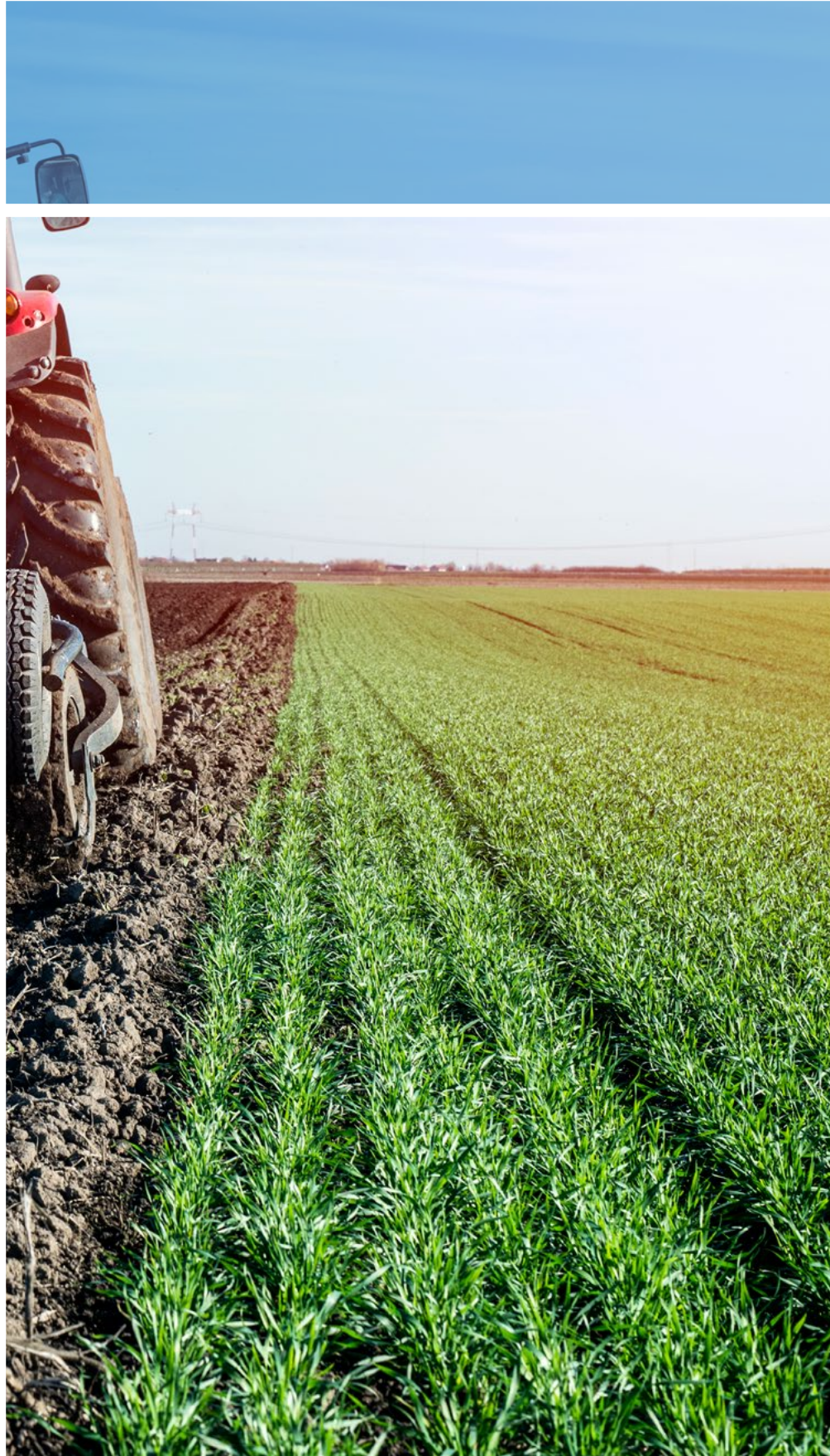




Agriculture Sector Policy & Strategy Paper 2020 - 2025

March 2020



CARIBBEAN DEVELOPMENT BANK



**AGRICULTURE SECTOR POLICY AND STRATEGY PAPER
2020 - 2025**

March 2020

EXECUTIVE SUMMARY

1. The Borrowing Member Countries (BMCs) of the Caribbean Development Bank (CDB) face major challenges in their attempt to improve the competitiveness of their agricultural sector (including fisheries and aquaculture). Since the 1980s growth in agricultural productivity has been slow, and the sector suffers from high trade costs and a low capacity to comply with modern food safety and quality standards. Consequently, it has been unable to adequately respond to rapidly growing demand for high-value agri-food products - in and outside the Region. This growing demand is mainly fulfilled by imports (non-regional). The Region's agricultural sector is also constrained by large and increasing pressures on natural resources and a high vulnerability to climate change and natural hazards.

2. There is, however, much potential for strengthening market linkages and scope for farmers, fishers, and agri-food businesses to catch up with current best practices and technologies. If the Region succeeds in fulfilling this potential without further compromising its natural capital and related ecosystem services, agriculture can be an important source for economic growth, and a key contributor to poverty reduction particularly in BMCs with large rural populations. In addition, investment in regional agricultural production systems can contribute to overcoming major socio-economic and environmental challenges faced by BMCs, including food and nutrition insecurity, obesity and non-communicable diseases, youth unemployment, gender inequality, unsustainable use of natural resources and vulnerability to natural hazards.

3. This Agriculture Sector Policy and Strategy 2020 (ASPS 2020) seeks to put agriculture back on the forefront of CDB's development agenda. It aims to guide and contribute to the transformation of BMCs agri-food system, making it more competitive, inclusive and sustainable. In this context, the immediate objectives of the ASPS are the development of:

- (a) a more competitive agricultural sector - improved productivity and market linkages;
- (b) a more sustainable agricultural sector - more efficient use of resources, and improved resilience against shocks and long term climatic trends; and
- (c) a more inclusive agricultural sector - higher incomes and greater employment opportunities for participants including disadvantaged/marginalised groups (including poor households, women and youth).

