

**CARIBBEAN DEVELOPMENT BANK**



**SPECIAL DEVELOPMENT FUND**

**DEVELOPMENT EFFECTIVENESS AND MANAGING FOR RESULTS**

October 2008

## ABBREVIATIONS

BNTF	-	Basic Needs Trust Fund
BOD	-	Board of Directors
CDB	-	Caribbean Development Bank
CMDGs	-	Caribbean-specific MDGs
CPAs	-	Country Poverty Assessments
CSOs	-	Civil Society Organisations
CSP	-	Country Strategy Paper
EOV	-	Evaluation and Oversight
HR	-	Human Resources
ICTs	-	Information and Communication Technologies
MfDR	-	Managing for Development Results
MDGs	-	Millennium Development Goals
RAS	-	Resource Allocation System
RCI	-	Regional Cooperation and Integration
RMF	-	Results Monitoring Framework
SDF	-	Special Development Fund
SDF (U)	-	Special Development Fund (Unified)
SDF 7	-	Special Development Fund – Seventh Cycle
TA	-	Technical Assistance

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## DEVELOPMENT EFFECTIVENESS AND MANAGING FOR RESULTS

### 1. INTRODUCTION

1.01 At the Third Formal Negotiation Meeting held in July 2008 for the Replenishment of the Special Development Fund (SDF), Contributors considered Paper SDF 7/3-NM-5 entitled “Development Effectiveness and Managing for Results”, along with papers on the other agreed programming themes for the Special Development Fund – Seventh Cycle (SDF 7), i.e. poverty reduction and human development; environmental sustainability and climate change; and regional cooperation and integration (RCI). In their consideration of these themes, Contributors urged that these strategic perspectives and themes be critically examined in the following context:

- (a) The critical requirement for the Bank to be more **focused** based on its capacity and its comparative advantage. The issue of focus essentially means that for the Bank to improve its development effectiveness, it needs to make choices in the areas in which it intervenes so that it does not “spread itself too thinly”;
- (b) There should be an overall Results Monitoring Framework (RMF) for SDF – and a Results Framework for each theme. All of these frameworks need to be closely aligned; and
- (c) The Bank’s capacity to deliver and the nature of the internal reforms required to ensure this capacity should be critical considerations for determining the scope and level of the SDF 7 programme.

1.02 Although these three aspects are interrelated, the Bank’s capacity and its institutional reform agenda are especially linked to its ability to effectively and efficiently deliver on its development objectives. The effectiveness of the Bank’s development efforts needs to be monitored, measured and managed and Contributors have requested the Bank to further develop the proposed RMF<sup>1</sup>, to provide them and the Caribbean Development Bank’s (CDB) Board of Directors (BOD) with a more holistic review and comprehension of SDF’s development effectiveness and for assessing and monitoring the performance of SDF 7. It is important to note that because the Bank uses a blend of SDF and Ordinary Capital Resources (OCR) to finance much of its development work, the RMF will be designed and used to assess and monitor the development effectiveness of all of CDB’s operations.

1.03 This additional paper addresses the issues of capacity and reform raised by Contributors and presents a fuller RMF for their consideration. In so doing, the paper first discusses the context for CDB’s approach to development effectiveness and Managing for Development Results (MfDR) i.e. the Paris Declaration Principles<sup>2</sup> and the Accra Agenda for Action<sup>3</sup>. It then examines the Bank’s reform measures to boost its capacity to more efficiently and effectively deliver its development programmes and projects. The fourth section of the paper sets out the expected impact of these measures on the Bank’s capacity to implement an enlarged SDF 7 programme; while sections 5 and 6 deals with CDB’s agenda on MfDR and its results monitoring framework respectively. The other two aspects of concern to Contributors i.e. focus

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<sup>1/</sup> Refer to the proposal for the establishment of an overall RMF contained in Paper SDF 7/3 NM-5 entitled “Development Effectiveness and Managing for Results”.

<sup>2/</sup> Promoting effective development through Country Ownership, Alignment, Harmonisation, Managing for Results and Mutual Accountability.

<sup>3/</sup> CDB participated in the Accra High Level Forum on Aid Effectiveness held September 2- 4, 2008, at which the principles of the Paris Declaration were reinforced through the endorsement by the international development community of the Accra Agenda for Action.

and results, are dealt with the paper SDF 7/4-NM-3 entitled “The Focus of SDF 7: Poverty, Human Development, Environmental Sustainability and Regional Integration.

1.04 As CDB develops its new Strategic Plan for the post-2008 period, the institutional reform measures will need to be aligned with its long-term objectives and the RMF will need to evolve further to address the work of the Bank as outlined in the new plan. At the same time, the Bank will need to assist BMCs with the development of their own MfDR agenda in order to ensure the effectiveness of its projects and programmes.

## **2. CONTEXT**

2.01 Development effectiveness - the extent to which the policies and programmes of developing countries contribute to the achievement of important social and economic development outcomes, and the extent to which external development agencies help to achieve those outcomes - has long been the objective in the development assistance relationship. It is influenced by various factors, beginning with the quality of project design and ending with the relevance and sustainability of desired results.

2.02 This integrated approach has been further strengthened since the adoption by the international development community of the MDGs. Since 2000, the MDGs have provided the global framework for development assistance, and for the partnership between developing countries and development institutions. CDB’s overarching objective of reducing poverty is directly related to MDG 1 and its cross-cutting themes of gender equality and environmental sustainability are centrally related to MDGs 3 and 7, respectively. The Bank’s operations in other areas and its modalities also impact, both directly and indirectly, on the achievement of the other MDGs.<sup>4</sup>

2.03 At the Rome High Level Forum on Harmonisation (HLF- 1), the major multilateral development banks, international and bilateral organisations, and donor and developing country representatives committed to take action to improve the management and effectiveness of aid as a significant contributor to overall development effectiveness. The Rome Declaration on Harmonisation sets out an ambitious programme of activities to:

- (a) ensure that harmonisation efforts are adapted to the country context and that donor assistance is aligned with the development recipient’s priorities;
- (b) expand country-led efforts to streamline donor procedures and practices;
- (c) review and identify ways to adapt institutions’ and countries’ policies, procedures, and practices to facilitate harmonisation; and
- (d) implement the good practices, principles and standards formulated by the development community as the foundation for harmonisation.

2.04 Coming out of the Paris High Level Forum (HLF-II), the Paris Declaration sets out a framework for improving aid delivery and lays out a road map of practical commitments organised around five key principles<sup>5</sup> of effective aid. These principles are also intended to increase the impact of aid in reducing poverty and inequality, increasing growth, building capacity, accelerating the achievement of the MDGs, and hence reinforcing and strengthening development effectiveness.

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<sup>4</sup> For example, the Basic Needs Trust Fund (BNTF) contributes not only to MDG 1 – reducing poverty, but also to MDGs 2, 3, 4, 5, and 7.

<sup>5</sup> The five principles are country ownership, alignment to country plans and strategies, harmonisation of donor procedures, managing for results and mutual accountability of donors and developing countries.

