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CARIBBEAN DEVELOPMENT BANK

EVALUATION OF THE SIXTH AND SEVENTH CYCLES OF THE SPECIAL DEVELOPMENT FUND (UNIFIED) OF THE CARIBBEAN DEVELOPMENT BANK FOR THE PERIOD JANUARY 2005 – DECEMBER 2012

WITH MANAGEMENT RESPONSE

OFFICE OF INDEPENDENT EVALUATION
MAY 2016

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MANAGEMENT RESPONSE

TO THE CONCLUSION AND RECOMMENDATIONS OF THE EVALUATION OF THE SIXTH AND SEVENTH CYCLES OF THE SPECIAL DEVELOPMENT FUND (UNIFIED) OF THE CARIBBEAN DEVELOPMENT BANK

MANAGEMENT'S RESPONSE TO THE CONCLUSIONS AND RECOMMENDATIONS OF THE EVALUATION OF THE SIXTH AND SEVENTH CYCLES OF THE SPECIAL DEVELOPMENT FUND (UNIFIED) OF THE CARIBBEAN DEVELOPMENT BANK

<table>
<tr><th>Ref</th><th>Recommendations</th><th>Management Response</th></tr>
<tr><td>8.1</td><td>Operational and Organisational Effectiveness</td><td></td></tr>
<tr><td>1.</td><td>Quality Assurance (QA):
The Bank should consolidate gains made in this area by accelerating implementation of the QA process at each stage of the project cycle, including additional training in Results-Based Management and Risk Management to build on the foundations of the current capacity of staff and enable them both to make better use of existing applications' systems and to ensure the quality and timeliness of implementation and results on completion. Specifically, it is recommended that:

1. CDB and the Office of Independent Evaluation employ a 6- or 4-point balanced rating scale to assess project performance;

2. CDB Operations ensure that all Project Completion Reports (PCRs) are completed on time, report against expected results, and are done in accordance with the Operations Policy and Procedures Manual; and

3. CDB review the Annual Review of Portfolio Performance methodology with a view to ensuring a more realistic assessment of project performance, including the need to clearly reference evidence of achievements to substantiate the ratings.</td><td>The Bank conducts training programmes for both risk management and results management on an annual basis. Further, the roll-out of the Project Cycle Management programme will strengthen the QA process.

1. Given the size of its portfolio, management is not convinced of the merits of changing its 4-point scale to a 6-point scale. However, the existing scale will be revisited towards making it more "balanced'.

2. Accepted: Steps are being taken to resolve the backlog of PCRs. In the immediate future, this will include the use of short-term consultancy services as well as more systematic and focused attention on this aspect of the project cycle. Ultimately, the new Project Performance Management System will facilitate a shortened time frame with less complexity in the approach to undertaking this task.

3. Steps have also been taken to develop and implement criteria for assessing project performance which is transparent and uniformly applied. This includes criteria in relation to at-risk projects.</td></tr>
<tr><td>2.</td><td>Update of Delegated Authorities:
The Bank should prepare and submit a request to the Board of Directors for approval of a revised Delegation of Authorities that would better enable the President and key Management and Operational staff across the spectrum of the Bank's operations to exercise Leadership and take the necessary corrective action required in their areas of responsibility within a framework of Accountability, Delegation and Exercise of Responsibilities. More specifically, it is recommended that:</td><td>The Bank is currently undertaking a comprehensive review of a number of its processes in order to promote greater operational efficiency. Included is an examination of the limits of, and other aspects relating to, the President's delegated authority. A paper in relation to this matter will be brought to the Board in 2016.</td></tr>
</table>

Ref	Recommendations	Management Response
8.1	**Operational and Organisational Effectiveness**	
	1. The delegated authority for the President be increased to USD750,000, or a higher level if deemed more appropriate by the organisation should it, for example, decide in future to reduce the frequency of Board meetings. (NB: This amount is in line with recently approved IRLs); 2. The delegated authority for the levels of Vice-President, Directors of Departments and Division Chiefs be set at USD300,000, USD150,000 and USD50,000, respectively; and 3. Authorisation be sought for the President to be able to approve through a "no-objection" procedure certain types of expenditures, such as cost increases and over-runs up to a certain amount (say 20% of the initial approval), with the condition that the approval be submitted to the Board for notification at its first convenient meeting scheduled after the approval.	
3.	**Clear Focal Points for Member Countries and In-Country Presence:** The Bank should consider establishing clear focal points for member countries, including enhancing its country presence though country offices in several of the largest recipients of CDB funds, to improve communications between BMCs and the Bank, enhance monitoring and supervision of its projects, improve country-level coordination with other Development Partners (DPs) and increase CDB's visibility and influence in strategic and policy decisions in BMCs. To keep costs more manageable and balanced against the need for in-country presence, for example in new BMCs like Suriname, the Bank could explore the possibilities for sharing office space with one of the Central Line Ministries (Ministry of Finance, Economics or Planning) or other DPs like the Inter-American Development Bank (IDB). Specifically, it is recommended that: 1. CDB prepare a discussion paper to develop criteria and propose options (including cost estimates) for country presence. 2. CDB pilot country presence in two countries in 2017.	The Bank firmly recognises the need for closer engagement with its clients in order to fully understand and respond to their development needs. This is a first order priority in delivering on the Bank's mandate and undergirds its role and relevance. The issue of country presence is one that the Bank is closely examining. That said, the Bank recognises that country presence cannot be taken to be homogeneous across its total membership but on a very selective basis. While closely examining this approach, the Bank intends to utilise its existing products and services to improve communications between BMCs and the Bank. This includes greater country engagement in the country strategy preparation process and more intense portfolio review and project supervision process.

Ref	Recommendations	Management Response
8.2	**Development Effectiveness**	
4.	**Harmonisation:** The Bank should try to harmonise its efforts with other DPs across the Caribbean to strengthen Development Effectiveness by minimising the monitoring and reporting burden and transaction costs on BMCs and undertaking more joint initiatives in key areas of common interest, including capacity building in procurement and statistics, front-end design and planning work, including preparation of Country Strategy Papers (CSPs), Country Poverty Assessments, and Country Gender Assessments.	Harmonisation already exists particularly in relation to areas such as procurement given the Bank's membership and active participation in certain MDB working groups. Significant joint work is taking place between CDB and IDB including discussions to refresh Memorandum of Understanding to guide future collaboration. There is close collaboration between the CDB, World Bank (WB) and IDB in building regional capacity in the area of Public-Private Partnerships with the three institutions co-funding the interim Regional Support Mechanism physically located at CDB. CDB and WB are also cooperating with respect to co-funding opportunities regarding a Revitalised Cities Initiative as well as aspects of private sector operations, such as partial guarantee schemes. Significant cooperation also takes place with other MDBs on policy-based operations.
5.	**Improving Communications and Understanding of CDB's Terms and Conditions:** The Bank should consider putting in place improved orientation and communication protocols for senior officials and technical staff in BMCs about the terms and conditions and specific requirements of loans to reduce the potential for cancellations and delays, especially when there has been a recent change in Government. These should be continuously refreshed and updated to reflect emerging good practice and lessons learned.	Agreed – Steps have been taken to accomplish this, including: 1. An orientation programme for Board Directors held in March 2016 which provided participants with in-depth exposure to the legal aspects of the Bank's operations and aspects of its strategic and operational framework. The Bank offers an opportunity to every potential borrower to formally negotiate the terms and conditions of each loan before it is presented to the Board. Such negotiations allow the Bank to discuss all the terms of the loan and any specific requirements with the Borrower. Once the Conditions Precedent have been satisfied, a project launch is conducted at which a session is dedicated to the legal aspects of the loan. CDB's legal counsels also undertake in-country legal supervision on a rolling basis.

Ref	Recommendations	Management Response
8.2	**Development Effectiveness**	
		2. The presentations and other material/information which are used in Project/CSP launches have been updated. These were used for the formal launching of the Suriname CSP in 2014.
6.	**Strengthening Country Capacity to Prepare and Implement Initiatives** Where project preparation and implementation capacity is known to be weak, the Bank should consider providing timely, strategic and integrated technical assistance and technical support to strengthen the capacity of BMCs for planning, preparation, design and implementation of the initiatives, including investments in country systems for procurement and reporting to allow CDB and other DPs to use a common country procurement and reporting system.	Agreed. Significant and ongoing steps have been taken in relation to building country capacity. This includes: 1. A recently launched training programme in Public Policy Analysis and Management and PCM. 2. A recently launched on-line procurement training programme; and 3. Direct TA, as appropriate, for strengthening institutional capacity (e.g. Dominica after Tropical Storm Erika). Additionally, the Bank conducts institutional assessments as part of its project appraisal and appropriate recommendations are made for capacity building, particularly in relation to implementation support.
7.	**Gender Equality Mainstreaming:** The Bank should strengthen its efforts to mainstream Gender Equality and Equity into its project design, implementation, monitoring and supervision and results.	CDB has a Gender Equality Policy and Operational Strategy (GEPOS) which informs its in-country interventions and also guides the institution's internal gender equality related sensitisation. GEPOS also has a time-sensitive Gender Equality Action Plan (GEAP) which is being rolled out over the SDF 8 cycle. The most recent progress report (December 2015) on the performance on indicators for gender mainstreaming in the GEAP and on CDB's internal reform processes suggest that the Bank has made significant strides in gender mainstreaming in most of its operations. The report notes that "CDB's performance on gender mainstreaming continued on a notable upward trend over the period under review. The percentage of approved loans with a Gender Marker rating trended upwards from 20% in 2013 to 43% in 2014, and is projected at 57% in December 2015". The report further noted that "Divisions ramped up efforts to improve the quality of gender analysis in project design and to map out a "strategy" across the project cycle to effect better results".

Ref	Recommendations	Management Response
8.2	**Development Effectiveness**	
8.	**Sustainability:** The Bank should consider measures to explicitly include 'Exit Strategies' early in the design stage of projects to promote thinking about the conditions required for sustainability, including maintenance of essential activities, local, institutional and financial capacity, the enabling environment, ownership and commitment, and other key aspects to support sustainability that may be relevant in the context.	The issue of sustainability has to be promoted by ensuring that our clients have a more meaningful understanding of Managing for Development Results (MfDR) which, among other things, seeks to safeguard project outcomes. The Bank will include a module addressing sustainability in PCM and MfDR training programmes aimed at specifically addressing the issue of sustainability of projects/programmes. Further, the Bank will seek to enhance Quality at Entry which fosters project sustainability. The sustainability issue will also be bolstered by our support aimed at building out country systems. Additionally, the Bank's project appraisal process includes risk assessments for every intervention and indicates mitigation measures for identified risks.