4. CDB would adhere to a number of principles in pursuing these objectives. With its relatively limited resource base, CDB would be selective and focused in its interventions, and catalytic in leveraging public and private resources. Its' activities will be aligned with the Agenda 2030 for Sustainable Development, with other CDB and BMC policies, and executed in coordination with programmes of BMCs and development partners. The Bank will also actively seek partnerships with other financial institutions (FIs), UN agencies, governments, donors, farmer-and fisher-based organisations (including women and youth), civil society organisations, and agri-food businesses to ensure coherence and a demand-driven approach.

5. An important new accent of ASPS 2020 is that the agricultural sector would be viewed from a value chain perspective. This means that during implementation of ASPS, CDB would actively seek to build partnerships and collaborate closely with private sector actors with a view to enabling and stimulating agri-food businesses to modernise, innovate, expand operations and invest throughout the value chain, including at the farm-level.

6. A particular focus area for ASPS 2020 is support for interventions that improve the linkages between regional agriculture and the tourism sector. This is in recognition of the fact that the regional agri-food sector is struggling to supply the tourism sector due to difficulties in meeting its quality and consistency requirements. The provision of support to overcome these barriers is expected to make a significant contribution to improving agricultural sector outcomes in BMCs and, by extension, the socio-economic conditions for thousands of stakeholders, particularly rural residents in BMCs.

7. CDB will use an integrated approach that aims to address all binding constraints on the participation of farmers or fishers (including women and youth) in high-value chains and markets. Given its relatively small size, CDB will invest in its capacity to crowd-in resources from other donors, commercial financial institutions (through risk-sharing), and agri-food business companies (through public-private partnerships and value chain finance). Towards this end, CDB's support to the agricultural sector will be channeled through two pillars.

8. Through the first pillar, CDB will support interventions that seek to improve the enabling environment for efficient agricultural value chains. In an environment with stronger institutions and lower market imperfections, farmers and agri-food businesses will have better access to the technologies, knowledge products and inputs required to increase their productivity, to make climate-smart investments, and to comply with modern food quality and safety standards. In an effort to overcome capacity constraints related to the small size of some BMCs, CDB will stimulate regional cooperation through multi-country vehicles that can address shared agendas and strengthen national and regional value chains.

9. Through the second pillar, enabling infrastructure for efficient agricultural value chains, CDB will support BMC investments in climate resilience: (a) production infrastructure; and (b) market access infrastructure. Such investments are critical to facilitating the participation of Caribbean farmers and fishers in high-standard markets, to reduce the cost of production and build the sector's resilience to climate change and natural hazard events.

10. In all of its activities, CDB will take into account five cross-cutting issues: (a) food and nutrition security; (b) gender equality and empowerment of youth; (c) climate change adaptation and mitigation; (d) good governance; and (e) information communications technology (ITC). This means that the design of all activities supported by the Bank will be screened, and if needed, adjusted to ensure a positive contribution to these issues.

LIST OF ACRONYMS

APSP	Agriculture Sector Policy and Strategy Paper
BMC	Borrowing Member Countries
CARICOM	Caribbean Community Organisation
CDB	Caribbean Development Bank
CRS	Climate Resilience Strategy
CSO	Civil Society Organisation
DFI	Development Financial Institution
EU	European Union
FAO	Food and Agricultural Organization
FI	Financial Institution
GDP	Gross Domestic Product
GI	Geographical Indication
GIDPOS	Governance and Institutional Development Policy and Operational Strategy
M&E	Monitoring and Evaluation
MSME	Micro-, Small- and Medium-sized Enterprises
OECD	Organisation for Economic Cooperation and Development
OIE	Office of Independent Evaluation
PPP	Public Private Partnership
PSDPS	Private Sector Development Policy and Strategy
RCI	Regional Cooperation and Integration
R&D	Research and Development
SDG	Sustainable Development Goal
TA	Technical Assistance
VC	Value Chain
VCF	Value Chain Finance

TABLE OF CONTENTS

<u>EXECUTIVE SUMMARY</u>	i
TABLE OF CONTENTS	i
1. <u>INTRODUCTION</u>	- 1 -
Methodology	- 2 -
CDB and Agriculture: Past Experience and Lessons Learned.....	- 2 -
CDBs Comparative Advantage.....	- 3 -
Organisation of the APSP	- 3 -
2. <u>CDB's AGRICULTURE SECTOR POLICY 2020 - 2025</u>	- 3 -
Rationale	- 3 -
Policy Goal	- 4 -
Policy Objectives	- 4 -
Policy principles	- 5 -
Alignment with Other Policies	- 5 -
3. <u>AGRICULTURE SECTOR STRATEGY: DIRECTIONS AND PILLARS</u>	- 6 -
Proposed Strategic Direction	- 6 -
Strategic Pillars	- 7 -
4. <u>AGRICULTURE SECTOR STRATEGY: CROSS-CUTTING ISSUES</u>	- 12 -
Food and Nutrition Security	- 12 -
Gender Equality and Empowerment of Youth.....	- 12 -
Climate change adaption and mitigation	- 12 -
Good Governance	- 13 -
5. <u>AGRICULTURE SECTOR STRATEGY: IMPLEMENTATION, MITIGATION OF RISKS, AND M&E</u>	- 13 -
Instruments	- 13 -
Principles of Implementation.....	- 13 -
Risks and Mitigation.....	- 14 -
Monitoring and Evaluation	- 14 -

1. INTRODUCTION

1.01 The previous Caribbean Development Bank (CDB) Agriculture Sector Policy and Strategy (ASPS) dates back to April 1981. In the past four decades, CDB's Borrowing Member Countries (BMCs) have experienced a structural transformation in which the role of agriculture in the economy declined. This transformation coincided with the fall in traditional exports such as sugar and bananas. Unlike other major agricultural dependent regions, it did not coincide, with a shift towards a highly productive and competitive agricultural sector. Instead, structural transformation and economic growth is driven by growth in tourism, services (financial) and natural resource extraction.