2.05 The Third High Level Forum on Aid Effectiveness (HLF-III) in September 2008 considered a Mid-Term Review report on progress towards achieving the Paris Declaration commitments. The Forum agreed that although progress is being made, the pace of progress is too slow and that without further reform and faster action, the development community will not meet the 2010 commitments and targets for improving the quality of aid. Donors, development institutions and developing countries agreed that further actions<sup>6</sup> would be taken to accelerate progress including:

- (a) Strengthening Country Ownership over Development by:
  - broadening country-level policy dialogue on development; and
  - developing countries strengthening their capacity to lead and manage development; and
  - working together, donors at all levels to promote operational changes that make capacity development support more effective.
  
- (b) Building More Effective and Inclusive Partnerships for Development by:
  - working with all development actors, including those engaged in South-South co-operation, to use the Paris Declaration principles as a point of reference in providing development co-operation;
  - acknowledging the contributions made by all development actors, and in particular, the role of middle-income countries as both providers and recipients of aid;
  - deepening the engagement with civil society organisations (CSOs) for ensuring that CSO contributions to development reach their full potential; and
  - adapting aid policies for countries in fragile situations that further improve aid effectiveness in these environments, through conducting joint assessments of governance and capacity and examining the causes of conflict, fragility and insecurity.
  
- (c) Delivering and Accounting for Development Results by:
  - focusing on delivering results and improving management for results through assisting developing countries to strengthen the quality of policy design, implementation and assessment by improving information systems; and working to develop cost-effective results management instruments to assess the impact of development policies and adjust them as necessary;
  - increase the medium-term predictability of aid to enable developing countries to effectively plan and manage their development programmes over the short and medium term.

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<sup>6</sup> These actions are extracts from the Accra Agenda for Action dated September 4, 2008 (as endorsed by the Third High Level Forum on Aid Effectiveness) and outlined in paragraphs 2.05 A, B and C.

2.06 As a participant in the Third High Level Forum on Aid Effectiveness, CDB is committed to working collaboratively with all its development partners, internationally and within the region, to pursue the objectives of the Paris Declaration and of the Accra Agenda for Action. In particular, the Bank joins other development partners in promoting MfDR as a critical factor in strengthening institutional capacity and development effectiveness and ensuring and monitoring progress toward the MDGs.

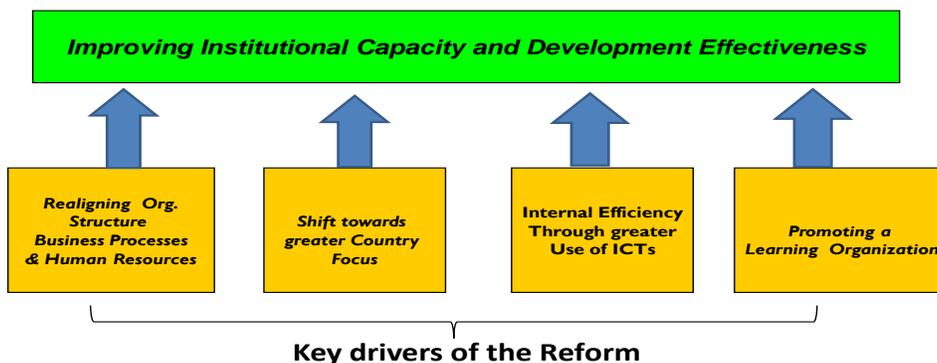
### 3. REFORM MEASURES TO IMPROVE INSTITUTIONAL CAPACITY

3.01 Since 2003, the Bank has focused on four areas of institutional reform as critical to delivering on its commitment to enhancing capacity and development effectiveness:

- (a) re-alignment of the organisational structure, business processes and human resources (HR);
- (b) promoting a shift towards greater client and country-focus in operations;
- (c) promoting greater use of information and communication technologies (ICTs) to drive internal efficiency; and
- (d) promoting a learning organisation.

3.02 The reform agenda is part of an ongoing process of ensuring that CDB is effectively managing and maximising the use of its HR, is able to respond in a more timely and relevant manner to client requests, that it is increasing and enhancing its collaboration and partnership with other development institutions operating in the Region and that it is focused on improving its internal learning processes and systematically applying the lessons of experience to plan and manage its programmes and projects. The objectives and summary of the status of implementation of this agenda are outlined in Figure 1 and the Table below.

## INSTITUTIONAL REFORM



<b>Realigning Organisational Structure, Business Processes and HR</b>	<b>Shift Towards Greater Country Focus</b>	<b>Promoting Greater Use of ICTs to Drive Internal Capacity</b>	<b>Promoting a Learning Organisation</b>
<ul style="list-style-type: none"> <li>- Restructured HR and Administration Department</li> <li>- Approved new HR Strategy.</li> <li>- Installed technology for HR data storage and retrieval and applications management.</li> <li>- Approved changes to market references for setting compensation ratio.</li> <li>- Revamped recruitment strategy to reduce vacancy rate and facilitate succession planning.</li> <li>- Developed a redundancy programme to facilitate changes to staff composition and skills mix.</li> <li>- Reorganised the Projects Department to improve focus on development themes.</li> <li>- Introduced a management development programme to support succession planning.</li> <li>- Reorganised the Economics Department to improve client responsiveness and country focus.</li> <li>- Approved guidelines for results-based CSPs.</li> <li>- Reviewed project processing procedures to reduce processing time.</li> <li>- Reintroduced a Project Preparation Assistance process to aid BMCs to improve the readiness of their project proposals for appraisal.</li> <li>- Amended the Financial Policies related to capital adequacy, income targeting and the setting of lending interest rates.</li> <li>- Revised the guidelines for procurement to harmonise with other MFIs.</li> </ul>	<ul style="list-style-type: none"> <li>- Introduction of comprehensive Quality Assurance System from CSP through to supervision reporting.</li> <li>- Modification of Project Portfolio Performance System to improve its functionality and user-friendliness is at an advanced stage.</li> <li>- Introduction of policy-based products to improve responsiveness and relevance to client's changing conditions.</li> <li>- Enhancement of the planning process with introduction of multi-year budgeting and work programming. Stronger linkage of individual project results with CSP results-framework.</li> <li>- Planning of new Strategic Plan already at an advanced stage.</li> <li>- Strengthening of performance-based allocation to include the allocation of grant funds and to harmonise the institutional and policy assessment process with other MDBs.</li> <li>- Amended lending policies to introduce policy-based loans and guarantees.</li> <li>- Established an Interest Subsidy Fund.</li> <li>- Revised/Developed policies on Poverty; Education and Training; gender equality; and Natural Disaster Risk Management.</li> </ul>	<ul style="list-style-type: none"> <li>- Process studies undertaken of various departments and recommendations approved for re-engineering business processes.</li> <li>- Various ICT technologies introduced to improve efficiency, cost-effectiveness and responsiveness in the HR, Bank Secretary's and Finance and Corporate Planning Departments.</li> <li>- Developed the first phase of business continuity plan i.e. the Information Technology Business Plan as the precursor to the creation of an Enterprise Business Continuity Plan.</li> <li>- Deployed a Business Intelligence application and Corporate Reporting Facility to facilitate greater collaboration and exchange of management information.</li> <li>- Trained a cadre of staff in the practices, tools and methodologies of Business Process Management to provide for the continuous assessment of the Bank's business processes.</li> </ul>	<ul style="list-style-type: none"> <li>- Created and staffed an Evaluation and Oversight function.</li> <li>- The Bank has completed a number of evaluations which will contribute significantly to its efforts to become a learning organisation and to promote managing for results by systematically making available lessons of experience for future planning and managing of programme and projects.</li> <li>- Approved recommendations of a communications consultancy and is in the process of developing a communication strategy.</li> <li>- Launched a redesigned corporate website.</li> <li>- Installed a video-conferencing facility to provide new avenues for communication and outreach.</li> <li>- CDB is an active participant in the MDB Technical Working Groups on Environment; Procurement; Human Resource Management and Administration; Planning and Budgeting; and Performance-based Resource Allocation.</li> </ul>