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CARIBBEAN DEVELOPMENT BANK

CONSULTANT'S REPORT

EVALUATION OF THE SIXTH AND SEVENTH CYCLES OF THE SPECIAL DEVELOPMENT FUND (UNIFIED) OF THE CARIBBEAN DEVELOPMENT BANK

Evaluation of the Sixth and Seventh Cycles of the Special Development Fund (Unified) – SDF6 and SDF7 - of the Caribbean Development Bank

Final Report

Submitted by: Le Groupe-conseil baastel
Requested by: Office of Independent Evaluation, CDB

April, 2016

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ACRONYMS

Acronym	Definition
AR	Appraisal Report
ARPP	Annual Review of the Performance of the Portfolio of Projects
AsDB	Asian Development Bank
BMCs	Borrowing Member Countries
BNTF	Basic Needs Trust Fund
BOD	Board of Directors
CAF	Climate Adaptation Fund
CCIs	Cross-Cutting Issues
CCRIF	Caribbean Catastrophe Risk Insurance Facility
CDB	Caribbean Development Bank
CLEE	Corporate Level Evaluation on Efficiency
CMDGs	Caribbean Millennium Development Goals
CPA	Country Poverty Assessment
CRO	Chief Risk Officer
CSP	Country Strategy Paper
CSPE	Country Strategy Programme Evaluation
CTCS	Caribbean Technological Consultancy Services
DFI	Development Finance Institution
DRM	Disaster Risk Management
DRR	Disaster Risk Reduction
EOV	Evaluation and Oversight Division
GA	Gender Assessment
GCF	Green Climate Fund
GEPOS	Gender Equality Policy and Operational Strategy
ICT	Information Communications Technology
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
IPB	Investment-Type and Policy-Based
IRL	Immediate Response Loan
KM	Knowledge Management
LAC	Latin America and the Caribbean
MDGs	Millennium Development Goals
MDB	Multilateral Development Bank
MfDR	Managing for Development Results
MIS	Management Information Systems
mn	million
MTE	Mid-Term Evaluation
MTR	Mid-Term Review
M&E	Monitoring and Evaluation
OECD-DAC	Organisation for Economic Co-operation and Development – Development Assistance Committee
OCR	Ordinary Capital Resources
OIE	Office of Independent Evaluation

OPPM	Operational Policies and Procedures Manual
ORM	Office of Risk Management
PBL	Policy-Based Loan
PCR	Project Completion Report
PCVR	Project Completion Validation Report
PPES	Project Performance Evaluation System
PPMS	Project Portfolio Management System
PRSP	Poverty Reduction Strategy Paper
PSR	Project Supervision Report
RAP	Results Action Plan
RAS	Resource Allocation Strategy
RBM	Results-Based Management
RCI	Regional Cooperation and Integration
RF	Results Framework
RMF	Results Management Framework
RPG	Regional Public Good
SDF(U)	Special Development Fund (Unified)
SDF6	The Sixth Cycle of the SDF(U)
SDF7	The Seventh Cycle of the SDF(U)
SDGs	Sustainable Development Goals
SIDS	Small Island Developing States
SFR	Special Funds Resources
TA	Technical Assistance
TORs	Terms of Reference
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UNDP	United Nations Development Programme
USD	United States dollars
WB	World Bank

EXECUTIVE SUMMARY

INTRODUCTION:

1. This report presents the findings, conclusions and recommendations of the evaluation of the Sixth and Seventh Cycles of the Special Development Fund (Unified) (SDF [U]) of the Caribbean Development Bank (CDB), covering the period from January 2005 through to December 2012. In terms of the resources made available during this period, under SDF6, total Approvals by CDB were $410.951 million (mn), of which $257.355 mn originated from SDF (U) resource allocations, across a range of projects in three thematic areas: Capacity Enhancement, Vulnerability and Good Governance. Under SDF7, total Approvals by CDB were $508.265 mn, of which $352.759 originated the SDF (U) resource allocations on projects in: Poverty Reduction and Human Development - addressing the Millennium Development Goals (MDGs) in the Caribbean (now classified as Inclusive Social Development and Broad-Based Economic Growth), Environmental Sustainability and Disaster Risk Management, Regional Cooperation and Integration (RCI), and Development Effectiveness and Capacity Building.

EVALUATION OBJECTIVES AND APPROACH:

2. The evaluation is intended to provide SDF Contributors, Borrowing Member Countries (BMCs) and CDB, with evidence to improve the selection, preparation, design, appraisal and implementation of SDF funded interventions. Its primary objectives are to: (a) Assess the Relevance, Efficiency, Effectiveness, Sustainability and Responsiveness of SDF as a mechanism to meet the challenges facing BMCs over the two cycle periods, between 2005 to 2012; and (b) Propose actionable recommendations and lessons to improve design and delivery of SDF programmes, including operations under SDF8, which began in 2013, and inform future negotiations for a ninth cycle under SDF9.

3. The evaluation assessed the utilisation of SDF6 and SDF7 resources based on the following criteria: Relevance, Strategic Positioning and Responsiveness; Effectiveness; Efficiency; and Sustainability. The evaluation team also looked at the integration of Gender and the Environment as Cross-Cutting Issues (CCIs), and added the use of Results Based Management (RBM), Monitoring and Reporting, and Evaluation as a criterion, given their importance as operational and organisational management tools to improve Development Effectiveness. Data was gathered on over 50 SDF6 and SDF7 initiatives in six countries through: a review of CDB's registry files and a wide range of project documents; interviews and discussions with members of the Board of Directors (BOD), technical and operational staff from CDB, and officials in six BMCs; with field visits to three BMCs, including country case studies to Grenada and Jamaica.

4. Despite the difficulties experienced in retrieving project documents and information from the Bank's Management Information Systems (MIS), in scheduling and organising the interviews with CDB staff and stakeholders in the BMCs, the evaluation team was eventually able to engage with more than 150 individuals (Bank staff, six BMCs, donor agencies, regional and other partners) and obtain sufficient information across a sample of 50 SDF initiatives that allow a reasonable level of confidence in the findings and conclusions.

KEY FINDINGS, OBSERVATIONS AND CONCLUSIONS:

5. The SDF has been a very important part of the Bank's development work, accounting for 30-35 per cent (%) the Bank's resources. SDF resources complemented the Bank's Ordinary Capital Resources (OCR) to fund initiatives of vital importance to the BMCs. The SDF has also been a catalyst for change at the Bank, driving improvements in areas such as Gender, Managing for Development Results (MfDR) and a

corporate Results Monitoring Framework (RMF). As the SDF resources are often blended with the Bank's OCR, it is difficult to separate out the effects of the SDF from the wider development initiatives of the Bank.

6. Performance of the SDF6 and SDF7 initiatives against the evaluation criteria, has been variable and uneven across the different criteria, with some areas showing more strength than others.

7. ***Relevance, Positioning and Responsiveness*** was an area of comparative strength as most of the initiatives rated very highly in terms of their suitability to the emerging needs, their alignment with national and regional development priorities and goals, as well as the mission and corporate priorities of CDB. The key factors that enabled such a strong performance included: a broad mix of modalities and instruments used in delivering the SDF assistance, which allowed the Bank and the SDF to be more responsive to the changing conditions and emerging needs of the countries and the region; good up-front guidance and due diligence tools for the selection of initiatives, including the Resource Allocation Strategy (RAS), a range of operational policies and strategies in the main areas of focus, Strategic Plans and Implementation Strategies, Country Strategy Papers (CSPs), Country Poverty Assessments (CPAs) and Gender Assessments (GAs); and well defined project appraisal and preparation processes for the design of projects funded under the SDF.

8. ***Efficiency*** was a comparative area of weakness, as many of the initiatives experienced long delays, which in turn negatively impacted on their cost-efficiency. CDB is not alone in this regard, as other Multilateral Development Banks (MDBs) and Development Finance Institutions (DFIs) have also had difficulties in this area. Although CDB has appropriate tools in place, including Project Supervision Reports (PSRs) and Project Completion Reports (PCRs), their application and use has been variable and operational practices have been uneven across the organisation. Systems for Quality at Entry, during supervision, implementation, and at exit require closer attention. The Bank has also had difficulties in effectively leveraging the potential benefits of technology and systems to further drive efficiencies.

9. In terms of ***Effectiveness,*** the SDF has performed reasonably well, as 68% of the sample SDF initiatives were rated as *Satisfactory* or better in achieving their stated objectives and expected results, and 72% delivered positive benefits for the target population, or were well positioned to deliver the expected results. A key enabler was the broad mix of instruments and financing modalities, including Grants, Technical Assistance (TA), Immediate Response Loans (IRLs), Investment Loans and Policy-Based Loans (PBLs) that could be tailored to the emerging needs of BMCs.

10. One aspect requiring closer attention is the area of ***Partnerships,*** as only about half of the sample of SDF initiatives developed effective partnerships for planning, coordination and implementation. Partnerships were mostly with the BMCs' line ministries and to a much lesser extent with other Development Partners. Partnerships were perceived more in terms of coordination of efforts, rather than as joint programming initiatives to take full advantage of the potential synergies and complementarity offered by jointly programming initiatives with other Development Partners.

11. The SDF's contribution to the Caribbean Millennium Development Goals (CMDGs) have certainly helped to advance progress, although the extent to which they have contributed is much more difficult to quantify, given the relatively modest levels of SDF investments in BMCs relative to their own resources and the combined investments of other Development Partners.

12. ***On the Cross-cutting Issues*** of Gender Equality and Environmental Sensitivity, the performance was mixed, with more progress made in mainstreaming the Environment compared to progress made in Gender mainstreaming. This is perhaps also due to the more recent introduction of the Gender Equality Policy and Operational Strategy (GEPOS) in 2008 and delays in creating the supporting 'infrastructure' for

raising Gender awareness and training at the Bank, as well as the lower priority that has traditionally been accorded to Gender by the BMCs, compared to considerations of the Environment, when balanced against the resource and capacity constraints and other pressing demands.

13. ***On Sustainability***, the continuation of benefits from investments, or the likelihood that they would be sustained, was positive overall, although there is room for improvement. Closer attention needs to be paid to other aspects that would enable benefits to continue, such as the policy and enabling environments, local ownership, institutional capacity, and allocation of the necessary resources to carry on after funding ends. Good practice has shown that including *'Exit Strategies'* at the design stage enhances sustainability as it promotes early considerations about sustainability issues.

14. ***Regarding RBM, Monitoring and Reporting, and Evaluation***, which are some of the essential operational and organisational management tools to improve *Development Effectiveness*, the evaluation found that the uptake at the Bank has been comparatively slow in these areas. The systems for RBM, Monitoring and Reporting, and Evaluation are still at an early stage and work in progress. Systems for Monitoring and Evaluation (M&E) and RBM in the BMCs across the region are even less developed than at the Bank, as many of the BMCs have not yet invested in appropriate M&E systems, making it more difficult for the Bank to effectively monitor and report on the progress of its initiatives at the country level.

15. The main weaknesses related to the ***Bank's Operational and Organisational Effectiveness*** included:

(a) Issues of *Quality at Entry* in terms of the assessment of BMC's readiness, appraisal, assumptions and risk assessments, *Quality during Implementation*, evident in the variable and uneven quality of Project Supervision Reports (PSRs) and the protracted delays that affect the cost efficiency of the initiatives, and *Quality at Exit* issues in terms of the untimely preparation and variable quality of PCRs;

(b) Inadequate capture of effectiveness information and results, beyond outputs, through the M&E systems and project reporting tools, including PSRs and PCRs, leaving gaps in the reporting available on results achieved in BMCs; and

(c) Capacity of CDB staff for effective MfDR, RBM; staff vacancies, turnover and changes of personnel.