1.02 A CDB Food and Agricultural Organization (FAO) study, 'The State of Agriculture in the Caribbean (CDB/FAO 2018)' revealed that the relative stagnation of the agricultural sector in BMCs is caused by two closely interlinked factors: low productivity (resulting from low and stagnant yield development and high vulnerability to climate change and natural hazard events) and weak market linkages including; (i) limited capacity to meet international food safety, quality standards and delivery requirements; (ii) and high trade cost¹. . These factors underpin the Regions' low competitiveness and prevents it from responding to rapidly growing demand for high-value produce within BMCs – nationals, tourism, processing and retailing sectors – and regional and international export markets (see Box A).

1.03 The growing regional demand for agri-food products is increasingly being fulfilled by imports. In 2016 approximately: 60% of food consumed in BMCs was imported; agricultural imports amounted to an estimated² USD4.47 bn - more than double the 2000 estimate of USD2.1 bn whilst BMC agricultural exports amounted to an estimated USD1.7 bn; and 50% of food imports were processed foods – up from approximately 15% in the 1990s. The rise in the Region's food import bill is also the result in a shift in food consumption patterns – with the Region increasingly dependent on processed/energy dense foods to meet dietary needs.

1.04 Notwithstanding, in 8 BMCs the agricultural sector contributes between 7 and 17% of GDP and between 10 and 25% of employment, with a high of 50% in Haiti.

Box A: The Agri-Food Sector and Tourism

An important structural change in BMCs over the past decades is the growth in tourism. In no other region in the world is tourism so important: the relative total contribution of tourism to GDP in the Caribbean is 15.2%, while the contribution to employment is 13.8%.³ Tourism also represents a major share of total Foreign Direct Investments: on average around 30% over the past 15 years and more than 50%, on average, for the Small Island States.⁴

The growth in tourism created major opportunities and (related) challenges for the Regional agri-food sector. The increased influx of foreign tourists increased the demand for high quality food, and for specific food products. This increase in food demand is primarily met by food imports.⁵ Many scholars expected local farmers to expand and diversify production, but only an estimated 32% of the food demand arising from the tourism industry is met regionally.⁶

1.05 The agri-food sector in the Region has huge potential for increasing its contribution to economic and social development⁷. Agro-climate conditions in several BMCs are suitable for the production of a wide range of agri-food products and agricultural entrepreneurs have access to large markets - national,

¹ FAO-CDB (2018) *Study on the State of Agriculture in the Caribbean. Opportunities, prospects and gaps.*

² WTO data – excludes the Cayman Islands, Anguilla, Turks and Caicos Islands and Montserrat.

³ World Travel and Tourism Council (2018).

⁴ FAO-CDB (2018)

⁵ World Bank, FAO (2008); Ramjee Singh (2006).

⁶ FAO-CDB (2018)

⁷ Ibid.

regional and international. There is much scope to improve the allocation of resources (land, water) to products that provide more value and there is much potential for farmers, fishers, and agri-food companies to catch up with current best practices and market opportunities.

Methodology

1.06 The ASPS 2020 was developed in two phases. The first phase consisted of an assessment of the state of the agricultural sector in the Caribbean concluding with a report entitled the ‘Study on the State of Agriculture in the Caribbean, ‘Opportunities, prospects and gaps’. The development of the study was led by the Food and Agricultural Organization Investment Center, supported by a multi-disciplinary CDB Team and included wide-ranging stakeholder consultations - country visits to selected BMCs (Belize, Jamaica, Guyana and Grenada) by FAO IC team members, a regional stakeholder workshop and a seminar; ‘Agriculture - Let’s Embrace the Opportunities’ during CDB’s 2019 Annual Board of Governors Meeting.

CDB and Agriculture: Past Experience and Lessons Learned

1.07 CDB, through its strategic plans has placed specific emphasis on the agricultural sector, as well as on cross-cutting themes, such as climate change, good governance, gender equality, and private sector development. Since inception (1970-2018), approvals to the agricultural sector represented approximately 8% (net) CDB financing⁸.

1.08 A desk review of CDB’s agricultural sector related operations between 2000 and 2018 yielded several lessons, including:

- (a) Traditional approaches were public sector driven and often made the incorrect assumption that by investing in infrastructure, improvements in production and market opportunities would emerge. More recent projects have incorporated specific interventions designed to facilitate private sector participation with a view to facilitating improved sustainability of interventions.
- (b) Participation in food trade requires compliance with good agricultural practices and food safety standards, an area of weakness in a majority of BMCs.
- (c) Projects could include more cross-sectoral linkages, such as those between the agricultural sector and tourism. (see Box A above).
- (d) Given CDB’s relatively small resource base, the Bank needs to better leverage its resources by forging new and (even) stronger partnerships - with other international organisations and multilateral development institutions/banks.

1.09 At the institutional level, agricultural sector development is covered by the Social Sector Division within the Bank’s Projects Department. To promote broad agricultural sector development, CDB will execute ASPS 2020 in a horizontal manner⁹ that is, with strong collaborations across the different departments, divisions and units.

⁸ Net-financing includes loans, secondary mortgage, equity and grants.

⁹ The Bank currently does not have a horizontal sector specialisation that ensures that agricultural sector expertise is consolidated across the various divisions and departments.

CDB's Comparative Advantage

1.10 The policy landscape changed substantially in the past four decades, since the establishment of the Bank. Presently, the development space in the Caribbean is shared with several institutions providing support to agricultural and rural development, including the Inter-American Development Bank; the World Bank Group; the International Fund for Agricultural Development; and the European Union.