3.03 The process of institutional strengthening of CDB has been designed to improve the overall effectiveness of the Bank as it seeks to achieve its mission of reducing poverty, and to continue the performance of its role as the leading catalyst for mobilising resources into its BMCs. In addition, it will contribute substantially towards ensuring that CDB can implement a proposed expanded programme for SDF 7. Since adopting the institutional reforms agenda, the Bank has initiated a number of measures

aimed at enhancing institutional capacity and effectiveness and which are outlined in the following paragraphs<sup>7</sup>.

### **Re-Aligning the Organisational Structure, Business Processes and Human Resources**

3.04 The Bank's HR reform initiatives have been guided by the Board approved Corporate Human Resource Strategy and the associated Corporate Human Resource Action Plan. The targeted strategic outcome set for these plans include improvement in the set of organisational characteristics that collectively are expected to assure greater operating effectiveness and adaptability to a changing environment. These organisational characteristics relate to conducive organisational context, appropriate skills mix, responsive staff plans, competitive compensation policy, effective performance incentives, active staff involvement, and amenable work environment.

3.05 Since adopting these Plans, the Bank has:

- (a) restructured the HR Division to realign its focus on three specialised areas, i.e. Staffing (selection, recruitment, deployment, promotion), Compensation and Benefits, and Learning and Development;
- (b) installed an electronic Human Resource Management System for storing the Bank's HR data and allowing efficient and timely access by authorised personnel. In addition, the leadership of the HR function has been elevated to the level of the Senior Management Group;
- (c) continued to manage the Bank's talent pool through effective performance incentives, active staff involvement in organisational change processes and the provision of amenable work environment. The Bank is employing an integrated set of activities designed to improve the composition and quality of HR required to execute its mandate and enhance its effectiveness. Adjustments to the recruitment strategy with an emphasis on a more global outreach have resulted in a more diversified group of recruits in terms of age, gender and country of origin. At the same time, due account is being taken of the need to source and develop the best available human resource and provide for the orderly succession to senior positions made vacant due to retirements (it is expected that over the next five years, a significant number of senior personnel will be due for retirement);<sup>8</sup>
- (d) approved changes in CDB's market reference for setting compensation rates, salary structure, and migration benefits for managerial and professional staff have improved the competitiveness of the Bank's compensation offers. This new circumstance is reflected in the increased success in filling outstanding vacancies and the enhanced capacity of the Bank to deliver on priorities in the areas of social development, education and training, environmental sustainability, disaster mitigation and climate change;
- (e) re-engineered core business processes, and in some instances, adopted technology-driven solutions that have provided the opportunity to effect changes to the composition of the workforce. These consequential changes have moved the Management and Professional Staff to Support Staff from 1.1:1 to 1.2:1 in 2008 with a target of 1.3:1 set for 2009. The

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<sup>7</sup> At the Second Formal Negotiation Meeting held on April 9, 2008, Management reported on progress towards the implementation of measures to strengthen the Bank's HR and institutional capacity [Refer to Paper SDF 7/1-NM-4 and Paper SDF 7/1-NM-5].

<sup>8</sup> A Corporate Human Resource Report (Paper BD 19/08) was presented to the BOD March 2008. The paper contained an update on the implementation of the Corporate Human Resource Action Plan 2006 – 2009.

Bank has developed a redundancy programme and is implementing a programme of staff recruitment and training designed to address further adjustments in staff composition and skills mix. This will also permit the reallocation of personnel to key priority areas;

- (f) developed and implemented plans focused on promoting staff wellness and the enhancement of the work environment including the provision of after-school care for the children of staff and facilities of encouraging work/life balance;
- (g) restructured the Information and Technology Management Services Department (now called Information and Technology Solutions and created a new vision, mission and customer value proposition in order to ensure that the services and solutions which are delivered match, more closely, the needs of the Bank in fulfilment of its mission. Towards this end, job assignments were redefined and the Client Services area strengthened with the creation of a new position of Head Service Support;
- (h) reorganised the Projects Department to comprise the current four Divisions instead of the previous three Divisions, in order to realise greater client focus and to generally improve the efficiency and effectiveness of the project processing cycle. A new Project Services Division now provides a stronger focus and operationalises Bank policies in key areas such as social development, procurement, environment, climate change, disaster risk management, governance, institutional development, project cycle training and gender equality; and
- (i) conducted an independent assessment of the Economics Department in order to provide recommendations for improving the quality, cost efficiency and effectiveness of the services it provides in pursuit of the Bank's strategic objectives. Recommendations were made with regard to: (a) rationalising the structure and work processes; and (b) redirection of the work efforts from routine macroeconomic analysis to project support and research focused on uncovering and developing projects in specific industries and sectors relevant to BMCs. Elements of these recommendations have been implemented and are expected to yield significant productivity increase and the timelier updating of country strategies.

### **Promoting a Shift towards Greater Client and Country-Focus in Operations**

3.06 Crucially, CDB's contributions to development results at the BMC level will depend on how well it manages its internal operations. The institutional reform measures are targeted at creating an institution that is more client-focused. As part of the shift towards a results-based culture, the Bank continues to focus on finding the right mix of policies, procedures and incentives to advance its MfDR agenda and to improve the design and monitoring frameworks for projects in its BMCs.

3.07 A major initiative is underway for the introduction of a quality assurance system for country strategies, programmes, projects and technical assistance (TA) operations along with a similar system for supervision reporting. A set of recommendations from a consultant retained to assess the Bank's current systems are now being reviewed by Management and staff. These quality assurance systems will be aimed at improving the results orientation of country strategies and project appraisal documents, enhance quality at entry and supervision standards while reinforcing MfDR. They are also intended to achieve a major strengthening of the results culture in the Bank and progress on this will be monitored as part of the RMF.

3.08 As part of this overall process, the Project Performance Monitoring System will be upgraded. This upgraded project information system will be more user-friendly and provide project information

from the processing stage to post-evaluation. CDB's internal efficiency will benefit through the provision of more streamlined documentation and easier access to data.

3.09 In recent times, many of CDB's BMCs are confronted by major fiscal and debt sustainability issues. The Bank has been compelled to explore and offer new and innovative products as part of its response to these difficulties. It has expanded its product range to include three new offerings, i.e. policy-based loans, policy-based guarantees and a private sector loan guarantee facility. In addition, the Bank introduced an Interest Subsidy Fund that is designed to reduce the cost of borrowing for BMCs and to further expand the availability of concessionary resources. The introduction of these products has allowed the Bank to respond with greater flexibility to the needs of BMCs.