16. In the area of ***Development Effectiveness***, some of the key weaknesses observed included:

(a) BMCs' lack of familiarity with CDB's Protocols, Processes and Procedures which have contributed to misunderstandings, delays and implementation challenges;

(b) *Capacity* constraints in BMCs, including shortages of professional staff, technical skills and capabilities;

(c) Weaknesses in mainstreaming and integrating *Gender*, which is acknowledged as an important issue by BMCs but occupies a lower place on their list of development priorities;

(d) Limited focus on *Partnerships* and Collaboration, including harmonisation and alignment of efforts with other Development Partners working in the same sectors and low level of engagement in joint initiatives with other DPs; and

(e) Weaknesses in the consideration, planning and provisions for *Sustainability*.

17. Overall, the Bank's performance was broadly comparable to that of other institutions. Organisations such as the International Fund for Agricultural Development (IFAD) and the Asian Development Bank (AsDB) are also having challenges in the area of efficiency and have recently introduced further reforms to address these issues.

SIGNIFICANT PROGRESS HAS BEEN MADE SINCE 2009

18. The evaluation team noted that the results highlighted in the sections above may not fully reflect the significant progress the Bank has made in a number of areas since 2009, under the internal institutional reforms initiated over the period between 2008 and 2012. As the Evaluation highlights in subsequent sections, it can take considerable time for institutional and structural reforms to be embedded across the organisation, before they translate into more tangible and observable results. This is particularly the case when cascading some of the implications of reforms further down the results chain, to the level of BMCs, where the capacity constraints are more acutely felt. There were improvements noted in policies, operational strategies, manuals, processes and procedures stemming from actions taken on the recommendations from various Corporate Reports, BOD Papers and Policy Documents, including Mid-Term Reviews (MTRs), Development Effectiveness Reports, Evaluations, Project Completion Validation Reports (PCVRs) and the Annual Reviews of Portfolio Performance (ARPPs). As a result, there have been considerable enhancements to the areas covering Corporate Governance and Oversight Frameworks, to strengthen the BOD's oversight and effectiveness, improve risk management, transparency and accountability; update operational policies, strategies and operational guidelines to support improvements in project performance, outcomes and overall development effectiveness; to complement changes in the organisational structure and processes; and strengthen MfDR.

19. These changes and reforms are now beginning to translate into beneficial improvements to the Bank's processes and procedures, which will position the organisation well for future SDF cycles. The future stream of benefits arising from these changes will inevitably take time to be fully realised, as evidenced by the apparent persistence of some of the weaknesses observed under SDF6 and SDF7 into the eighth cycle under SDF8. Observations over the period since 2012, when the SDF7 ended, suggest that some of the problems reported under previous cycles have carried over into SDF8. For example, although there is an appropriate set of management, design and implementation tools available at the operational level, the consistency of their application and use is still variable and uneven across the Bank, suggesting the need for further training, refreshing skills, leveraging technology and improvements in the Quality Assurance and Quality Controls for more consistent application and use.

CHALLENGES, OPPORTUNITIES AND RISKS GOING FORWARD

20. The evaluation team also noted that there were significant challenges, opportunities and risks going forward. Overall, the SDF has played a vital and strategic role in helping the Bank to address the central challenges faced by Caribbean countries and contribute to their poverty reduction efforts. Without the SDF contributions, it is doubtful whether the Bank would have been able to achieve this. Looking forward, there are both challenges and risks. But there are also opportunities. Some of the challenges are within the Bank's control while others are not. In both cases, the issue will revolve around how the SDF and the Bank position themselves to manage the risks in this changing context.

21. The challenges relate to the emerging needs faced by the Caribbean Region and its BMCs in a global environment of slow recovery, which seems likely to continue, given the prospects of rising interest rates in the United States. This suggests that the relatively slow pace of recovery of the region and its BMCs is likely to continue. With the growing and emerging development needs of the BMCs, their debt burdens and fiscal space issues, the demand for resources in the form of Grants and highly concessional loans could far exceed the supply of concessional financing available. The supply could in part be alleviated

by the recent announcement of the $460 mn (GBP 300 mn) Caribbean Infrastructure Fund by the UK, and any future share of the $30 billion announced by China for Infrastructure development in the Latin America and Caribbean (LAC) region, which remains a niche area for CDB.

22. As the needs of the countries change, the SDF and Bank will also need to adapt and adjust and the Bank will need to become more flexible, nimble and efficient if it is to effectively deliver the additional UK resources for Caribbean Infrastructure and any future share of the resources China announced for the LAC region earlier in 2014, to complement the SDF. This will depend on whether it can demonstrate it has the absorptive capacity to take on additional resources and that mutually agreeable and reasonable terms and conditions can be agreed.

23. The issue of the Bank's absorptive capacity is an area that merits more detailed examination than can be devoted here. Indications from some of the issues examined suggest that the bank's capacity may be reaching a point where it is already stretched, and accepting additional programming resources without the incremental capacity and resources required to administer, manage and program the funds could risk stretching it's capacity further and negatively affect CDB's performance.

24. While the Bank's capacity could be further enhanced through some of the improvements that have been made as part of the broader reform agenda and implementation of some of the recommendations from other corporate and SDF reports, it is doubtful that these improvements alone would be sufficient to free up the necessary head room and staff time to absorb any significant amount of additional resources without an additional or incremental allocation to administer, manage and program the additional funds. The Bank will have to be judicious about how it takes on additional programming resources, especially if there are no additional resources available to administer the funds and/or if they are made available with terms and conditions or specific requirements that are not harmonised with those of the SDF, and/or if they seek to widen the Bank's focus areas of programming. That would return the Bank to the situation that prevailed before the SDF was Unified.

25. There is also the issue of competition or complementarity with the SDF. Depending on the terms accompanying other funds, there is a risk that competition between the SDF and other resources could lead to "crowding out" of the SDF. On the issue of competition, there are still questions about the competitiveness of the Bank's SDF and OCR resources relative to those of other development lenders. The Bank has had difficulty growing its portfolio and achieving its lending targets in the Strategic Plan over the period 2010-14. Going into SDF8, significant changes were already made to the country groups and the lending terms. Looking further ahead into SDF9, further adjustments may be needed to address the emerging risks to the Bank's ability to grow its portfolio and achieve the lending targets set out in its Strategic Plan for the period 2015-19.

26. Finally, there are also a number of issues relating to the enabling environment within the Bank that merit closer attention, both to address aspects about the comparatively slow pace at which it operates and whether decision-making is overly centralised. While the proposed revised Delegation of Authorities may address some of these issues, it may not be sufficient. Further streamlining of CDB's business processes and examining how it may be able to better leverage technology to improve its MIS, knowledge, learning and efficiency may also be needed.

RECOMMENDATIONS AND CORPORATE CONSIDERATIONS

27. Recommendations to strengthen the operational and organisational effectiveness include: (a) implementing Quality Assurance processes at each stage of the project cycle, including further training in RBM, MfDR and Risk Management, to make better use of existing tools; (b) seeking the Board's approval on the proposed revisions to Delegation of Authorities to better enable the President and staff at the

different levels of the Bank to more effectively program and deliver their work; and (c) establishing clear focal points for countries, and possibly enhancing the Bank's country presence though country offices in several of the largest recipients of CDB funds by exploring the possibility of sharing office space with one of the other institutions such as the IDB or in one of the BMC's central line Ministries, for example the Ministry of Finance or Ministry of Economic Planning and Development to minimise costs.

28. Recommendations to strengthen the Bank's Development Effectiveness include: (a) better harmonising of its processes and procedures with other Development Partners, including more joint initiatives in front-end design work, programming and procurement; (b) Improving the common understanding among BMC officials who are not always familiar with the specific conditions and requirements of the Bank; (c) strengthening BMC capacity, including more strategic provision of TA to support preparation, design, and implementation of the initiatives; (d) continuing work on mainstreaming and integrating Gender into the design, implementation and results of projects; and (e) consider including 'Exit Strategies' early at the design stage of projects to promote thinking about the conditions needed for sustainability.

29. In addition to the recommendations, the report also highlights areas for Corporate Consideration, including areas of vulnerability that were not the subject of recommendations but which the organisation needs to note and consider as they pose risks to the organisation if they are not adequately addressed. These include considering:

(a) Issues around the country classifications, the terms of lending, and competitiveness of the Bank's resources relative to other lenders, as these issues impact on the Bank's ability to achieve its lending targets and growth in its portfolio;

(b) Further simplification of processes and systems to better leverage technology to drive efficiency gains and improve knowledge management (KM), learning and effectiveness;

(c) The implications of securing additional resources without an incremental allocation of funds to administer the resources[1], if they contain specific terms and conditions that are not harmonised with those of the SDF; and

(d) Attention to the Bank's Project Rating System and the Project Portfolio Management System (PPMS), which could become a potential reputational risk to the organisation.

30. With the emerging trends towards greater flexibility among the MDBs, CDB has an opportunity to leverage its smaller size and simplify its governance structures to become more nimble and flexible than other MDBs in the ways in which it operates.

[1] When the Advanced Draft Evaluation Report was presented to OAC at its March 2016 meeting, the full details of the UK Caribbean Infrastructure Fund (UKCIF) and its administrative arrangements through the CDB were not yet available. After consultations between the Evaluation team at Baastel and OIE staff since March, it was clarified that the UKCIF contains provisions for management fees and administrative resources equivalent to approximately 3.75% of the total budget and an additional M&E Component of GBP 4 mn, as well as additional provisions of up to GBP 2 mn for staff to be recruited specifically for the UK CIF.

PART I: BACKGROUND AND OVERVIEW

1. INTRODUCTION

BACKGROUND AND CONTEXT

1.01 This report presents the findings, conclusions and recommendations of the independent evaluation of the Sixth and Seventh Cycles of the Special Development Fund (Unified) of CDB. The Special Development Fund (Unified),[2] also referred to as the SDF or SDF (U), was established in 1983 in a partnership between Contributors, Borrowing and Non-Borrowing Member Countries in the Caribbean. It is directed towards the reduction of poverty, broad-based sustainable growth, and achievement of the MDGs in the Caribbean.

1.02 The SDF is intended to enable CDB to more effectively fulfil its mandate as a leading catalyst for development resources in the Region, working in an efficient, responsive, and collaborative manner with its BMCs and other development partners towards the systematic reduction of poverty in these countries through social and economic development. The SDF is a primary source of finance for CDB's concessional lending operations, and its resources complement the Bank's own OCRs.

1.03 The SDF is replenished on a four-year basis and ever since the fifth cycle under SDF 5, Contributors have placed SDF operations squarely in the context of the global efforts to reach the MDGs. The SDF and CDB have played a significant role in developing the Caribbean component of the MDGs, also known as the CMDG targets, in support of initiatives designed to help overcome some of the most significant challenges faced by the region in terms of reducing poverty their vulnerability to natural disasters, hazards and external shocks, macro-economic growth, and RCI.

1.04 Even before the global economic and financial crisis in 2008, the Caribbean countries in the region faced significant challenges related to low real income and economic growth, high levels of poverty and income inequality, and high levels of debt, including the resulting burden of interest payments. These challenges were exacerbated by the global financial and economic crisis. The SDF has been an important instrument for CDB to help address these challenges.

