63
Trinidad & Tobago	0.45	-	-	-	-	0.50	-	-	2.00	2.95
Sub-total	0.45	-	2.0	-	0.20	2.66	2.45	-	2.30	10.06
Group 2										
Anguilla	-	-	-	-	-	1.50	-	0.62	2.88	5.00
Antigua and Barbuda	-	-	-	-	-	-	-	-	-	-
British Virgin Islands	-	-	-	-	3.68	0.74	-	1.68	1.40	7.50
Sub-total	-	-	-	-	3.68	2.24	-	2.30	4.28	12.50
Group 3										
Belize	1.53	-	-	-	0.06	-	-	-	6.80	8.39
Dominica	-	-	3.30	2.50	0.90	-	-	-	7.88	14.58
Grenada	4.15	-	-	-	0.42	-	1.06	-	8.50	14.13
Montserrat	-	-	-	-	5.35	-	-	-	1.00	6.35
Jamaica	-	-	4.00	-	-	-	-	-	4.23	8.23
St. Kitts and Nevis	-	-	-	1.10	2.63	1.50	2.05	-	8.25	15.53
St. Lucia	-	-	3.63	-	5.55	4.42	1.11	-	4.30	19.01
St. Vincent and the Grenadines	2.29	-	1.00	-	7.00	-	-	1.56	1.50	13.35
Turks and Caicos Islands	-	-	-	-	-	-	-	-	1.90	1.90
Sub-total	7.97	-	11.93	3.60	21.91	5.92	4.22	1.56	44.86	101.47
Group 4										
Guyana	-	-	-	-	-	-	-	-	-	-
Regional	-	-	-	-	-	-	5.67	-	-	5.67
GRAND TOTAL	8.42	-	13.93	3.60	25.79	10.82	12.34	3.86	53.74	129.7

NOTES: ^a - Country groupings as of SDF 3

^b - Including disaster rehabilitation and structural adjustment

^c - Covering agriculture, manufacturing, and education

^d - US\$4,000

Source: CDB Controller's Division

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