3.10 Progress in the implementation of MfDR will require efforts to assist BMCs to create their own results-based national development plans and to enhance statistical capacity to support evidenced-based planning and decision-making. In this regard, CDB has assisted BMCs to conduct a second round of country poverty assessments (CPAs) and in some instances, to develop their national poverty strategies. Assistance has also been given to build capacity in data collection and analysis through the training of BMC officials in demographics, survey methods and other statistical areas important for measuring and monitoring progress towards the attainment of the MDGs. Extensive training opportunities have also been provided to BMCs' public service officers in all areas of project administration and project cycle management. The Bank intends to continue these initiatives.

3.11 The Bank is now in the final year of the current Strategic Plan and work has already begun on the development of the strategy for the succeeding strategic planning period. A paper entitled "Strategic Plan 2010 – 2020: Approach and Issues" was presented and considered at the Thirty-Eighth Annual Meeting of the Board of Governors in May 2008. The extensive comments and recommendation of the Governors will be used to inform the further development of the first draft of the new Strategic Plan. In addition, the Bank has now fully adopted a multi-year work programming and budget cycle as a complement to its results-based cascade of objectives and priorities that is used for planning and managing its work.

3.12 The country strategy process provides the basis for planning, prioritising and dovetailing the Bank's development interventions with the needs of BMCs. There has been some slippage in the scheduled completion of results-based CSPs during 2007/08. However, with the recent changes in the structure and processes in the Economics Department, all BMCs will be serviced on the basis of up-to-date CSPs by year-end 2009.

3.13 In 2001, the Bank extended its country planning process to include the use of a performance-based resource allocation system (RAS). The objective of the system is to strengthen development results by targeting needs, placing resources where they are likely to be effective, and giving member countries an incentive to perform well. On May 29 and 30, 2007, CDB's BOD and Contributors to SDF 6 noted and discussed respectively, a draft Review Report on the Special Development Fund RAS. During the discussion, Contributors made several suggestions for consideration by Management and for input into the final document. The main recommendations of the review were that:

- (a) country performance scoring as the basis of the allocations should be undertaken with more senior management participation;
- (b) the portfolio performance variable in the allocation formula should be reformed;
- (c) reallocations by formula be more frequent to help avoid adhoc adjustments; and
- (d) CDB should more closely harmonise its policy and institutional assessment system with that of other MDBs.

These recommendations have been accepted and will be implemented during the SDF 7 cycle.

### **Promoting Greater Use of ICTs to Drive Internal Efficiency**

3.14 Prior to the implementation of the reform measures, CDB did not sufficiently explore the potential benefits of ICTs as a tool for transforming its business operations and making them more efficient and cost-effective. To take fullest advantage of the benefits of ICTs, the Bank undertook process studies in a number of its Departments. Reference was made earlier in this paper to the adoption of ICTs in HR operations. In addition to those initiatives resulting from the process study, the Bank embarked on the re-engineering of the business processes and a consequent restructuring of its Finance Division. This has already realised considerable benefits from the introduction of business process re-engineering and the installation of new ICTs.

3.15 The Bank engaged an external service provider to assist in building the necessary in-house capability in business process analysis to ensure that there is a permanent competency base for the continuous assessment of processes. Initial efforts in this regard have been largely successful as there is currently a cadre of staff that has been trained in the leading practices, tools and methodologies in the area of Business Process Management. The Bank will continue to leverage this knowledge base as part of its continuing effort to create a process-driven agile organisation.

3.16 Among the new measures designed to improve financial management, enhance staff productivity and contain the growth of administrative expenses are:

- (a) a Purchasing and Supplies Management System;
- (b) an Expense Management System to more efficiently manage and account for Travel transactions;
- (c) an HR Applicant Tracking System to more effectively manage the recruitment process;
- (d) a Corporate Reporting Facility to allow for the more timely production of financial and other customised management reports;
- (e) a Database and Services Delivery Platform to support New Financial Applications; and
- (f) the IT Phase of the Business Continuity Plan to cater for a planned response to emergencies that can threaten the Bank's ability to service its clients.

### **Promoting a Learning Organisation**

3.17 The activities of the newly established independent Evaluation and Oversight (EOV) Division (2003) have begun to create a stronger learning culture within the Bank. Increasing emphasis has been given to the strategic role of the evaluation function in terms of the effort to measure the effectiveness of CDB's interventions and the promotion of learning and accountability which will assist in planning and managing future initiatives. Among the evaluations/reviews/assessments conducted by EOV has been:

- Programme evaluations of CDB's TA Programme 2000-2004;
- Multi-cycle evaluation of SDF 4 and V;
- Evaluation of the CTCS programme;
- Impact Assessment of the Student Loan Scheme;
- Post-Implementation Evaluation of CTCF TA projects;
- Post-Implementation Evaluation of Education Projects;
- An Agriculture Project;

- Evaluation of Environmental Impact Assessments;
- Thematic evaluation of the effectiveness of CDB's interventions in Natural Disaster Management;
- Assessment of the operations and organisational structure of CDB's Economics Department; and
- Independent Assessment of the Re-organisation of the Projects Departments.

The Bank has been systematically incorporating the lessons of these various reviews and evaluations into the planning and management of its interventions, including the planning and operationalising of SDF 7.

3.18 Arising from the recommendations of the assessment of the Economics Department and the review of the performance-based allocation system, the Bank has prioritised the sector/thematic studies as a basis for conducting policy dialogue with its various BMCs. The first of these studies is on Growth and Development in the Caribbean and scheduled for completion in 2009.

3.19 A new Corporate website, through which borrowers will be able to access information and execute business transactions with the Bank more quickly and cost-effectively, as well as to allow for greater responsiveness to the information needs of clients.

3.20 A Document Management Solution - Phase 1 of the process of introducing systems for greater facilitation of knowledge sharing and learning.

3.21 CDB recognises its key strategic asset as being its people and the knowledge capital they possess. This capital is the combination of institutional knowledge derived from the relationship between the Bank and its BMCs and development partners, as well as local knowledge derived from the informal bonds between CDB staff and BMC political directorates, senior public and corporate officials. Knowledge capital is the foundation of the Bank's comparative advantage is critical to its development effectiveness, and the Bank has accepted the challenge of improving its institutional capabilities and capacities to produce and manage this knowledge capital. To this end, the Bank has retained consultants to assist in the development of a knowledge management strategy and implementation plan which will support the development of a learning organisation and provide the processes, programmes and structures for knowledge creation, sharing, capturing and retention to sustain and enhance its comparative advantage and overall performance.

3.22 The various elements of the institutional reform process will strengthen the Bank's capacity to implement the SDF 7 programme. There are, however, specific areas where the deepening of capacity beyond current levels can contribute significantly to SDF 7 effectiveness. These are examined further in the next section.

#### **4. OPERATIONAL CAPACITY FOR IMPLEMENTING SDF 7**

4.01 Alternative programming levels for SDF 7 were presented to Contributors in July 2008 in four different scenarios. These are detailed in Table 1 overleaf. They range in size from a base scenario of \$333 mn to scenario 3 with a projected programme level of \$477 mn.