PURPOSE OF THE EVALUATION

1.05 The evaluation is intended to provide SDF Contributors, Borrowing Member Countries (BMCs) and CDB with evidence to improve the selection, design, preparation and implementation of SDF funded interventions; increase the value-added by CDB in addressing its overarching mission of systematic poverty reduction in BMCs; and enhance the coherence, integration and alignment in meeting the CMDGs, including Development Effectiveness, and other more strategic development objectives beyond 2015.

1.06 Although the main audience of this evaluation is CDB's Management and BOD, it may also be of wider interest to the range of institutions and Development Partners with whom CDB has collaborated in its various areas of operations. These may include: other Donor Countries and DFIs in the region, technical and sectoral institutions at sub-national levels within BMCs, civil society organisations, and development and evaluation practitioners.

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[2] Page (VI): Special Development Fund Annual Report 2012 and Financial Projections for 2013-15, April 2013.

STRUCTURE OF THE REPORT

1.07 The report is structured in three parts. Part I presents the Background and Overview, including introductory information about the context, evaluation purpose and structure of the report, followed by a section covering the evaluation objectives, approach and methodology, and a further section on the profile of the SDF6 and SDF7 and its investments. Part II presents the findings and observations by evaluation criteria, followed by a section on other findings and observations, and a final section on emerging challenges, opportunities and risks. Part III presents the conclusions, lessons and recommendations. Part IV presents the Appendices.

2. EVALUATION OBJECTIVES, APPROACH AND METHODOLOGY

EVALUATION OBJECTIVES, SCOPE AND FOCUS

2.01 As articulated in the Terms of Reference (TOR),[3] "the primary objectives of the evaluation are to:

(a) Assess the Relevance, Efficiency, Effectiveness, Sustainability and Responsiveness of the SDF as a mechanism to meet the challenges facing BMCs over the two cycle periods (SDF6 and SDF7), between 2005 to 2012; and

(b) Propose actionable recommendations and identify lessons to improve the design and delivery of future SDF programmes."

2.02 In terms of scope and coverage, the Evaluation includes CDB's operations across both the SDF6 and SDF7 cycles between January 2005 through to December 2012, but excluding the Haiti portfolio, which is covered under a separate Country Strategy and Programme Evaluation (CSPE) for Haiti, due to be commissioned in December 2015. In assessing the performance of the SDF across both cycles, the evaluation takes a forward looking perspective to inform the design of future interventions and current operations under SDF8, which commenced in 2013, and to contribute to negotiations for the replenishment of SDF9, scheduled to start in March 2016.

2.03 The evaluation addresses the following issues against the evaluation criteria specified in the TORs:

(a) Whether CDB has met the agreed obligations, commitments and resolutions made during the SDF6 and SDF7 replenishments;

(b) The positioning, coherence, integration and alignment of CDB strategies in meeting the CMDGs and Development Effectiveness criteria;

(c) Operational priorities to support poverty reduction targeting in country strategies and SDF interventions, while pursuing efforts to stimulate sustainable social and economic growth;

(d) Factors that have contributed to advance the achievement of the core objectives of the two cycles and those constraining the achievement of results;

(e) SDF6 and SDF7 contributions to development outcomes; and

(f) Administrative, policy, operational, and M&E frameworks required for future SDF replenishments.

2.04 While focusing at the thematic and sector levels, the evaluation assessed the utilisation of SDF6 and SDF7 resources based on, but not limited to, the following criteria:

(a) Relevance, Strategic Positioning and Responsiveness: to determine how relevant, strategic and responsive CDB has been in its application of SDF6 and SDF7 resources at the country and regional levels;

[3] TOR: Consultancy Services for the Evaluation of the Sixth and Seventh Cycles of the Special Development Fund (Unified) – SDF6 and SDF7 - of CDB.

(b) Effectiveness: selection and focus of thematic areas, objectives and priorities;

(c) Efficiency: resourcing adequacy/magnitude, allocation, modality, and delivery; and

(d) Sustainability: ownership and outcomes of interventions and programmes; sector selectivity; and harmonisation and alignment with development partners.

2.05 Role and capacity of CDB in terms of its:

(a) Leverage and influence in promoting economic and policy reforms, broad-based economic growth and regional integration;

(b) Institutional capacity within CDB and in BMCs to implement their SDF commitments; and

(c) Organisational capacity, human resources and technical skills to adapt to new and emerging thematic areas, including Gender, the Environment and Climate Change.

2.06 Relevance of the SDF to the needs of the BMCs and region, including:

(a) The appropriateness of SDF thematic areas and country eligibility criteria;

(b) Resource Allocation and Use of Set Asides, including flexibility to expand their application in the current context to meet the emergent needs of Group 1 countries;

(c) Alignment and Harmonisation of SDF investments with other Development Partners, including the extent to which SDF activities are embedded in BMCs' national planning processes and budgets; and

(d) Appropriateness of Delivery Modalities, including PBLs and the Basic Needs Trust Fund (BNTF).

2.07 Effectiveness and Performance:

(a) Given that CDB is a relatively small organisation, exploiting its specialist niche and comparative advantage are important. The perceptions that CDB's strengths, including its human resource base and specialist technical and operational staff from the Caribbean region, who share an intimate knowledge and understanding of the many issues and challenges facing BMCs, its proximity and close relationships with BMCs, distinguish CDB from other Development Partners in the region, were also reviewed and discussed.

2.08 Managing for Development Results (MfDR), Monitoring and Evaluation (M&E):

(a) CDB's reporting system is gearing up to assess the SDF's contributions at a national level, with an extensive results framework (RF) for the Strategic Plan based on the RF available for SDF7, and a more extensive RF for the eighth cycle under SDF8, and the BNTF, which has its own indicators. While tracking performance against the RF is recognised as work in progress, the evaluation assesses the extent to which CDB has focused on results beyond the output level, and on the appropriateness of some of the aggregate measures in CDB's RF Matrix;

(b) Additional challenges with RBM and PPMS, including trying to report on outputs and outcomes without the supporting foundations of M&E systems at the country level, and in a context where many of the BMCs have not yet invested in the appropriate M&E systems, also emerged; and

(c) The extent to which CDB's evaluation efforts have been strategically focused and appropriately resourced to adequately cover issues beyond the requirements for PCVRs were also assessed.

EVALUATION APPROACH AND METHODOLOGY

Overview of the Approach

2.09 The evaluation was designed and conducted in close consultation with the team from CDB's Office of Independent Evaluation (OIE), who provided valuable support in helping to organise schedules for the interviews with CDB staff, rescheduling the country visits to Grenada, Guyana and Jamaica and the telephone and skype calls with officials in the respective BMCs. However, the data collection, analysis, and reporting were carried out independently by the Evaluation Team.

2.10 The emerging evaluation findings were presented to a cross-section of CDB managers, technical and operational staff who were given an opportunity to discuss the summary findings, provide comments, feedback and additional details and information, where there were perceived to be any gaps in the findings. Their feedback was considered by the evaluation team in preparation of the Advanced Draft Final Evaluation report.

2.11 Recognising that the evaluation questions and the criteria call for an analysis of performance at different levels (project, sector and/or theme, country, and region), within the framework of the Bank's *Operational and Organisational Effectiveness* and its *Development Effectiveness*, the evaluation team developed an approach and methodology that was guided by a Logic Model and Theory of Change that considered the results in relation to the resources and risks[4], the "3Rs". This helped to link the initiatives and projects at the lower levels to objectives at a higher level, and allowed the evaluation team to examine and analyse their performance against the evaluation criteria. Understanding how effectively risks have been identified and managed also helped to explain why the expected results were achieved, or not, with the resources allocated.

2.12 The Logic Model and Theory of Change helped to focus attention on the key internal and external factors that influenced the conversion of resources and inputs to results at each stage along the results chain, whether they acted enabling forces or as constraints and risks, and how they were taken into consideration during the implementation process and project management cycle. These factors are important in understanding the Bank's Operational and Organisational Effectiveness, as well as its Development Effectiveness. They helped to shape the methodology which was captured in an Evaluation Matrix that outlined the evaluation questions, sub questions, indicators, data collection instruments and means of analysis.

2.13 The approach provided for an examination of the performance of a sample of SDF6 and SDF7 projects that allows for aggregation of findings to arrive at conclusions about performance at higher levels. The performance of individual initiatives was assessed against the evaluation criteria using a balanced four-point rating scale with categories of *Highly Satisfactory*, *Satisfactory*, *Unsatisfactory* and

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[4] The evaluation team conceptualizes risk as the threat of negative occurrence that is caused by external or internal vulnerabilities and that may be avoided by pre-emptive action.

Highly Unsatisfactory as used in the approach for *Assessing the Development Effectiveness of Multilateral Organisations,* endorsed by the Organisation for Economic Co-operation and Development - Development Assistance Committee (OECD-DAC) Evaluation Network, and broadly consistent with the four point rating scale advocated in CDB's updated Performance Assessment System (PAS) 2013.[5] This approach was also successfully used in recent reviews of the Development Effectiveness of AsDB, the United Nations Development Program (UNDP), the World Food Program, the United Nations Children's Fund, as well as the UNDP's MDG Achievement Fund. Using the same methodology, with the appropriate adjustments to address the specific issues detailed in the TORs for this evaluation, it provides a common basis for benchmarking purposes to compare CDB's performance relative to other multilateral institutions and to identify any opportunities for further improvements.

Lines of Inquiry and Data Collection

2.14 The analysis was informed by data collected through several lines of inquiry. The use of multiple lines of inquiry adds rigour by allowing for triangulation of evidence, to cross-check and validate data across different sources, where convergence provides a higher level of confidence in the findings and conclusions and the reasons for any divergence(s) can be examined in more detail. The lines of inquiry from which data was drawn include:

(a) Reviews of project documentation and CDB's registry files covering a wide range of documents at different levels, including a structured meta-analysis of all available Evaluations and PCVRs;

(b) Interviews and/or focus group discussions with staff at different levels within the Bank using interview protocols and questionnaires tailored to different categories of respondents;

(c) Country visits to Grenada, Guyana, and Jamaica to undertake project site visits, interviews and/or focus groups with project and Government officials in each of these countries, including other stakeholders involved in SDF projects. Although a visit to Antigua and Barbuda was also planned at inception, it did not materialise due to the challenges in rescheduling the other country visits, and the interviews were ultimately conducted by telephone;

(d) Interviews through telephone and/or Skype with project and Government officials in other BMCs not being visited, namely Antigua and Barbuda, Belize, and St. Lucia, as well as with stakeholders in regional institutions engaged with SDF projects. Initially, it was also planned to interview officials in Dominica but these plans had to be dropped as a result of the challenges in rescheduling the Guyana country visit after the elections and the subsequent impacts of Tropical Storms Erica and Grace in late August and early September; and

(e) Country case studies in Jamaica and Grenada, using all of the above data collection methods to gain more in depth insights to understand what worked well, and what has not.