1.11 The ASPS emphasises the comparative advantage of CDB, but also acknowledges that CDB is a regional institution that cannot respond to all the problems faced by the agricultural sector in its BMCs. As a result, the Bank will concentrate its efforts on operations in areas where the un-utilised potential in the sector is more obvious and where spill-over and demonstration effects are important, as illustrated throughout this ASPS.

Organisation of the ASPS 2020

1.12 Section 2 defines the vision for ASPS 2020. Sections 3, 4, and 5 explain how CDB aims to achieve the goals and objectives presented in the policy section - the Strategy, and presents the newly proposed strategic directions and the main strategic framework, which includes two strategic pillars (section 3) and four cross-cutting issues (section 4). Section 5 discusses implementation, risks and mitigation measures, and monitoring and evaluation. The proposed Results Framework is presented at Appendix 1.

2. POLICY OVERVIEW

Rationale

2.01 The rationale for CDB's agricultural sector development policy is rooted in the fact that the potential of agriculture (including fishery and aquaculture) for economic and social development and poverty reduction, remains largely untapped in BMCs¹⁰. As explained in the introduction, the agricultural sector in BMCs is still underdeveloped in global comparison. CDB/FAO 2018 revealed that agriculture could be an important source for economic growth and a key contributor to poverty reduction in BMCs. These findings are consistent with research which suggests that agricultural growth is the most efficient way to reduce poverty in rural areas.^{11,12} Although several BMCs are rich in resources and/or have alternative options to achieve economic growth, agricultural growth remains a viable option for poverty reduction¹³ in BMCs.

2.02 In addition, agriculture is closely interlinked with major socio-economic and environmental challenges in BMCs, including:

- (a) **Food and nutrition insecurity:** The food insecurity and nutritional challenges of BMCs include a heavy dependence on non-regional imports, high rates of consumption processed foods, a movement away from traditional household food production systems in rural communities and persistent rates of inadequate food access together with increasing rates of obesity and related non-communicable diseases (NCD), and micronutrient deficiencies.

¹⁰ In this paper, the term "agriculture" is used in the broadest sense and includes, besides the cultivation of land and breeding of livestock, also fisheries and aquaculture.

¹¹ Note that the poor in the BMCs are concentrated in the rural areas and the agricultural sectors (CDB 2016).

¹² Dethier and Effenberger (2012).

¹³ Christiaensen et al. (2011).

- (b) **Climate change and vulnerability to natural hazard events:** Climate change is expected to affect BMCs through increased frequency of droughts, sea level rise, coral reef degradation, increased intensity of cyclones, and seasonal shifts in temperatures and in precipitation.¹⁴ The expected shifts in temperature and precipitation and the higher likelihood of extreme weather events (droughts and hurricanes) in BMCs, will lead to higher volatility in food production and prices, and higher risks for farmers.¹⁵ It is also estimated that climate change will lead to a latitudinal shift in catch of fish - with some BMCs projected to suffer a reduction of up to 40% in catch potential.¹⁶
- (c) **Youth unemployment:** Youth unemployment in the Caribbean is among the highest in the world. The consequences are not only economic, but also social and psychological. Growth in agriculture can create additional employment opportunities for young men and women and can increase the purchasing power of net food consumers.
- (d) **Gender inequality:** Although the Region performs relatively well - compared to similar regions in the world - gender inequality is still a main concern.¹⁷ Women account for 22% to 30% of the registered farmers in the Region and their agriculture labour force participation ranges from 6% to 25%.¹⁸ However, women experience lower opportunities due to limited access to: finance; land; networks; information; and decision making positions in organisations such as farmer-and-fisher-based organisations, governmental bodies, and agricultural/agriculture-based businesses companies.

Policy Goal

2.03 The overall goal of the policy is to guide and contribute to the transformation of BMCs agri-food system, making it more competitive, inclusive, and sustainable. The promoted agricultural transformation will contribute to CDB's mission to enhance economic growth and reduce poverty; and contribute to an increase in BMC: Gross Domestic Product; food and nutrition security; gender equality; youth empowerment; climate resilience and good governance.

Policy Objectives

2.04 The objective of CDB's agricultural sector policy is building a resilient agri-food system - one which is:

- (a) Competitive - this requires higher production and productivity, a reduction in the cost of production and more efficient market linkages (lower trade and transaction costs, and improved compliance with internationally recognised food safety standards).
- (b) Sustainable - this requires more efficient use of resources and increased resilience to shocks and long term climatic trends and natural hazard events.
- (c) Inclusive - this requires higher incomes and more employment opportunities for disadvantaged/marginalised groups (including poor households, women, and youth) that could rely on agriculture or related industries for their food and nutrition security and livelihoods.

¹⁴ Ibid.

¹⁵ FAO-CDB (2018)

¹⁶ Ibid.

¹⁷ World Economic Forum (2017).

¹⁸ See the working paper on Gender Equality and Youth Empowerment.

Policy Principles

2.05 CDB's agricultural sector interventions will be executed in accordance with the following principles:

- (a) **Alignment:** CDB's support for agricultural development will be aligned to the strategic priorities of its BMCs, and will be undertaken within the context of the Bank's core competencies, strategic priorities, other CDB policies and Charter.
- (b) **Selectivity and Focus:** Given the involvement of other financial institutions, commercial entities, governments and donors in the sector, CDB will be selective in its interventions, focusing on areas where it has a comparative advantage and can achieve development impact.
- (c) **Building Catalytic Partnerships:** Given its relatively small resource base CDB will, actively explore opportunities to partner and form alliances with other financial institutions including multilateral development banks, national governments, regional and international agricultural support institutions, civil society, and other development partners and private sector operatives. This may involve co/parallel financing, public-private partnerships, or the management of special funds.