**TABLE 1: SDF 7 – PROGRAMME SCENARIOS**

	<b>SDF 6 Programme Level</b>	<b>SDF 7 Programme Base</b>	<b>SDF 7 Programme Scenario 1</b>	<b>SDF 7 Programme Scenario 2</b>	<b>SDF 7 Programme Scenario 3</b>
<b>PROGRAMME LEVEL</b>					
Set-Asides for:					
BNTF (Grant Funding)	32,000	36,000	40,000	48,000	70,000
TA (Grant Funding):	<u>16,000</u>	<u>21,000</u>	<u>23,500</u>	<u>27,000</u>	<u>27,000</u>
Project Training	2,000	4,000	5,000	6,000	6,000
BMC Capacity-Building TA	10,000	13,000	14,000	15,000	15,000
CTCS	4,000	4,000	4,500	6,000	6,000
Regional Integration and RPGs	10,000	15,000	16,000	17,000	17,000
Development Effectiveness, MfDR the MDGs	4,000	6,000	6,000	7,200	7,200
Immediate Disaster Response (Grant Funding)	8,000	8,000	9,100	9,100	9,100
Gender Equality	0	3,000	4,000	4,000	4,000
Environmental Sustainability and Climate Change	0	5,000	6,000	6,000	6,000
<b>Sub-Total – Grants</b>	<b>70,000</b>	<b>94,000</b>	<b>104,600</b>	<b>118,300</b>	<b>140,300</b>
Loans for Natural Disaster Mitigation and Rehab.		25,000	26,000	30,000	30,000
Loans for BMCs in fiscal distress	45,000	35,000	39,000	45,000	45,000
Interest Subsidisation Fund	0	10,000	10,000	10,000	10,000
Country Loans (Based on Resource Alloc. System)	96,500	133,541	165,000	183,000	183,000
<b>Programme Level</b>	<b>211,500</b>	<b>297,541</b>	<b>344,600</b>	<b>386,300</b>	<b>402,300</b>
<b>Special Programming for New Members</b>					
Haiti Allocation	27,000	35,000	40,000	49,000	74,700
<b>Sub-Total - New Members</b>	<b>27,000</b>	<b>35,000</b>	<b>40,000</b>	<b>49,000</b>	<b>74,700</b>
<b>Total Programme Level</b>	<b>238,500</b>	<b>332,541</b>	<b>384,600</b>	<b>435,300</b>	<b>477,000</b>

4.02 The higher levels of programming proposed in this paper for SDF 7 and particularly in Scenarios 2 and 3 are based on:

- (a) the need to increase support for BMCs in addressing the MDGs and the Caribbean-specific targets in the countdown to 2015;
- (b) the need to support the core programming themes and priorities agreed for SDF 7;
- (c) an increasing demand from BMCs for concessionary resources in the face of high fiscal stress and an increasingly difficult international credit environment;
- (d) recognition of the Bank's improved programme delivery capacity resulting from the reform measures adopted for institutional strengthening including their positive impact on staff capacity and operational efficiency; and
- (e) continuing improvements in the results orientation of the Bank as it increases its focus on improving development effectiveness and MfDR, and on implementing the principles of the Paris Declaration and the Accra Agenda for Action.

4.03 The thrust of this section of the paper is to examine the impact of the ongoing reform measures on CDB's capacity to effectively implement the SDF 7 programming levels set out in the four alternative scenarios. These are detailed in the paper entitled "The Focus of SDF 7: Poverty, Human Development, Environmental Sustainability and Regional Integration".

4.04 The drive towards the achievement of the outcomes necessary for building capacity and development effectiveness has been in progress since the end of the previous strategic planning period in 2004. Initial progress on the implementation of the reform measures was slow, and this was exacerbated by a chronic shortage of staff in the relevant Operations Department. The Report on the Mid-Term Review of SDF 6 commented as follows – *"The vacancy level within the CDB as a whole (about 10%) is not unusual in other multilateral development institutions. For example, it compares with a similar figure reported in 2002 for the African Development Bank. The problem has been in Projects Department with up to 15 vacant professional posts (nearly a third of the total authorised establishment). It is clear that this has been responsible for delays in the Special Development Fund (Unified) [SDF (U)] delivery. Relatively low remuneration (the target for 2009 is 70% of levels paid by comparable institutions) and slow recruitment procedures may have been contributing factors."* It should be noted however, that given the small size of the institution, the high vacancy level impacted performance across all organizational departments and not just the Projects Department.

4.05 As a result of this circumstance, the Mid-Term Review consultants made the following comment on the weak commitment and disbursement performance - *"In general, CDB needs to increase the low level of commitments and disbursements experienced in 2005 and 2006."* In addition, they recommended that *"Meeting these and future commitments to SDF (U,) Contributors will require increasingly strong and diverse staff capabilities. CDB should therefore recruit young officers, seeking the best from any member state or member organisation anywhere in the world."*

4.06 As outlined in Section 3 of this paper, in the period since those remarks and recommendations, a significant proportion of the reform measures are being implemented and many have been completed. Although any assessment of the overall impact of the reform measures on organisational efficiency and development effectiveness would be premature, evidence at the level of outputs is encouraging after the initially slow start to the process.

4.07 Commitment performance has improved during the period 2005-2008 compared with the previous four years – 2001 to 2004. CDB’s average annual commitment of loans and grants expanded by 22% from \$146.5 mn in 2001-2004 to \$177 mn in 2005-2008, reflecting a significant expansion in demand for CDB’s products. It is noteworthy that for the current SDF 6 cycle [2005 to 2008], the total commitments of loans and grants is projected at approximately \$250 mn or 58% higher than the amount for SDF 5 of \$158.3 mn.

4.08 The loan commitment targets for the four years of SDF (U) 6 (2005-2008) were \$166.5 mn and the actual commitments in the first two years (2005-2006) were \$28.55 mn. The projected SDF loan commitment to December 31, 2008 will amount to \$163 mn. The overall commitment amount reflects both level of demand for concessional resources at this period of fiscal distress in many BMCs and the timely responsiveness of the Bank to their needs. Ongoing discussions with officials from several BMCs indicate a pipeline that will exceed this amount in 2009.

4.09 There has only been a marginal difference in the annual average disbursement out-turn for the two periods, i.e. \$150 mn for 2005–2008 compared to \$148 mn for 2001-2004. This is due primarily to the bunching of commitments in the latter years of the cycle. However, the disbursement rate has improved from 24% in 2004 to 28% in 2007.

4.10 Data provided in the Annual Review of the Performance of Project/Loan Portfolio under Implementation<sup>9</sup>, December 31, 2008 shows that the overall project implementation performance index (PPI) rates the portfolio as highly satisfactory. The portfolio has been rated highly satisfactory since 2000.

4.11 Many factors may have contributed to the change in the level of performance but the principal impetus was provided through the various reform measures that resulted in the significant improvement to the vacancy rate in the Projects Department. The table below outlines the results of recruitment effort following on changes to the compensation policy and the recruitment strategy. Total vacant positions have dropped from 32 at the end of 2006 (of which 22 were in the Projects Department) to a projected 17 at the end of 2008 (of which nine will be in the Projects Department).