2.15 To examine the performance of projects, the evaluation team started out with the methodological approach endorsed by the OECD-DAC Evaluation Network for *Assessing the Development Effectiveness of Multilateral Organisations*. This approach relies on the existence of a critical mass of evaluations, from which the information needed can be extracted through meta-analysis to provide an assessment of

[5] The reader is referred to this approach through documents available on the OECD DAC Evaluation Network site entitled: 'Assessing the Development Effectiveness of Multilateral Organisations: Guidance note on the Methodological Approach' - http://www.oecd.org/dac/evaluationofdevelopmentprogrammes/dcdndep/evaluatingmultilateraleffectiveness.html

the initiatives, after screening the evaluations for quality. The information from the meta-analysis can then be complemented with information from other lines of evidence. However, since the number of evaluations and PCVRs available proved to be considerably lower than anticipated, the design and approach to the meta-analysis had to be adapted for the purposes of this evaluation, from the approach set out in the initial proposal and subsequently in the Inception Report.

2.16 For each of the initiatives in the sample that were not already covered by an evaluation or PCVR, the evaluation team generated information required through other means. These included: a detailed review of the available files and project documents, including Appraisal Reports (ARs), Loan Agreements, PSRs, and PCRs; interviews with CDB staff at the technical and operational levels to update information gaps on the SDF initiatives unavailable from project documentation and file reviews; Skype and telephone interviews with key stakeholders in other BMCs, where no country visits were planned; and additional data collected through observations and face-to-face interviews with key stakeholders in the BMCs being visited.

CHALLENGES AND LIMITATIONS

2.17 No evaluation is without limitations, especially an evaluation across two cycles, with this scope and complexity. Overall, there were significant challenges in securing participation from all the stakeholders identified in the BMCs, particularly for some of the older SDF6 initiatives and some of the ensuing delays, challenges and difficulties experienced with mission planning, resulted in a vastly shifted timeline, less strategic and more piecemeal data collection and analysis, and completion of the field data collection less than a month before production of the first draft of the evaluation report. The major constraints, along with measures taken to mitigate these, are highlighted below:

(a) The first challenge related to the availability of the type and kind of information required to properly assess an adequate sample size of the SDF initiatives across both cycles. Over the eight-year period of the SDF6 and SDF7 cycles covered by the evaluation (between 2005 and 2012), many of the initiatives were designed without the benefit of much organisational experience with MfDR. MfDR was introduced to CDB during the previous SDF5 cycle, which is not a long time for CDB to fully internalise the concepts and practices required to implement an effective MfDR agenda. This resulted in variable and uneven quality, quantity and types of information captured through the M&E, MIS and CDB reporting systems, including the documents available in the registry files on selected initiatives in the sample.

(b) A second challenge, exacerbated by the eight-year time frame, dating back to 2005, when some of the first investments were made, was the difficulty in accessing people who were involved in the design, appraisal and implementation of some of those earlier initiatives, due to staff turnover, or reassignment of responsibilities in both the Bank and the BMCs. Even among the staff that were eventually traced and accessed, many had only limited recall about the specific details of the sample SDF initiatives. Obtaining the agreement for the country visits – in the context of competing demands from the International Monetary Fund (IMF), debt restructuring and the elections in Guyana, also proved to be a more significant challenge than had been envisaged at Inception.

(c) Thirdly, CDB has not systematically collected a repository of evidence of achievements and contributions to results from SDF initiatives through its PSRs, PCRs, PCVRs and/or periodic Ex-Post Evaluations. Where PSRs and PCRs existed, the information was often not validated and the quality was highly variable and uneven across the different thematic and portfolio areas. There were no evaluations and PCVRs on many of the earlier initiatives, especially covering the period between 2005 and 2012 under consideration by this evaluation.

(d) A fourth challenge concerned the resources available and allocated for the evaluation. It only allowed for country visits to four BMCs (Guyana, Jamaica, Grenada and, to a much more limited extent, Antigua and Barbuda) to gather additional country data.

(e) Finally, there are the usual difficulties relating to attribution - identifying the precise contribution(s) of SDF initiatives to development outcomes in BMCs. The limited SDF resources relative to the country's own resources, as well as of the collective resources of other Development Partners, make it more difficult to separate out the specific poverty reduction and other benefits in BMCs from SDF initiatives. Furthermore, the CDB funding was more often a blend of SDF resources with the Bank's OCR, making it even more difficult to separate out the specific effects of the SDF. It would only be necessary to consider the relative volume and amount of SDF investments as a proportion of total ODA in each of the countries, as well as the total amount of ODA as a proportion of each country's total expenditures to appreciate the scale of the challenge and the extent of the difficulties involved.

2.18 To compensate for some of the limitations posed by the challenges highlighted above, the evaluation team employed the following additional measures:

(a) Adapted the meta-analysis approach to ensure that, for each of the initiatives in the sample not already covered by an evaluation or PCVR, the evaluation team undertook a more extensive data collection process to obtain the necessary information from CDB's registry files, project documents, and interviews with CDB and other BMC staff. In the end, the evaluation team was able to generate sufficient information that had been expected to be available from CDB's PCVRs and evaluations to assess the performance of the projects against the specific evaluation criteria;

(b) Employed an "over-sampling" and "pre-screening" approach at the document review stage, prior to finalising the project sample, to arrive at a final list of all the initiatives with adequate information for the assessment and to ensure the appropriate coverage and a representative mix of SDF6 and SDF7 initiatives; and

(c) Conducted additional interviews on projects in countries not specifically targeted for field visits (Antigua and Barbuda, Belize, Dominica, St. Lucia, and St. Kitts and Nevis) through Skype and/or telephone, to compensate for the limited number of country visits (Grenada, Guyana and Jamaica).

(d) The limitations and the resources available for the evaluation did not permit the extensive additional efforts that would have been required to adequately address the attribution issue by trying to identify specific contribution(s) to development outcomes in BMCs through the SDF. Instead, as a proxy indicator to compensate for this, the evaluation team tried to obtain further evidence on the extent to which CDB's SDF investments may have leveraged additional resources through other Loans and/or Grants to scale up the development benefits.

2.19 With the above measures, the evaluation team was able to obtain the necessary information on a more limited, but adequate subset of initiatives from the initial sample resulting in a sample of 50 initiatives selected from the initial 68 initiatives considered at inception to undertake its analysis and assessment, and to complete the evaluation with a reasonable degree of confidence in the findings.

3. PROFILE OF SDF6 AND SDF7

INTRODUCTION

3.01 Poverty reduction was the primary objective of both the SDF6 and SDF7 cycles, with programming themes and priorities, outlined in the next section, designed to provide direction for operationalising the SDF funded initiatives. Under both cycles, a common strategic theme was enhancing Development Effectiveness, including a stronger focus on measuring, monitoring and communicating the outcomes and results of SDF supported interventions.

3.02 As a primary source of finance for CDB's concessional lending operations, the resources of the SDF:

(a) Are an essential complement to CDB's OCR;

(b) Make it possible for the CDB to address the problems of poor communities, including their acute vulnerability to natural disasters and economic shocks;

(c) Assist CDB to strengthen the institutional capacities needed to address and monitor progress towards the CMDGs;

(d) Provide support to BMCs, particularly the poorer and more heavily indebted BMCs, beyond what they can afford to borrow on more conventional terms; and

(e) Facilitate the Caribbean Region's adjustment and transition through RCI programs.

3.03 The SDF has the following principal features:

(a) Resources are based on contributions provided over a four year[6] cycle by both regional and non-regional Contributors;

(b) Themes and priorities are defined during the negotiations for each of the replenishments;

(c) Resources are channelled to BMCs or regional initiatives, through the form of Loans or Grants, for interventions[7] that respond to their needs within CDB's strategic objectives and corporate priorities. SDF resources can be used for blending with other resources available, including CDB’s OCR;

(d) BMCs are classified into four groups that distinguish between less developed and more developed countries to establish the terms and conditions for SDF lending and to provide a basis for blending SDF resources with CDB’s OCR;

(e) Use of the resources is governed by specific terms and conditions, and lending terms vary according to country grouping; and

(f) A RAS is used to determine the amounts that each country is entitled to receive.

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6 With the exception of SDF4 which had a five-year cycle.

7 "Intervention" refers to Projects/Programmes financed by the Bank in its BMCs, excluding PBLs and Lines of Credit.

3.04 The SDF is funded with contributions typically provided over a four year cycle by BMCs, regional Non-BMCs[8] and Non-regional Contributors.[9] Since it was established in 1983, there have been seven completed cycles of SDF programmes, with total contributions and pledges over these cycles of $1,023.59 mn, of which Non-BMCs have contributed approximately 83% of SDF resources and BMCs have contributed the balance of 17%. It is currently in its eight cycle.

3.05 During negotiations for each SDF cycle, SDF Contributors and CDB agree on the priorities and issues to be addressed, country groups, and the sectors to be targeted over that period. Over the seven cycles, the emphasis has increased on applications of the resources to support poverty reduction, capacity building, vulnerability and disaster risk reduction (DRR) and enhancing governance in beneficiary countries.

3.06 Under the SDF6 cycle, the SDF Contributors approved an overall programme level of $257.5 mn, comprising $121.5 mn in country loans, $45 mn in loans for natural disaster mitigation and rehabilitation and assistance for BMCs in fiscal distress, and $91 mn in grant allocations. Over the period 2005-08, the SDF6 cycle made available approximately $232 mn (excluding the allocation for Haiti)[10] for 43 projects (Loans and Grants) in 12 BMCs (excluding Haiti). The resources available under SDF6 were concentrated in three thematic areas —Capacity Enhancement, Vulnerability, and Good Governance—including 13 sectors/sub-sectors.

3.07 Under the SDF7 cycle, the SDF Contributors approved a programme level of $390.6 mn, including an unfunded ‘structural gap’ of $29.6 mn. The programme allocation (excluding Haiti) of $344.6 mn comprised of $175.0 mn in country loans, $77 mn in loans for natural disaster mitigation and rehabilitation, and assistance for BMCs in fiscal distress, as well as $92.6 mn in grant allocations. The SDF Contributors emphasised the importance of focusing on the priorities established under CDB's 2010-14 strategic framework, and effectively targeting, monitoring and reporting on key results. The SDF7 targeted three operational themes, with poverty reduction and the CMDGs as an overarching theme, including four strategic objectives and a limited number of core priorities or sectors, in which CDB had strong comparative experience and could expect to be a leading provider of assistance.

3.08 The SDF Contributors' Reports intrinsically direct the focus of SDF operations, with regard to specifying themes and priorities for replenishment of SDF resources. In addition, Annual Reports, status update reports, reviews and assessments, including MTRs and Ex-Post Evaluations are conducted to provide information on the performance under each cycle that informs CDB’s negotiations with SDF Contributors. CDB completed negotiations and design for its eighth cycle (SDF8), covering the period January 1, 2013 to December 31, 2016 and is in the process of commencing negotiations for the design and contributions over a ninth cycle under SDF9.

SDF6 AND SDF7 THEMES AND PRIORITIES

3.09 Under SDF6, the total volume of commitments by CDB was $410.951 mn, of which $257.355 mn came from the SDF (U) resource allocations, across a range of projects in various thematic areas highlighted below.[11]

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8 Colombia, Mexico and Venezuela

9 Canada, Germany, Italy, United Kingdom and China. The Netherlands was a non-regional contributor from SDF l to SDF4. All non-regional contributors are non-BMCs.

10 As specified in the TOR, an evaluation of Haiti’s portfolio will be conducted separately and will not be covered by the scope of this evaluation.