Alignment with Other Policies

2.06 This policy is in alignment with the following:

- (a) **The 2030 Agenda for Sustainable Development.** Sustainable Development Goal (SDG) 2 'zero hunger; SDG 1 'no poverty; SDG 3 'good health and well-being; SDG 5 'gender equality; SDG 8 'decent work and economic growth; SDG 12 'responsible consumption and production; SDG 13 'climate action; SDG 14 'life below water'; SDG 15 'life on land; and SDG 16 'peace, justice and strong institutions'.
- (b) CDB's **Strategic Plan 2020-2024**, which identifies two objectives: (1) supporting inclusive and sustainable growth and development and (2) promoting good governance.
- (c) CDB's **Private Sector Development Policy and Strategy (PSDPS)**, which identifies the private sector not only as a beneficiary of the Bank's support but as a partner for development. Given that investments in the agricultural sector are largely private sector driven, there is significant overlap between the Bank's PSDPS and the proposed ASPs.
- (d) CDB's **Education Training Policy and Strategy**, which defines the approaches to be utilised by the Bank in assisting BMCs in using education and training to achieve their social and economic goals.
- (e) CDB's **Governance and Institutional Development Policy and Operational Strategy**, which - amongst other - includes support to BMCs in strengthening evidence-based policy-making; promoting competitiveness and innovation through policy reforms, and creating the environment for private sector-led growth.
- (f) CDB's first **Youth Policy and Operational Strategy**, which is currently under preparation and will guide the Bank's support to youth development in BMCs.
- (g) CDB's **Gender Equality Policy and Operational Strategy**, which guides the Bank's support to gender equality and women's empowerment in BMCs.

- (h) CDB's **Climate Resilience Strategy 2019-2024**.
- (i) CDB's report on **Financing the Blue Economy: A Caribbean Development Opportunity**, which examines the potential of the blue economy to drive sustained and inclusive economic growth in the Region.
- (j) CDBs **Technical Assistance Policy and Operational strategy (2012)**.

3. **STRATEGIC DIRECTION, PILLARS, OUTCOMES, OUTPUTS AND PROPOSED INSTRUMENTS**

3.01 The strategy sets out an evidence-based framework for supporting agricultural sector operations in BMCs. It seeks to reduce the Region's dependence on food imports - by increasing production of key current foods and seeking to change dietary consumption patterns; enhance competitiveness and access to markets (national, regional and international); and improve food and nutrition security outcomes. It also aims to address changing demands and development needs and takes into account the position and comparative advantage of CDB.

Strategic Direction

Value chain perspective

3.02 Interventions within the framework of ASPS 2020 will be viewed through a value chain perspective. This approach allows for identifying the key constraints to agricultural development and for addressing these constraints in an integrated manner with a view to ensuring that the entire agricultural value chain can become more efficient, competitive, inclusive and sustainable.

Integrated natural resource management and the Blue Economy paradigm

3.03 CDB will take an integrated approach to ensure that activities fit and contribute to a sustainable, equitable, and profitable way of managing natural resources in BMCs. CDB will also re-evaluate its role in the fisheries sub-sector. Fisheries is among the oldest traditional activities of the Caribbean, and all BMCs have access to marine resources. However, the fisheries sector in the Caribbean has been over-exploited, and in general been the recipient of limited political and investment support. CDB will accordingly support measures aimed at the sustainable management of fisheries resources, and investment in marine and land-based aquaculture.

Focus on farmers and fishers with potential to step-up

3.04 The ASPS 2020 differentiates three types of entrepreneurs (farmers and fishers) - illustrated in Figure 1: commercially-oriented (Level 1); semi-commercial entrepreneurs (Level 2) and subsistence-oriented (Level 3). ASPS 2020 explicitly aims to assist operators at Levels 2 and 3 with the potential to "step up"¹⁹.

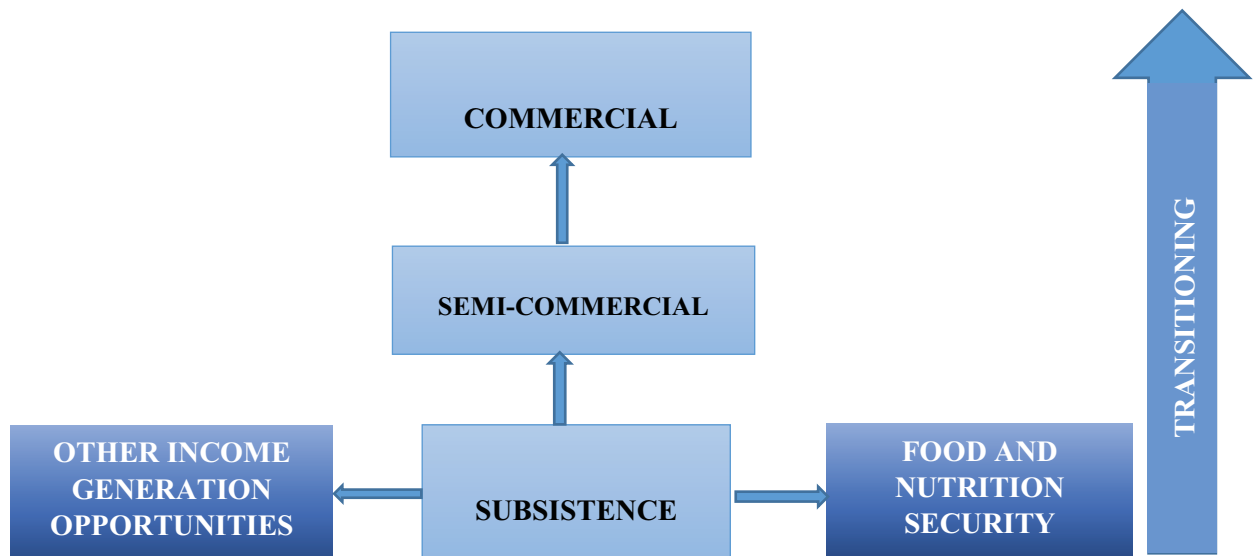
3.05 The focus on operators with the potential to step-up is considered to be the most cost-effective way to stimulate economic growth and reduce poverty. Bank engagement with Level 1 operatives will be with a view to achieving further improvements in their efficiency/competitiveness and to, through the establishment of strategic linkages, support Level 2 and Level 3 participants to improving their production capacity, productivity and linkages to markets - and to provide options for increased employment particularly for residents in rural communities.