<b>MPS recruitment 2007-2008</b>		
Item	Total No.	No. in Projects
Vacancies as at December 31, 2006	21	15
New Vacancies 2007	11	7
<b>Total Vacancies</b>	<b>32</b>	<b>22</b>
New Recruits 2007	14	9
Vacancies as at December 31, 2007	18	11
New vacancies 2008	6	1
<b>Total vacancies 2008</b>	<b>24</b>	<b>12</b>
New recruits 2008 (proj.)	7	3
Vacancy target for December 31, 2008	17	9

4.12 The paper - The Focus of SDF 7 (SDF 7/4-NM-3) sets out the differences in the scope, modalities and depth of engagement for each of the four alternative programming scenarios for SDF 7. In the context of these proposed alternative programmes, the largest proposed increase relates to the target areas funded through country loans allocated on the basis of the performance-based allocation system, loans for natural disaster mitigation and loans for countries experiencing fiscal distress. These loan amounts

<sup>9</sup> This review is produced by staff of the independent EOVS Division.

together accounted for 59% of the resources in the SDF 6 programme and will account for 62% of the SDF 7 programme under Scenario 2.

4.13 The scope of activities that would qualify for the use of these loan funds covers the full range of the strategic priorities and modalities as identified in the paper on the Focus of SDF 7 (SDF 7/4-NM-3). Under Scenario 3, the proposed annual average loan commitment will amount to approximately \$60 mn or 50% more than the annual average for the four years of SDF 6 but less than the projected annual average of \$67 mn for the last two years of SDF 6 (2007 and 2008). While need for additional project professionals is not contemplated in any of these scenarios, there will be a requirement for policy research and formulation capabilities to support the Bank's thrust in the areas of agriculture, renewable energy, governance, procurement, gender, social protection and the environment and climate change.

4.14 Some of this capacity requirement can be outsourced but failure to build in-house institutional know-how can limit the timeliness and quality of response as well as restrict opportunities for the development of some elements of comparative advantage in some of these areas. In this regard, Management will be proposing additions to the establishment in the context of changes in staff composition and the redundancy programme.

4.15 The new features introduced for the management of BNTF 6<sup>10</sup> within the countries and at CDB are designed to strengthen the programme and enhance its capacity. As a result, the base scenario and Scenarios 1 and 2 will not require any increase to the BNTF establishment at CDB. Scenario 3 envisages a considerable increase in the level of BNTF activities and may even involve programming in additional BMCs. There will be a requirement for two additional staff personnel at the Bank under this scenario. Increased financial assistance to BNTF country offices will be required for enhancing local project management capabilities and capacities and to close any human resource gaps arising from a scaled-up programme level.

4.16 RCI is one of the core themes of SDF 7 and paper SDF 7/4-NM-4 provides a framework for both a selective operational programme in support of RCI and the establishment of the operational capacity to design and coordinate such a programme.

4.17 The Bank intends to support RCI as a means of overcoming some of the constraints faced by BMCs in realising their economic growth and development objectives. It intends to leverage a modest amount of the Bank's concessionary resources (ranging from \$15 mn in the Base Scenario to \$17 mn in Scenario 3) and its partnership with other development institutions to achieve the maximum possible development impact from activities (in particular TA activities) in this area. Most of all, CDB proposed to assume a more proactive role in the critical function of donor coordination. CDB's current establishment does not provide the required capabilities or capacities for RCI in any of the programming scenarios.

4.18 The proposal contained in the Operational Strategy for Supporting RCI calls for the establishment of a focal point within CDB and for the use of outsourcing to complement CDB's resources in the management of the RCI programme. Undoubtedly, without such capability and capacity enhancement, the effectiveness of the RCI programme would be significantly compromised.

4.19 A draft gender equality and policy has been discussed by Contributors and gender equality and operational strategy is in the final stages of preparation for presentation to the BOD by year-end 2008. Staffing of the Bank's gender programme has already been approved and will comprise a gender

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<sup>10</sup> The relevant new features for BNTF 6 are the approved proposals for (a) increasing the authority and accountability of BMCs by increasing PSC authority for approval of grant amounts for sub-projects to the value of \$50,000; and (b) increasing the human resource capacity through increased staffing, technical services and specialists in related programme areas.

specialist dedicated to the BNTF programme and another with responsibility of the OCR/Special Funds Resources programme. These resource personnel will be supported by outsourced expertise as and when the need arises and this will allow for adequate capacity to implement the gender equality operational strategy under all alternative scenarios. In addition, a gender policy capability is envisaged and is discussed in paragraph 4.13 above.

4.20 Staffing establishment in relation to environment, climate change and disaster mitigation and adaptation is at the approved level. A proposal will be made to expand the Bank's capability for policy formulation and advice in this area and discussion will be pursued with development partners for assistance in making this possible. However, the effective implementation of the proposed programme in all scenarios will not be compromised by a lack of this in-house capability. There is the alternative approach of using temporary consultancy services.

4.21 In the discussion at the Third Formal Negotiation Meeting, many Contributors from both BMCs and non-BMCs stressed the importance of the Bank's programme of assistance for building capacity in all sectors of BMCs. A scaled-up programme of capacity-building intervention is envisaged in all scenarios including an expanded project management training programme to include new development areas; enhancement of capacity-building TA to support policy-based lending and debt management as well as extending the coverage of the CTCS programming to a larger number of private sector small businesses. The Bank already outsources much of the work in all of these areas and will continue to do so. Expanded in-house capacity in governance and TA is already provided for in the current staff establishment.

4.22 The Bank's work in Haiti to date has been undertaken with the additional capability and capacity requirement being outsourced. The scope and scale of operations outlined particularly in Scenario 3 and for the longer term will require the development of some in-house capacity in addition to a permanent field presence in Haiti. Work will continue on the development of the Haiti through joint planning initiatives with other development partners and upon completion of the country strategy paper (CSP) currently being developed and out of which specific interventions will be identified. Discussions are ongoing with development partners on collaborations to undertake a number of projects as were the case during SDF 6. The Bank has collaborated with development partners to fund four projects in education, urban development, and the private sector for approximately \$20 mn. The Bank has already made proposals for the recruitment of staff for designing and implementing projects and TA in Haiti, which will be funded from the set-aside for administrative operations related to Haiti.

4.23 CDB will continue to implement its institutional reform effort to consolidate gains already made and to build on them to achieve even greater efficiencies and effectiveness in its development work. Among the continuing initiatives will be:

- (a) further re-alignment of the organisational structure, business processes and staff resources;
- (b) increasing the client-focus especially in areas of quality of entry and project supervision;
- (c) deepening and sharing knowledge and understanding of country issues;
- (d) continuing to use ICTs to drive internal efficiency;
- (e) make TA programmes more focused and supportive of capital interventions;
- (f) maximising development impact through MfDR;
- (g) strengthening performance monitoring and the Results-Based Management process; and

- (h) internalising knowledge management to become a learning organisation.