11 Information for this section compiled from SDF Annual Report, 2006

(a) **Capacity Enhancement:** Amounts approved under SDF6 include $76.424 mn in loans and $32.723 mn in grants for a total of $109.147 mn. Total CDB financing of $154.978 mn in loans and $33.278 mn in grants approved in this area amounted to $188.256 mn (including $20.569 mn for Haiti) for 140 projects: 18 loans and 122 grants.

(b) **Vulnerability:** Amounts approved under SDF6 include $64.498 mn in loans and $42.931 mn in grants for a total of $107.429 mn. Total CDB financing of $98.073 mn in loans and $43.520 mn in grants approved in this area amounted to $132.593 mn (including $0.4 mn for Haiti) for 63 projects: 19 loans and 44 grants.

(c) **Good Governance:** Amounts approved under SDF6 include $29.116 mn in loans and $11.663 mn in grants for a total of $40.779 mn. Total CDB financing of $78.116 mn in loans and $11.986 mn in grants approved in this area amounted to $90.102 mn (including $4.086 mn for Haiti) for 49 projects: 5 loans and 44 grants.

3.10 For SDF7, total commitments by CDB were $508.265 mn, of which $352.759 came from the SDF (U) on projects in the various thematic areas outlined below.[12]

(a) ***Poverty Reduction and Human Development - addressing the MDGs in the Caribbean,*** including support for related CMDG targets in CDB's BMCs[13] through the BNTF, Caribbean Technological Consultancy Services (CTCS) projects, Education, Infrastructure, Roads, etc. This thematic area is now classified as ***Inclusive Social Development and Broad-Based Economic Growth.*** Amounts approved under SDF7 include $191.952 mn in loans and 93.065 mn in grants for a total of $285.017 mn. Total CDB Financing approved in this area, including $340.383 mn in loans and $93.065 mn in grants, amounted to $433.448 mn (including approx. $40.4 mn for Haiti) on 133 projects: 32 loans and 101 grants***.***

(b) ***Environmental Sustainability and Disaster Management*** including addressing the vulnerability of CDB's BMCs to environmental risks, climate change mitigation and adaptation. Amounts approved under SDF7 include $28.899 mn in loans and $12.223 mn in grants for total of $41.122 mn. Total CDB Financing includes $12.223 mn in grants for a total of $48,197 mn (including $6.090 mn for Haiti) on 72 projects: 26 loans and 46 grants.

(c) ***Regional Cooperation and Integration***, including an appropriate operational framework to support the priority needs of the Caribbean Community and its members and the provision of Regional Public Goods (RPGs). Approved under SDF7 – $8.468 mn, all in grants. Total CDB Financing approved in this area amounted to $8.468 mn in grants on 24 projects, all grants.

(d) ***Development Effectiveness and Capacity Building,*** including MfDR, application of the *Paris Declaration Principles on Aid Effectiveness*, and strengthening CDB's human resources and institutional capacity. Approved under SDF7 – 18.152 mn, all in grants; Total CDB Financing approved in this area amounted to 18.152 mn (including 0.150 mn for Haiti) on a total of 77 projects, all grants.

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[12] Information for this section compiled from SDF Annual Reports, 2009 and 2012

[13] The Bank's strategic response to the challenge of providing effective and meaningful assistance to Haiti is included but is not explicitly covered by the scope of this evaluation.

CONTRIBUTIONS TO THE SDF

3.11 The contributions to the SDF are shown in Table 1.

TABLE 1: Contributions to the Unified SDF

(After transfers from earlier SDF and other adjustments - $ mn)

Item	SDF 1 [a/]	SDF 2 [a/]	SDF 3 [a/]	SDF 4[a/]	SDF 5	SDF 6	SDF 7	SDF 8
Regional Members: BMCs								
Trinidad and Tobago	2.50	2.50	3.85	3.85	5.00	7.50	10.18	10.55
Jamaica	1.40	1.40	3.87	3.85	5.00	7.50	10.18	10.55
Guyana	1.40	1.40	2.16	2.16	2.81	4.22	5.67	5.88
Bahamas, The	1.40	1.40	2.16	2.16	2.81	4.21	5.67	5.88
Barbados	1.40	1.40	2.16	2.16	2.81	4.21	5.67	5.88
Suriname [b/]	---	---	---	---	---	---	---	2.16
Antigua and Barbuda	0.25	0.25	0.16	0.25	0.32	0.42	0.61	0.63
Belize	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
Dominica	0.25	0.25	0.65	0.65	0.84	0.84	1.39	1.44
Grenada	0.25	0.25	0.65	0.65	0.84	0.10	0.61	0.63
St. Kitts and Nevis	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
St. Lucia	0.25	0.25	0.65	0.65	0.84	1.10	1.39	1.44
St. Vincent / the Grenadines	0.25	0.26	0.65	0.65	0.84	1.10	1.39	1.44
Cayman Islands	0.10	0.10	0.15	0.25	0.32	0.42	0.61	0.63
Anguilla	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Turks and Caicos Islands	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
British Virgin Islands	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Montserrat	0.10	0.10	0.25	0.25	0.32	0.42	0.61	0.63
Haiti [b/]	---	---	---	---	---	0.65	0.91	0.94
Sub-total	***10.35***	***10.36***	***19.41***	***19.58***	***25.39***	***36.15***	***49.48***	***53.46***
Regional Members: non- BMCs								
Colombia	5.00	3.33	5.00	3.00	3.60	3.60	3.60	3.52
Mexico [c/]	---	---	5.00	3.00	3.00	3.00	3.00	3.52
Venezuela	5.00	3.34	5.00	3.00	3.00	3.60	3.60	3.52
Sub-total	***10.00***	***6.67***	***15.00***	***9.00***	***9.60***	***10.20***	***10.20***	***10.56***
Non-Regional Members								
Canada [d/]	60.87	15.00	20.00	16.80	25.20	44.00	69.83	66.44
United Kingdom [d/]	42.82	15.00	20.00	16.80	25.20	44.00	69.83	47.32
France [e/]	21.00	10.00	14.00	11.76	---	---	---	---
Italy	21.00	10.00	14.00	8.66	3.15	5.00	7.08	3.24
Germany	---	26.00	14.00	11.76	--	12.17	18.83	15.96
China [f/]	---	---	---	24.00	4.00	5.20	8.10	7.00
Sub-total	***145.69***	***76.00***	***82.00***	***89.78***	***57.55***	***110.37***	***173.68***	***139.96***
Non-Members								
Netherlands	5.00	5.00	7.00	6.30	---	---	---	---
Suriname -add. contribution [g/]	---	---	---	---	---	---	---	3.72
Brazil [h/]	---	---	---	---	---	---	---	5.00
Allocation from OCR [i/]	---	---	---	---	---	---	15.00	18.00
Sub-total	***5.00***	***5.00***	***7.00***	***6.30***	***--***	***---***	***15.00***	***26.72***
TOTALS	**171.04**[d/]	**98.03**	**123.41**	**124.66**	**92.54**	***156.72***	***248.35***	***230.70***

[a/] At exchange rates as of dates of payment.
[b/] Suriname joined the Bank in September 2013 and Haiti in 2007.
[c/] Mexico contributed $5 mn and $3.33 mn to SDF Other in 1984 (SDF 1) and 1988 (SDF 2).
[d/] SDF 1 contributions include amounts originally contributed to earlier special funds.
[e/] No longer a member as of October 2000.
[f/] Joined in 1998 subsequent to the Replenishment Negotiations on SDF 4.
[g/] Additional contribution for discussion
[h/] Brazil formally became a Member of CDB in December 2015 - formalities now being finalised.
[i/] Subject to the approval of Governor Resource Allocation and Utilisation of Funds

Source: SDF Annual Report, 2014

RESOURCE ALLOCATION AND UTILISATION

3.12 The allocations of SDF resources are made on the basis of country eligibility. Based on their per-capita incomes, BMCs have been assigned to four country groups which determine their eligibility, the interest rates and terms and conditions for SDF loans. While all BMCs are technically eligible for SDF resources, countries in Group 1 do not receive an allocation but may borrow up to the limit of funds that they themselves have contributed to the SDF and participate in grant-based TA for some purposes including RPGs and emergency assistance in the event of a natural disaster.

3.13 SDF resources available for each replenishment cycle are allocated in two specific ways in order to ensure value for money and Development Effectiveness across a range of objectives. First, there are specific set-aside allocations to target particular development priorities, including the provision of grant financing, as distinct from concessional lending. Secondly, the largest part of the country allocations is determined by a needs and performance-based RAS, similar to that used for other MDB concessional funds, but with particular characteristics to address the specific circumstances of the Bank's BMCs and consistency with the provisions of the CDB Charter. The set-aside allocation for BNTF is also allocated among the participating countries according to the RAS formula.

3.14 The RAS is used to allocate both SDF loan resources to eligible countries and BNTF resources to participating BMCs and includes a country performance or effectiveness component and a needs component. The country performance element of the formula recognises that countries that have better policy and institutional frameworks are more likely to make effective use of concessionary resources, thereby acting as an incentive for improved policy and institutional performance. The needs component of the formula includes a CDB-developed measure of vulnerability.

3.15 The allocation and utilisation of SDF resources by countries is highlighted in Table 2 below. As illustrated in the table, the two countries that have consistently been the largest beneficiaries and users of the SDF (U) loan resources over the 6th and 7th cycles were Jamaica and Guyana. Under SDF6, Belize, Saint Lucia and Dominica were the next largest beneficiaries and users while under SDF7, Grenada, Saint Lucia and Dominica were the next largest beneficiaries and users. Although most of the BMCs appear to have been able to access and use their SDF allocations, a few of the smaller BMCs have not. This is particularly evident in the case of Antigua and Barbuda, and to some extent also in Montserrat and Saint Kitts and Nevis during the SDF7 cycle. This merits a closer look at these cases to try to understand the reasons why some countries have been unable to effectively access and use their allocated SDF resources.