¹⁹ See Dorward (2009) for a further discussion on the three strategies pursued by poor farmers: stepping up, hanging in, and stepping out.

Supporting disadvantaged groups – Level 3

3.06 In keeping with CDB’s vision, an explicit goal of ASPS 2020 is to be inclusive of disadvantaged groups²⁰ who, given their unique circumstances are unlikely to benefit from interventions designed to commercialise agricultural operations. The Bank will accordingly continue to explore opportunities, and provide the necessary support, to address the unique challenges faced by those groups. Such support will be multifaceted and will include measures aimed at improving household food and nutrition security and/or to assist in the transition to income/employment opportunities outside the agricultural sector.

FIGURE 1: DIFFERENTIATION OF AGRICULTURAL SECTOR ENTREPRENEURS



Strategic Pillars, Outcomes, Outputs and Proposed Instruments

3.07 Figure 2 summarises the strategy by illustrating how the strategic pillars relate to the policy goal, by listing the targeted outcomes and outputs and proposed instruments under each pillar, and highlighting the cross-cutting themes.

²⁰ These include poor subsistence farmers (especially vulnerable women and youth), heads of female-headed households, indigenous people, and people with disabilities.

FIGURE 2: SUMMARY OF CDB’S AGRICULTURAL SECTOR DEVELOPMENT STRATEGY

Strategy Objective					
A, resilient - competitive, inclusive and sustainable - agri-food system that contributes to economic growth, job creation, poverty reduction, and food and nutrition security in BMCs.					
Strategic Pillars	1. Enabling environment for agricultural value chains			2. Enabling infrastructure for agriculture value chains	
	1a. Stakeholder and Institutional Capacity Building	1b. Financial Services	1c. Regional Public Goods and multi-country systems	2a. Production	2b. Market Access
Outcomes	Increased access and adoption of modern, agricultural technologies, systems, standards and practices.	Increased private sector investment and entrepreneurship.	Increased investment in integrated and regional agricultural development approaches.	Enhanced production infrastructure.	Improved access to high value markets.
Outputs	<p>Development of supportive regulatory frameworks and governance mechanisms.</p> <p>Development and delivery of knowledge products – including CSA, food safety management systems, dietary guidelines etc.</p> <p>Improving access to factors of production for resource poor stakeholders.</p>	<p>Intermediary lending.</p> <p>Value Chain Financing (VCF).</p> <p>Rural finance products.</p> <p>FinTech products</p>	<p>Investment in research and development (R&D) and technology dissemination.</p> <p>Strengthened framework for the management of transboundary pests and diseases.</p> <p>Development of risk management and transfer frameworks.</p> <p>Strengthening regional value chains.</p> <p>Strengthening the management of national and regional resources.</p>	<p>Infrastructure and equipment - water management, land preparation, farm access, fish landing sites and associated facilities, livestock production systems, renewable and energy efficient systems.</p>	<p>Investments in infrastructure and equipment; post-harvest, cold storage and processing facilities; rural/farm roads; port facilities.</p>
Proposed Instruments	Technical Assistance, Policy-Based and Investment Grants and Loans; Public Private Partnerships; Basic Needs Trust Fund and Caribbean Technological Consultancy Services interventions and partnership with International Financial Intermediaries, GCF and AF and regional/international agricultural support institutions.				
Cross cutting themes	Gender equality and youth empowerment; Climate Change adaptation and mitigation; Food and nutrition security; Good Governance; Technology products and Digital Agriculture.				

Pillar 1: Enabling Environment for Agricultural Value Chains

3.08 In an environment with stronger institutions/regulatory framework agricultural sector stakeholders and entrepreneurs will:

- (a) have improved access to the technologies and services required to increase their production and productivity, and reduce their cost of operations (and competitiveness);
- (b) be better able to meet private sector demand (quality, quantity and timely delivery);
- (c) greater incentives to adopt/invest in modern and climate resilient farming technologies and systems, and FinTech products; and
- (d) greater access to risk mitigation and transfer systems.

The ASPS 2020 proposes three ways in which CDB can contribute to a better enabling environment.

(Pillar 1a) stakeholder and institutional capacity building at the level of, governmental bodies, agricultural support institutions and agencies, MSMEs in the agri-food sector, farmers, and financial institutions; (Pillar 1b) by increasing access to financial services for agribusiness MSMEs; and (Pillar 1c) investing in regional public goods and multi country systems. CDB will explicitly support interventions which increase small-holder/resource poor farmers access to factors of production with a view to increasing their income, food and nutrition security and reducing inequalities in the sector.

Pillar 1a: Stakeholder and Institutional Capacity Building

CDB-FAO (2018) shows that many farmers are far from the efficiency frontier/have not adopted modern technologies/best practices. This means there is much scope for supporting the development of policies, legislation, regulations and interventions that can facilitate/stimulate the adoption of improved practices in both commercial and household production systems. Examples include investment in; climate smart agriculture; food safety and quality standards compliance; innovative fish-farming practices; technology upgrading, export promotion.

Pillar 1b: Financial Services

In line with its PSDS, CDB will continue to work with other developmental partners, national Development Financial Institutions and, where possible, with commercial and non-bank FIs with a view to increasing agri-food and fishery MSMEs readiness to/access to finance/FinTech products. This will be achieved via a two-pronged approach. First, CDB will, support the development of dedicated credit lines and technical assistance interventions for agri-food and fishery MSMEs and farmer/fisher cooperatives; and second CDB will explore options to partner with FIs, DFIs, and national governments to co-develop VCF products - that can enable companies to provide finance to other actors in the value chain (internal VCF).