## **5. MANAGING FOR DEVELOPMENT RESULTS**

5.01 During the SDF 6 period, the Bank has worked with a Results Agenda structured in terms of three pillars – *MfDR at the country and regional level; MfDR at the institutional or corporate level; and MfDR through partnerships, harmonisation and alignment*, including objectives set by the Paris Declaration. This structure has been similar to that of other MDBs over the same period, but has reflected priorities specific to CDB and its BMCs.

5.02 The structure has worked well,<sup>11</sup> and has been reflected in the Bank's strategic planning and performance framework, although there is still progress to be made in internalising a results' culture. It is proposed to continue and build on the three-pillar structure for at least the SDF 7 period, with additions and sharpening of focus, particularly in results-orientation and incentives to manage for results. Use of the existing three pillars is likely to be more effective in work planning and performance assessment, and in building greater momentum for MfDR, than a new and different structure.

### **Pillar 1: Country and Regional Level**

5.03 The Bank's results agenda at the country and regional level will continue to focus on measures that support BMCs to strengthen MfDR and accelerate progress towards the MDGs and the Caribbean-specific MDG targets. In doing so, the Bank will continue to work with development partners in supporting poverty reduction initiatives (MDG 1), including the review of CPAs and national poverty reduction strategies. In addition, SDF operational programmes will respond to priorities identified for environmental sustainability, disaster mitigation and climate change (MDG 7), education and training (MDG 2), regional cooperation and integration (MDG 8) and gender equality (MDG 3). The Bank will also work towards the development of a *Community of Practice* on MfDR to assist in building results management capacity in BMCs. Individual elements of the Results' Agenda under Pillar 1 are set out in paragraphs 2.04 to 2.16 of Paper SDF 7/3-NM-3, which was discussed at the Third Formal Negotiation meeting held in July 2008.

### **Pillar 2: Institutional and Operational Level**

5.04 Significant progress has been made in developing and applying some of the key elements of MfDR at the institutional level, including an overall results-based strategic planning and work programme/budget framework. The milestones in the SDF 6 Action Plan under Pillar 2 have been largely met or put in train.<sup>12</sup> In a number of cases, however, the measures will continue to be a work in progress during SDF 7. These are continuing priorities, but there are also additional improvements that are needed in terms of operational processes to strengthen the "results culture" within the Bank.

5.05 The Bank's MfDR agenda for the SDF 7 period is intended to consolidate and carry forward progress to date at the institutional level. Work is underway to ensure an integrated approach to MfDR throughout the project cycle, and to provide for systematic assessment of the quality of key documentation at each of the principal stages of the project cycle (Refer to paragraph 3.4). The objective is to strengthen project quality and overall results achievement. Furthermore, other initiatives aimed at improving development effectiveness will cover strategic planning and priorities setting for 2010 onwards, continued application of the performance-based RAS, post-project and programme assessment in support of institutional learning and knowledge management, and ongoing staff capacity development.

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<sup>11</sup> It is also very similar to the three pillars that the Asian Development Bank has used in its approach to and reporting on MfDR, and this parallelism has been helpful in drawing on the experience of others.

<sup>12</sup> *Status Report on SDF 6*, Current Status of SDF 6 Action Plan.

5.06 During SDF 6, several evaluations and reviews were carried out on various aspects of the Bank's operations and the full impact of these exercises will be brought to bear on the Bank's operations as the lessons of experience are applied towards improving its development effectiveness and strengthening its operational capacity. A number of recommendations arising from these reports will involve changes to operational procedures which will enhance the efficiency of the Bank. An example of particular relevance to SDF 7 would be a more strategic approach to TA and an increased emphasis on quality at entry and supervision of projects including TA.

### **Pillar 3: Partnerships, Harmonisation and Alignment**

5.07 The objective of the third pillar of the Results' Agenda has been to strengthen the Bank's participation and, as appropriate, leadership in building development partnerships, with increased ownership of development programmes by BMCs, alignment of donor assistance with BMC strategies and systems, and greater harmonisation of the activities of donor agencies. Considerable progress has been made in each of these areas, as outlined in a report to the BOD on progress under the partnership, harmonisation and alignment agenda<sup>13</sup> and in the Status Report on SDF 6 submitted to SDF Contributors.<sup>14</sup>

5.08 The Bank's work in these areas will be further strengthened during SDF 7, including in particular areas identified in the Accra Agenda for Action as requiring additional attention. These include: strengthening country ownership of operational poverty reduction and development strategies; identifying good practices and lessons learned on donor division of labour; further strengthening of country systems; applying lessons learned in capacity development to better align and harmonise TA; and assessing the experience of collaborative and joint assistance strategies.<sup>15</sup> Individual elements of the Results' Agenda under Pillar 3 are set out in paragraphs 2.49 to 2.58 of Paper SDF 7/3-NM-3 which was discussed at the Third Formal Negotiation meeting held in July 2008.

## **6. OVERALL RESULTS MONITORING FRAMEWORK**

6.01 In the SDF 6 agreement, Contributors endorsed the use of a Caribbean MDG framework to assist in the development of results-based country strategies, the selection and design of programmes and projects, and the monitoring and reporting of SDF operations.<sup>16</sup> They also agreed, as part of the SDF 6 Action Plan, that further work should be done on integration of the MDGs and Caribbean-specific targets as a framework for monitoring and assessment of SDF, as well as on an appropriate modification of the Paris Declaration indicators that had been included in the SDF 6 Agreement.<sup>17</sup>

6.02 Further work on the Caribbean-specific MDG targets and indicators (CMDGs) has been undertaken during SDF 6, including support for strengthening the necessary statistical capacity in BMCs and a meeting of Caribbean statisticians in early 2008 to review and adjust as appropriate the indicators used for tracking progress for the CMDGs.<sup>18</sup> The CMDG targets and indicators are also being used in CDB's programme development and programme monitoring and assessment. It is proposed to maintain the momentum of this work and the framework of the CMDGs in the overall RMF and other elements of the Bank's monitoring, reporting and evaluation system.

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<sup>13</sup> This included further development of CDB-specific performance indicators against the Paris Declaration indicators of progress that had been identified in the Report of Contributors on SDF 6 (p. 31, Box 3), with a report of progress in respect of each indicator (*Progress Report on the Implementation of the Partnership, Harmonisation and Alignment Agenda* (BD 83/06).

<sup>14</sup> *Status Report on SDF 6* (SDF 7/1-NM-2), Current Status of SDF 6 Action Plan, milestones 26 to 33.

<sup>15</sup> *The Accra Agenda for Action*

<sup>16</sup> *Report of Contributors on SDF 6*, para. 2.05.

<sup>17</sup> *Ibid.* pp. 34-35 SDF Action Plan milestones 24 (d) and 33.

<sup>18</sup> BD 16/08

6.03 The Bank's overall RMF will be complemented by a separate, operational programme-oriented, results framework for each of the three themes for SDF 7. The initial framework for Themes 1 and 2 were submitted at the Third Negotiation Meeting in July 2008 and are further elaborated in a follow-up paper SDF 7/4 NM-3 entitled - The Focus of SDF 7 – Poverty, Human Development, Environment Sustainability and Regional Integration. A similar framework is being developed for Theme 3 – Support for Regional Cooperation and Integration. Each of these is structured in terms of the relevant CMDG targets and will identify intended results for each programme area. They will provide a basis for targeting, monitoring and assessing results at a structured operational programme level, and will attempt to identify results in terms of both outputs, and where possible, outcomes. Each thematic results' framework will be further developed over the next few months.