TABLE 2: SDF6 and SDF7 Allocation and Utilisation of Resources[1]

	SDF 7				SDF 6			
Item	**Indicative Allocations at Jan. 2009**		**Approvals 2009-2012**		**Revised Allocations at Dec. 2007**		**Approvals 2005-2008**	
	$'000	**%**	**$'00**	**%**	**$'000**	**%**	**$'000**	**%**
Country Allocations – Loan								
(Group 1)								
Bahamas, The	-	-	-		-	-	-	-
British Virgin Islands	-	-	-		-	-	-	-
Cayman Islands	-	-	-		-	-	-	-
(Groups 2, 3 and 4)								
Anguilla	4.9	1.4	-		4,017	1.6	570	
Antigua and Barbuda	3.5	1.1	-		2,613	1.0	-	-
Barbados	-	-	-		-	-	-	-
Belize	17.6	4.9	22.8	6.5	8, 958	3.5	7,066	2.7
Dominica	14.2	3.9	14.3	4.1	9,268	3.6	11,236	4.4
Grenada	7.8	2.2	6.6	1.9	6,399	2.5	15,440	6.0
Guyana	36.4	10.1	37.3	10.6	24,536	9.5	17,500	6.8
Jamaica	22.0	6.1	25.0	7.1	14,509	5.6	53,282	20.7
Montserrat	2.2	0.6	2.5	0.7	1,526	0.6	-	-
Saint Kitts and Nevis	5.5	1.5	5.5	1.6	3,832	1.5	600	0.2
Saint Lucia	16.3	4.5	16.3	4.6	10,460	4.1	12,000	4.7
Saint Vincent and Grenadines	12.9	3.6	17.2	4.9	8,570	3.3	2,431	0.9
Turks and Caicos Islands	1.9	0.5	-		1,812	0.7	2,500	1.0
Trinidad and Tobago	-	-	-		-	-		-
Sub-total Country Allocations	**145.5**	**40.3**	**147.5**	**42.0**	**96,500**	**37.5**	**122,925**	**47.7**
Set-Aside Resources								
Other Lending:								
Natural Disaster Mitigation/	30.0	8.3	30.0	8.4	45,000	17.5		
BMCs in Fiscal Distress	47.0	13.0	43.4	12.3	(combined)			
Total Lending	**222.5**	**61.6**	**220.9**	**62.7**			**122,925**	**47.7**
Grants:								
BNTF (excl. Haiti)	46.0	12.7	46.0	13.0	32,000	12.4	32,000	12.4
TA (excl. Haiti):								
Capacity Building	8.0	2.2	12.4	3.5	10,000	3.9*	9,671	3.8
Project Management Training	5.0	1.4	4.0	1.1	2,000	0.8	2,000	0.8
CTCS	4.5	1.3	3.5	1.0	4,000	1.6	2,529	1.0
Regional Integration and RPGs	10.0	2.8	7.7	2.2	10,000	3.9	7,196	2.8
Development Effectiveness and MfDR	5.0	1.4	4.0	1.1	-----**		-------	
Immediate Disaster Response	6.1	1.7	1.3	0.4	8,000	3.1	47,113	18.3
Gender Equality	4.0	1.1	3.0	0.9	-----**		-------	
Environ. Sustain. and Climate Change	4.0	1.1	4.0	1.1	-----**		-------	
Haïti (BNTF, Grant TA, Loan)	46.0	12.7	46.0	13.0	27,000	/.. 10.5	25,055	9.7
Total Grants	**138.6**	**38.4**	**131.9**	**37.3**			**134,430**	**52.2**
Total Resources Available	**361.1**	**100.0**	**352.8**	**100.0**	**238,500**	**-**	**257,355**	**99.9**
Structural Gap	**29.5**		**37.8**		**19,000**	**7.4**	**-**	**-**
Approved Programme Level	**390.6**		**390.6**		**257,500**	**100.0**	**257,355**	**99.9**

[1] This table is adapted from CDB's *Annual Report, 2012 and Financial Projections 2013-2015*, April 2013. Information for SDF6 has been taken from the 2008 Annual Report.

* These figures were listed in the 2008 Annual Report as "TA Excluding Haiti"

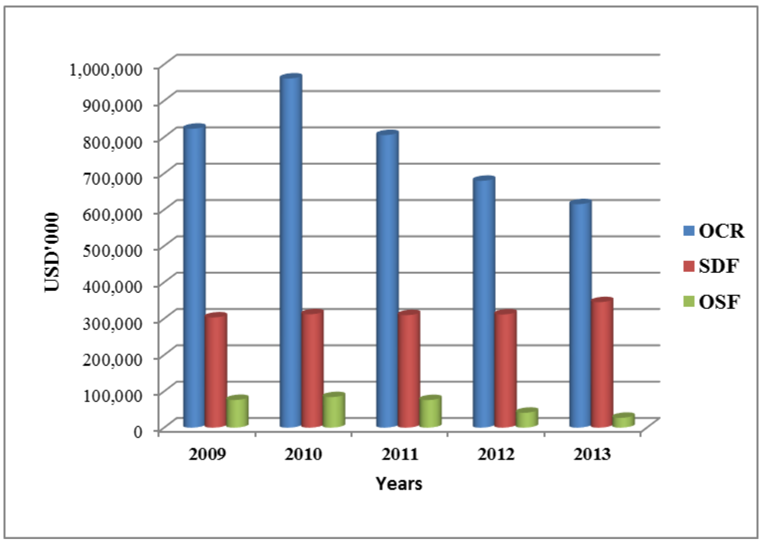
** These categories were not in the 2008 Annual Report

SDF IN RELATION TO OVERALL CDB OPERATIONS

3.16 Considering the size and composition of the Bank's loan portfolio and source of the funds, the SDF has been a significant part of the total lending portfolio, accounting for roughly a third over the last five years, varying between 30% and 35% depending on the year in question. Projects were financed largely through direct lending from the OCR, which served as the main source of funds for the loan portfolio (accounting for $669.4 mn or 63% of total lending in 2014, $615.2 mn or 62% in 2013, and $679.6 mn or 66% in 2012). The SDF(U)], the concessionary window of CDB, amounted to $365.7 mn or 34% of the loan portfolio in 2014, $345.6 mn or 35% in 2013, and $311.7 mn or 30% of total lending in 2012. Other Special Funds accounted for the remaining amount of roughly 3%.

3.17 The Chart below[14] illustrates the Investment-Type and Policy-Based (IPB) loans by source of funds for the period 2009 to 2013.

CHART 1: IPB* Loans by Source of Funds: 2009-2013 ($'000)



***** Investment-Type and Policy-Based

3.18 The SDF resources are an essential complement to the ordinary operations of the Bank and thus occupy a place of strategic importance in CDB and the aid architecture of the Caribbean.

14 Source: Paper BD 34/14, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation For the Year Ended December 31, 2013, May 2014**.** p. 7

PART II: KEY FINDINGS AND OBSERVATIONS

4. FINDINGS AND OBSERVATIONS BY CRITERIA

RELEVANCE, STRATEGIC POSITIONING AND RESPONSIVENESS (CRITERION 1)

4.01 Under this criterion, the various evaluation questions outlined in the TORs have been categorised into a number of sub-criteria as shown in Table 3 below. These sub-criteria addressed whether the supported initiative was: (i) suited to the needs and/or priorities of the target population/beneficiaries; (ii) aligned with national development priorities and goals (or regional priorities and goals in the case of regional initiatives); (iii) aligned with CDB's mission, strategic objectives and corporate priorities; and (iv) responsive to the changing conditions and emerging needs in the BMC or region.

TABLE 3: Ratings[15] on the Relevance, Strategic Positioning and Responsiveness Sub-criteria

Relevance, Strategic Positioning and Responsiveness Sub-Criteria	HS	S	U	HU	N/A
1. Suitability to the needs and/or priorities of the target population.	44 (88%)	5 (10%)	1 (2%)	0 (0%)	0 (0 %)
2. Alignment with national/regional development priorities and goals.	39 (78%)	10 (20%)	0 (0%)	0 (0%)	1 (2%)
3. Alignment with CDB's mission and corporate priorities	48 (96%)	1 (2%)	0 (0%)	0 (0%)	1 (2%)
4. Responsiveness to changing conditions and needs in the country/region.	30 (60%)	19 (38%)	0 (0%)	0 (0%)	1 (2%)
Number of Initiatives in the sample (n) = 50					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Info Not Available

4.02 As can be seen from Table 3, Relevance, Positioning and Responsiveness were areas of comparative strength across both the SDF6 and SDF7 cycles, with an overwhelming majority (98%) of SDF initiatives in the sample rated as either *Highly Satisfactory* or *Satisfactory* on each of the four sub-criteria. These findings suggest that the areas of focus under both cycles were appropriate, an assessment that was also confirmed in feedback obtained from the interviews and discussions with stakeholders in BMCs.

4.03 ***Alignment*** with the priorities and needs of the countries and the region, as well as the suitability to the needs of intended beneficiaries were rated very highly, revealed by the consistency with regional and national priorities and objectives outlined in key documents from the BMCs such as their Poverty Reduction Strategy Paper (PRSP), national plans and sector strategies. Alignment and consistency with CDB's own

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15 Ratings were assigned as follows: On suitability to the needs of the target population, *Highly Satisfactory* corresponds to more than 75% of the initiative's activities and outputs, *Satisfactory* means 50 - 75% of the activities and outputs, *Unsatisfactory* means only 25-50% of the activities and outputs, and *Highly Unsatisfactory* means less than 25% of the activities and outputs were suited to the needs and priorities of the target population/beneficiaries. On alignment: *Highly Satisfactory* means more than 75% of the initiative's activities are aligned, *Satisfactory* means 50 - 75 of the initiative's activities were aligned, *Unsatisfactory* means only about 25-50% of the initiative's activities, *Highly Unsatisfactory* means less than 25% of the initiative's activities were aligned to national development plans and priorities. The same percentages were applicable for sub-criterion 3, alignment with CDB's mission, strategic objectives and corporate priorities. For sub-criterion 4, *Highly Satisfactory* means that the supported Initiatives and activities have responded very well to the changing needs at one or more of the different levels, *Satisfactory* means the supported Initiatives and activities have responded fairly well, *Unsatisfactory* means responded to a limited extent and *Highly Unsatisfactory* means the supported Initiatives and activities have not responded to changing conditions and emerging needs.

strategic objectives, corporate priorities and commitments, as outlined in its overarching Mission, Strategic Plans, Policies and CSPs for the BMCs, also rated very highly. The ratings on the first two sub-criteria are higher than those from the Development Effectiveness Reviews of the AsDB (at 68% and 78% respectively) and the UNDP (at 73% and 88% respectively).[16].

4.04 ***Responsiveness*** was also rated highly, despite having to deal with a group of countries whose economies vary in size, population, capabilities and needs, including a range of different challenges they face – whether the latter derive from natural disasters such as hurricanes and tropical storms, or external and exogenous shocks like the global financial crisis in 2008. Through SDF6 and SDF7, CDB has been able to use a mix of instruments to tailor the investments commensurately with the needs of the range of countries of varying sizes, needs and capacities.

4.05 The assistance was offered to countries through a variety of different modalities, depending on their situations and needs. These include: Grants and Loans; Loans of different types such as IRLs to cope with natural disasters; Investment Loans for Reconstruction, Rehabilitation and longer term development challenges; PBLs to respond to the effects of the financial and economic crisis; and more strategic TA to address critical technical resource and capacity constraints. The SDF resources have often complemented the Bank's OCR to fund initiatives through effective blending of concessional SDF or Special Funds Resources (SFR) with OCR, depending on the category of the country in question.

4.06 While CDB has been responsive in terms of the mix of instruments and modalities to address the changing need of BMCs, there are issues related to the timeliness of actions and flexibility in the way it conducts its business with clients. The Bank is perceived to be relatively slow and inflexible when it comes to changing the way it does things. In interviews with stakeholders, several responses characterised the Bank as “unnecessarily bureaucratic”, “slow” and “inflexible” in its dealings with them, whether it is on Loan Agreements or corrective actions when projects face delays, or when confronting other implementation hurdles such as procurement issues. Responses from stakeholders in BMCs indicated that dealing with the Bank on Loan Agreements often gives an impression of a "Take It or Leave It" approach, with little or no flexibility to discuss or propose adjustments, modifications or amendments to agreements. It was mentioned that it can take months to make simple changes, and requests for Loan cancellation sometimes take up to a year. Respondents were increasingly sensitive to time lost and the implicit costs of the delays, as the transaction costs associated with follow due to delays are significant. Governments are also expected to absorb the exchange rate losses even in the face of inordinate delays by CDB when it fails to execute on a timely basis. BMCs have also indicated that they have aired several of these issues at portfolio review meetings but they seem to go unheeded.