Pillar 1c: Regional Public Goods and Multi-country Systems

The relatively small size of the Caribbean island states often leads to inability to take advantage of economies of scale. Accordingly, some constraints should (or can) best be addressed at regional level (for example, marine resource management systems, agricultural research, risk management or product testing support. Support for strengthening regional coordination and integration is in line with CDB's Charter and its commitment to promoting regional economic integration.

Pillar 2: Enabling Infrastructure for Agricultural Value Chains

3.09 CDB-FAO (2018) argues that both public and private infrastructural/equipment investments are necessary to: (a) increase productivity and reduce cost of production; (b) reduce trade costs; (c) enable farmers and fishers in BMCs to comply with the requirements of high-value markets; and (d) improve

the resilience of the agricultural sector to climate change and natural hazard events; and support poor rural household efforts to increase their own production/food and nutrition security. Table 3 organises the identified priorities for both Pillar 2a (Production) and Pillar 2b (Market access).

For the identification of potential infrastructure/equipment investments, CDB will utilise a multi-dimensional approach, based on the mapping and interaction of different dimensions, including land suitability, land use, value chain opportunities, natural resource availability, climatic data, existing infrastructure and the location and characteristics of markets, ports and landing sites.

Pillar 2a. Production

CDB will support agricultural production infrastructural and equipment related to on and off-farm water management; land clearing, leveling and preparation; farm access; livestock production; fishing landing sites and associated facilities; and production and distribution of energy (with a focus on renewable/efficient energy solutions). In addition to infrastructural investments, CDB will also support the development of complementary “software” interventions to assure the sustainable and effective use of the infrastructure. For example, water management requires “software” interventions in order to: (a) maximise economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems; (b) support capacity building of the institutions that govern how the water is used, and how the infrastructure is operated and maintained, and (c) develop institutional measures that guarantee the avoidance of over-exploitation beyond sustainable water extraction rates is central. CDB will also promote investments in Energy Efficiency/Renewable Energy.

Pillar 2.b Market Access

CDB will support infrastructure investments that seek to reduce post-harvest losses and support compliance with private and public standards demanded by high-value markets, including tourism. These include certified pack-houses, ice-production and fresh water availability, cold storage and transport, slaughterhouses and fish processing, and laboratory/testing facilities (Table 3). Furthermore, CDB-FAO (2019) identifies low liner shipping connectivity and inefficient port operations as key drivers of the high trade costs experienced by BMCs. CDB accordingly proposes to support investments, to improve the efficiency of ports [(for example, container handling capacity, time to (un)load, reduce waiting times, maintenance of cold chains)].

TABLE 3: IDENTIFIED INFRASTRUCTURAL PRIORITIES

Proposed Investments in Infrastructure	Selected VCs			Operational instruments	
	Horticulture	Livestock	Fisheries Aqua culture	Public	Private
Production/processing infrastructure					
Modernisation of Existing Irrigated Schemes					
Expansion of irrigation systems					
On-farm irrigation technology					
Drainage systems					
Water harvesting structures					
Potable Water and Sanitation					
Farm Access Roads					
Processing infrastructure					
Market Access infrastructure					
Greenhouses					
Post-Harvest Handling and Packing-houses					
Cold storage					
Slaughterhouses					
Laboratory/testing facilities					
Port expansion and modernisation					
Energy					
Distributions networks					
Renewable Energy (Mix sources)					
Technical Assistance					
Integrated water resource management					
Climate smart agriculture					
Productive Technical Assistance					
Integrated Coastal Management					
Natural Resources Management					
Education, Communication Campaign					

3.10 CDB will mainly support infrastructural development with public sector investment loans, but will also increasingly promote private sector involvement through public-private partnerships.

4. CROSS-CUTTING ISSUES

4.01 In all of its activities, CDB will take into account five cross-cutting issues: food and nutrition security, gender equality and empowerment of youth, climate change adaptation and mitigation, good governance and ICT.

Food and Nutrition Security

4.02 CDB's BMCs continue to confront the challenges of food and nutrition insecurity and a high incidence of dietary related illnesses. CDB will adopt a nutrition sensitive food systems²¹ framework in its agricultural interventions.²² This includes (1) identification of the nutrition problems faced by the target population; (2) identification of the commodities that can address the nutrition problem; and (3) promotion of nutrition sensitive value chain analysis - using the nutrition lens, to identify constraints in supply, demand, and nutrition value.

Gender Equality and Empowerment of Youth

4.03 The food system currently provides more jobs than any other sector in several Caribbean countries.²³ Hence, boosting agriculture can be one of the most powerful tools for gender equality and youth empowerment. The strategy adopts a holistic approach to promoting Gender Equality and Youth Empowerment. Economic empowerment will be addressed alongside three other domains of social inequality that primarily affect women, youth (men and women) and other vulnerable groups in rural communities: voice and agency, equitable workloads, and well-being. CDB will adopt a gender-inclusive approach where men and boys, alongside women and girls, are active partners of change. The Bank recognises that benefits to women may not be sustainable without increasing women's bargaining power within the household, and that projects exclusively focused on benefiting women may fail to consider appropriate roles and benefits for men, and as a result may not be accepted by either men or women in the household or their communities.

Climate change adaption and mitigation

4.04 CDB's BMCs, and by extension their agricultural sector, display high vulnerability to climate change on account of: (1) the small sizes and/or complex topographies that causes concentration of interests and population and agriculture in sensitive areas often located along the coasts; (2) a marked dependence of agriculture on rainfall as well as on coastal aquifers; (3) a marked overexploitation of natural resources and reduced biodiversity; (4) location within the Atlantic hurricane belt; and (5) limited hazard forecasting capabilities. To ensure that hard-won economic development in the agricultural sector is not lost or undermined, it is essential that increased agricultural productivity is climate smart - goes hand in hand with increased resilience to climate change (adaptation) and reduced greenhouse gas emissions (mitigation).

²¹ There are four functions of the food system: (1) food production; (2) food handling, storage, and processing; (3) food trade and marketing; and (4) consumer demand food preparation and preferences.