6.04 The RMF itself will consist of a set of key indicators that are meaningful and useful for the Bank and SDF for the next four years, and these would be reported to the mid-term review of SDF 7. The results framework indicators, with an annual updating, will be posted on the Bank's Intranet and available to all CDB staff. While the proposed RMF responds to the need for monitoring and reporting on the effectiveness of SDF 7 interventions, the indicators, targets and baselines are also relevant to the whole of CDB's operations and will be further developed to assist Management and the BOD to monitor and manage CDB's performance in implementing its new Strategic Plan commencing in 2010.

6.05 The proposed framework will assess SDF results at three levels. These three levels of the RMF are similar to the three pillars of the Bank's Results' Agenda, in that they address the country and regional level, the institutional and operational level, and the level of ownership, partnerships and harmonisation. The RMF, however, is intended to provide a framework for reporting on the progress made by BMCs towards the CMDGs in areas in which CDB is concentrating, and eventually for reporting on contributions by the Bank to outcomes at the country level.

6.06 **Level 1** indicators are based primarily on the MDGs (and Caribbean-specific targets) and track progress towards development outcomes in BMCs and the Region. **Level 2** indicators cover SDF operational and organisational effectiveness in the areas of operational quality and portfolio performance, resource mobilisation and allocation, strategic focus, capacity utilisation, use of budgetary resources and business processes and practices. **Level 3** indicators are focused on the Bank's Partnership, Harmonisation and Alignment Agenda. Progress with this agenda has been reported on separately, but will now form part of the RMF. The Bank seeks Contributors' agreement that the development effectiveness of SDF 7 will be monitored and assessed using the proposed RMF and reported on as part of the mid-term review and at the end of the SDF 7 cycle.

6.07 **Level 1: Country and Regional Outcomes:** The development outcomes are related to a selected group of MDGs and their Caribbean-specific indicators which cover education, gender equality, environmental sustainability and global and regional partnership for development. These outcomes cannot be attributed solely to SDF interventions and indeed related to the application of both OCR and SFR financing.

## Level 1: Country and Regional Outcomes

Indicators	Baseline Year	Baseline Value	Target
<b>Poverty and Human Development</b>			
Proportion of population below the poverty line by sex			
Proportion of population below the indigence line by sex			
Proportion of population below the minimum level of dietary energy consumption by sex			
Net enrolment ratio in primary education by sex			
Net enrolment ratio in secondary education by sex			
Enrolment ratio of girls to boys in: Primary Education Secondary Education Tertiary Education			
Share of women in wage employment in the non-agricultural sector			
Proportion of seats held by women in National Parliament			
<b>Environmental Sustainability and Climate Change</b>			
Proportion of land area covered by forest			
Energy use (kg. oil equivalent) per \$1 GDP (PPP)			
Proportion of population with sustainable access to an improved water source			
Proportion of population with access to improved sanitation			
<b>Global and Regional Partnership for Development</b>			
Intra-regional trade as a percentage of total regional trade			
Services as a proportion of total exports of goods and services			
Debt service as a percentage of export of goods and services			

6.08 The assessment of SDF operational and organisational effectiveness will focus on six areas: operational quality and portfolio performance, resource mobilisation and allocation, strategic focus, capacity utilisation, use of budgetary resources and business processes and practices. The selected indicators are preliminary and will be subject to review as the Bank gains experience in the operation of the RMF.

6.09 Operational quality and portfolio performance consist of a set of indicators focused on monitoring project quality at entry, and portfolio performance at implementation. It is possible that, as experience is gained at operating the RMF, the metrics can be expanded to include project quality indicators during implementation and at completion. The resource mobilisation and allocation group of indicators emphasises the assessment of SDF disbursement performance and the volume of concessionary resources which is made available to BMCs.

6.10 Progress on the implementation of measures to strengthen institutional capacity and to ensure the relevance of the organisation to its client base are monitored through the indicators grouped under capacity utilisation, use of budgetary resources and business processes and practices.

### Level 2: Operational and Organisational Effectiveness

Indicators	Target (2015)	Baseline year	Baseline value
<b>Operational Quality and Portfolio Performance</b>			
Quality-at-entry rating of projects			
Portfolio performance rating at implementation (% satisfactory)			
Percentage of projects completed in the past two years with Project Completion Reports that include reporting on outcomes			
Percentage of capital projects with supervision reports in PPMS			
<b>Resource Mobilisation and Allocation</b>			
% of concessional resources allocated according to performance-based allocation system			
Disbursement ratio for public sector loans			
Disbursement ratio for direct private sector loans			
Disbursement ratio for FI loans			
Annual level of disbursement: OCR SFR			
<b>Strategic Focus</b>			
Number of approved country strategies in use with results framework			
Number of new or updated CPAs for BMCs for the past five years			
Proportion of financing supporting Environmental Sustainability and Climate Change			
Proportion of financing supporting RCI			
Proportion of financing supporting gender equality			
Proportion of financing supporting private sector development			
Number of BMCs receiving support for direct poverty reduction programming			
<b>Capacity Utilisation</b>			
% of budgeted professional staff in operations departments			
Ratio of management and professional staff to support staff			
Representation of women in professional staff			
Representation of women in middle and senior management positions			
<b>Use of Budgetary Resources</b>			
Administrative expenses per \$mn of approvals			
Administrative expenses per \$mn of disbursement			
Administrative expenses per project under implementation			
<b>Business Processes and Practices</b>			
Average time from loan approval to first disbursement in public sector operations			
Average loan (public sector) processing time (months from fact-finding to loan approval)			

6.11 In accordance with the Paris Declaration principles, CDB has focussed on exploring options for collaborative work which could reduce the pressure on available resources, and of competing demands on operational personnel. The selected indicators for Level 3 are targeted towards monitoring the

implementation of measures to strengthen country ownership of the development agenda, align development assistance with country priorities and utilise common systems and procedures for the delivery of assistance.

### Level 3: Partnerships, Harmonisation and Alignment

Indicators	Target (2015)	Baseline year	Baseline value
<b>Ownership</b>			
Number of BMCs with national development strategies			
Number of BMCs with poverty reduction strategies			
Number of BMCs with CPAs			
<b>Harmonisation</b>			
% of CDB country strategies with explicit consideration of other agencies' programming			
% of interventions using common arrangements or procedures			
<b>Alignment</b>			
% of capacity development support provided through coordinated programmes			
% of financial support that use BMC procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.			

### Conclusion

6.12 This section of the paper outlines the results framework to be adopted and used for reporting on the effectiveness of SDF 7 operations and for the Bank as a whole. The framework is a work in progress and is expected to evolve on the basis of future experience as well as to cover the full range of the Bank's expected development outcomes to be articulated in the new Strategic Plan. Separate operationally oriented results frameworks are being developed for each programming theme and these will complement this overall results framework. They are also intended as practical, structured guides for Bank staff in implementing the SDF 7 operational programme. Each framework will be further developed over the next few months and will be reported on in the SDF Annual Report and at the Mid-term Review of SDF 7.