²² Nutrition-sensitive agriculture is an approach that aims to "ensure the production of a variety of affordable, nutritious, culturally appropriate and safe foods in adequate quantity and quality to meet the dietary requirements of populations in a sustainable manner" (FAO, 2017). More information can be obtained in the working paper on Nutrition.

²³ FAO-CDB (2018).

Good Governance

4.05 Good governance is critical for the transformation of the agricultural sector towards more competitiveness, inclusiveness, and sustainability, and is a prerequisite for a systematic reduction of poverty. CDB will promote good governance in all the strategic pillars and all of its activities. Priority will be given to interventions which support BMCs in:

- (a) improving public sector investment programming in the agricultural sector;
- (b) strengthening evidenced-based policy-making;
- (c) supporting the adoption of managing for development results approaches to long-term planning;
- (d) promoting competitiveness and innovation; and
- (e) creating the environment for private sector-led growth; and
- (f) strengthening the management framework for farmer/fisher organisations.

5. AGRICULTURAL SECTOR STRATEGY: IMPLEMENTATION, MITIGATION OF RISKS, AND MONITRING AND EVALUATION

Instruments

5.01 In the implementation of the Strategy, the Bank proposes to employ a wide range of operational modalities and financing instruments. These will likely be used in combination because of the complexity of the issues involved.

- (a) **Multi-stakeholder Policy Dialogue:** Through policy dialogue with governments, regional bodies, other FIs, donors, farmer-and fisher-based organisations, civil society organisations, and agri-food businesses, the Bank ensures coherence and a demand driven approach.
- (b) **Economic and Sector Work:** The Bank's economic and sector work will inform the policy dialogue and development of the country strategies.
- (c) **Policy Based Operations:** The Bank will seek to identify opportunities within PBOs to encourage BMCs to implement macroeconomic and sector reforms required to support agricultural development.
- (d) **Technical Assistance Grants and Loans:** Technical assistance interventions will be used to identify the investments required, to design new programs and policies, and to build the capacity to implement these programmes and policies.
- (e) **Investment Loans:** These will be the main vehicle through which the Bank will intervene in the agricultural sector. The Bank will seek opportunities to support agricultural sector related public-private partnerships and to co-finance with development partners - traditional Multilateral Investment Banks, agricultural support institutions, Adaptation Fund and the Green Climate Fund.
- (f) **Intermediary Loans:** Within the framework of the PSDP CDB will continue to use intermediary lending to support MSME access to finance.

Principles of Implementation

5.02 To ensure it adheres to the policy principles formulated in section 2, CDB will adopt the following implementation principles in carrying out its agricultural sector development strategy:

- (a) **Partnerships:** CDB will continue to actively seek partnerships with other FIs (including multilateral and bilateral DFIs), agricultural sector support institution - both regional and international - with a view to supporting stakeholder adoption of improved standards and technologies.
- (b) **Alignment:** As the agri-food sector in the Caribbean consists primarily of private actors, there will be some overlap between the Bank’s ASPS and PSDP strategy.
- (c) **Additionality:** CDB will ensure that its funds do not displace private capital.

Risks and Mitigation

5.03 Mitigation and adaptation of the risks in Table 4 below include the implementation of measures aimed at reducing exposure and increasing resilience of production systems and livelihoods to adverse impacts. Examples of important priorities include the construction of infrastructure able to minimise impacts on/and overexploitation - of natural capital and introduction of drought/flood tolerant crops/varieties to adapt to climate change.

TABLE 4: POTENTIAL RISKS TO CDB PROJECTS

Production Risks	Market Risks	Enabling Environment Risks
Natural hazard events – Tropical cyclones and drought	Price volatility	Political unrest and violent conflict
Invasive pest and diseases	Input price volatility – planting material, agrochemicals, pesticides fuel/electricity	Predial larceny
Overfishing and degradation of marine environment	Trade agreements	

Monitoring and Evaluation

5.04 CDB will ascertain that interventions in the agricultural sector will be properly monitored and evaluated during and post project implementation. Adequate results-based monitoring and evaluation frameworks allow CDB to demonstrate results on the ground, and assess whether project design has been effective in taking into account evolving circumstances. Focus also needs to be given to the further development of the logical frameworks and theories of change.²⁴

5.05 A draft Results Framework is provided in Annex C. It establishes benchmarks for monitoring and evaluation of the Bank’s operations in support of agricultural development in its BMCs. The objective is to track the indicators²⁵ that can be used to monitor the implementation and results of the agricultural policy and strategy.

²⁴ One place to look for inspiration for this endeavour is the OECD’s online library of methodological guidelines on Results for Development (<http://www.oecd.org/dac/results-development>).

²⁵ Selection of indicators is influenced by relevance, whether it can be clearly defined and measured, and data availability.

RESULTS FRAMEWORK

Strategic Pillar	Expected Outcome	Performance Indicator	Baseline (2019)	Indicative Targets (2025)
1	Enabling environment for agricultural value chains			
1a	Stakeholder and Institutional Capacity Building	Increased adoption of modern, agricultural technologies, systems, standards and practices.	Knowledge products developed with CDB financing (#) Agricultural sector stakeholders trained in improved production technology (number)	0 TBC 5 + 3,000
1b	Financial Services	Increased private sector investment and entrepreneur-ship.	Credit targeting the agricultural sector as a percentage of total credit (%)	
1c	Regional Public Goods and multi-country systems	Increased investment in integrated and regional agricultural development approaches.	Agricultural research and development and technology dissemination projects approved by CDB (#)	0 3
2	Enabling infrastructure for agriculture value chains			
2a	Production	Enhanced production infrastructure.	Land improved through irrigation, drainage and/or flood protection works (ha)	TBC +2,500
2b	Market Access	Improved access to high value markets.	Rural/farm access roads rehabilitated incorporating climate resilience measures (km) Post-harvest facilities built/upgraded incorporating RE/EE and GAP standards (#)	0 0 + 100 +10