4.07 In addition to impacting the issues of efficiency and cost, there may be additional issues of reputational risk for the Bank to which it needs to be more alert. There appears to be an uneasy tension within the constituency of CDB about perceptions between CDB as a Development Bank or a Development Institution, and how staff perceive their respective roles, responsibilities and actions. A key consideration is the extent to which, under the SDF operations, CDB is effectively straddling the line between being a purely financing institution (or Development Bank) and the additional role of a Development Institution or Development Agency with responsibility for additional country assistance in the design, supervision implementation and management of its project based initiatives under the SDF.

[16] See CIDA, Development Effectiveness Review of the Asian Development Bank 2006-2010, January 2013 and CIDA, Development Effectiveness Review of the United Nations Development Programme (UNDP) 2005-2011, April 2012.

4.08 ***Differences across Thematic Areas:*** There were no significant differences between regional or country initiatives, or across the different thematic areas and sectors with regard to relevance, positioning and responsiveness. This positive assessment suggests that the Bank's Due Diligence in assuring the relevance of initiatives at the preparation, design and appraisal stages is broadly appropriate to address these aspects.

4.09 ***Resource Allocation Strategy:*** The approach to allocating funds to BMCs, based on a system of country categories and the application and use of a RAS that has a needs element as well as a performance-based element, was also confirmed as appropriate in determining the country allocations. The process was seen to be working well, except on occasions when a particular BMC was unable to effectively use its allocation and the funds had to be reallocated at mid-cycle to other BMCs. In such cases, the critical issue was the timing of the reallocation exercise at mid-cycle, rather than earlier in the process, to enable adequate time for the effective use of the reallocated funds. In such cases, the Bank faces a dilemma as it would be inappropriate to reallocate funds without prior knowledge of some of the challenges and problems facing a particular BMC in utilising its allocation. The recently introduced approach by Corporate Planning Division to closely monitor the pipeline and follow up with BMCs to ascertain the likelihood of such "lapses" could help to anticipate or resolve the problems and thereby permit an earlier or timely re-allocation of funds when needed.

4.10 ***Use of Set-Asides:*** The use of set-asides has proven to be a useful instrument in terms of providing additional flexibility to address special situations and emerging issues such as natural disaster management and relief, BMCs in distress, the Environment and Climate Change agenda, BNTF and Haiti. For example, under SDF7, "set asides" were used for DRR, environment and climate change to reduce the BMC's vulnerabilities to natural disasters. The DRR allocation was used to provide assistance to BMCs for emergency response and rehabilitation efforts in the aftermath of a series of storms and extreme rainfall events that caused significant damage and loss of life in some BMCs. The Environment/Climate Change "set aside" was used to finance the development and implementation of Climate Change Adaptation and DRR initiatives at the national and regional levels. SDF funds were also provided to the BNTF programme as a set aside from each SDF cycle ($32 mn from SDF6 and $46 mn from SDF7), to facilitate planning for the BNTF6 and BNTF7 cycles which lagged the corresponding SDF cycles.

Factors Enabling or Contributing to Success

4.11 Within the Bank, key factors that have enabled and contributed to this high degree of success were the corporate governance and management tools that provided strong directions. Among these tools, one can point to:

(a) Clear guidance from the BOD and SDF Contributors on thematic areas of focus under SDF6 and SDF7 that were both appropriate and important to the countries and the region;

(b) The existence of Strategic Plans, Thematic and Operational Policies in the various areas of focus, and CSPs to guide the Bank's Appraisal processes;

(c) A balanced mix of instruments and modalities, which help to provide the necessary flexibility to respond to the challenges as needs dictate - such as Grants, Loans of different types (IRLs, PBLs, Investment Loans), a mix of Grants and Loans, including blending of resources from the SDF and OCR for Investment Loans;

(d) A mix of poverty reduction and capacity building instruments targeted at the regional level as well as the national and sub-national levels in the BMC, such as the BNTF programmes that are focused more directly on poverty reduction efforts at the community level within countries, and investments such as infrastructure loans focused on more indirect poverty reduction efforts;

(e) Allocations through an accepted RAS, and use of "set-Asides" to accommodate aspects such as BNTF and emerging priorities such as the Climate Change agenda ,

4.12 Within the BMCs, a key contributing factor was the existence of key strategic documents such as PRSPs, national and sector policies, and development plans, which also provided clear indications of their needs and priorities.

EFFICIENCY OF DELIVERY (CRITERION 2)

4.13 This criterion relates to how SDF6 and SDF7 resources and/or inputs are converted into results for the benefit of BMCs, taking into account the range of programming instruments, institutional arrangements, and modalities at the corporate and regional levels for achievement of development results. The sub-criteria to address the issue of efficiency included: (a) whether the initiatives and activities were cost and/or resource efficient, (b) whether implementation and objectives were achieved on time, and (c) whether systems and procedures for implementation and follow up incurred significant delays, including processes and systems for engaging staff, procuring project inputs, disbursements against projected payments and planning.

TABLE 4: Ratings on the Efficiency Sub-criteria

Efficiency Sub-Criteria	HS	S	U	HU	N/A
1. Initiatives and activities are assessed as cost/resource efficient.	9 (22%)	21 (51%)	11 (27%)	0 (0%)	9 (18%)
2. Implementation and objectives were achieved on time	2 (4%)	18 (38%)	24 (51%)	3 (7%)	3 (6%)
3. Systems and procedures for implementation and follow.	4 (9%)	21 (47%)	17 (39%)	2 (5%)	6 (12%)
Number of Initiatives in the sample (n) = 50 The percentages for the rated categories excluded the numbers in the NA categories					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Info Not Available

4.14 For the Efficiency sub-criteria noted above, information was not always available to make a clear determination and rate some of the initiatives, as shown by the numbers in the "NA" column in Table 4 above. Where such information was available to rate the initiatives, however, efficiency has emerged as an area where there is considerable room for improvement.

4.15 The ratings portray a mixed picture, where a large proportion of the initiatives did not perform very well and received a less than *Satisfactory* rating, depending on the sub-criterion. There were weaknesses in each of the three areas examined. The most significant aspect was the incidence of extensive implementation delays, which prevented the timely achievement of the objectives of many initiatives, which in turn impacted the cost efficiency as discussed below.

4.16 ***Timeliness of Implementation:*** Only 42% of the initiatives received a *Satisfactory* or better rating in this sub-criterion. This is slightly below the equivalent ratings from the Development Effectiveness Reviews of the AsDB (at 46%) and UNDP (at 52%),[17] which also assessed this sub-criterion. There were significant delays in implementation on many of the SDF initiatives in the sample, necessitating considerable time extensions (including overruns of over 3 years for some projects). There have been issues on both the Bank's side as well as in the BMCs. On the side of the BMCs, there were challenges with the processes, capacities, and abilities of countries to meet the estimated schedules for fulfilling the Conditions Precedent through to implementation delays and extensions to Project Completion after Loan Effectiveness. Delays were often attributed to the perceived difficulties in some BMCs with CDB's procurement processes, and misunderstandings about the procedures established by CDB for requesting the drawdown of loans. There were also issues in some of the BMCs in terms of their own bureaucratic procurement systems and insufficient project management skills and capacity constraints. This suggests that the scheduled implementation periods set by the Bank at the Appraisal and design stages may have been overly optimistic about the estimated timeframes for satisfying or fulfilling the Conditions Precedent and procuring the goods and services required. This appears to be an area where opportunities exist for much closer collaboration between CDB and BMCs in determining more realistic schedules for implementation to be included in Loan Agreements.

4.17 ***Cost/Resource Efficiency:*** Regarding cost efficiency, the ratings paint a picture that is perhaps more positive than the reality. Although the ratings on this sub-criterion suggest that cost/resource efficiency was either *Satisfactory* or better (*broadly in line with or well-within budgeted costs)* on 73% of the initiatives, and that project costs have therefore been well managed to the extent of avoiding any significant cost overruns for the Bank, this obscures the 'true' cost to both the Bank and BMCs when there are extensive or protracted delays, as was the case for many of the initiatives in the sample.

4.18 The true costs relating to delays are not always obvious, as expenditures are often reported as disbursements against amounts originally approved and do not take into account a number of other important considerations and aspects of costs. These "hidden" costs due to extensive delays in project implementation could be substantial. For every year of delay, there are 'missed' benefits that could have been available earlier in the BMCs (or opportunities lost); as well as additional resources for operating a project management unit or office; reduced purchasing power on procurement of goods and services due to inflation; and additional commitment fees[18] if part or all of the funding comes from the Bank's OCR.

4.19 On the CDB side, there are additional salary and travel costs for the time of CDB project staff to administer the project, as well as the opportunity cost of staff engaged in these projects not being available to appraise or supervise new projects. These "hidden" costs need to be taken into account in total costs when considering the issue of cost and/or resource efficiency. Depending on how the Loan or Grant Agreement is structured, much of the additional costs could fall on BMCs' their counterpart contributions. This is a significant burden on BMCs when taking into consideration the additional issues of currency devaluation and exchange rate risks where the Government may have to guarantee loans and other resources. A case in point is Jamaica and these additional costs are important when considering Aid Effectiveness on both sides.

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[17] See CIDA, Development Effectiveness Review of the AsDB 2006-2010, January 2013 and CIDA, Development Effectiveness Review of the United Nations Development Programme (UNDP) 2005-2011, April 2012.

[18] CDB levies a commitment fee of 1% per annum on the undisbursed portion of a loan made from a date 60 days after signature of the Loan Agreement.

4.20 Similar observations were highlighted in the OIE's Evaluation of CDB's Support for Technical and Vocational Education and Training (TVET) (1990–2012)[19]. The TVET evaluation noted that the potential costs of project delays can be substantial: in terms of the opportunity costs to the advancement of education and delays that results in a cohort of students who don't have an opportunity to benefit; extended investment in management resources, for example the costs of running project management units; commitment fees; reduced purchasing powers due to the effects of inflation over time; and the opportunity costs to both CDB and BMCs in terms of additional time spent administering projects with implementation delays at the expense of focusing on new developments.

4.21 An analysis of projected and actual costs for completed or nearly completed projects in the TVET Evaluation showed that for the six delayed projects the respective BMCs contributed over $7.5 mn more than estimated at appraisal as counterpart contributions.

4.22 This could also explain the significant difference between ratings on the sub-criterion for the AsDB (at 19%) and the UNDP (at 51%),[20] which also assessed the sub-criterion. This is an area requiring greater attention by the Bank.

4.23 ***Systems and Procedures for Implementation:*** In terms of the systems and procedures for implementation and follow up, the evaluation findings highlight some deficiencies that have contributed to delays in achieving objectives of the project or initiative and therefore rated as *Unsatisfactory*. In a couple of cases, these deficiencies were serious enough to result in significant delays to project start-up, implementation and/or Project Completion and were rated as *Highly Unsatisfactory*.

4.24 Some of these deficiencies are discussed further in the section below under monitoring and MfDR but a major factor appears to be related to project design, the assumptions made and the risk analysis at Appraisal and design. Project efficiency is influenced by project design, particularly the plausibility of the intervening assumptions made between inputs and outputs, and between outputs and outcomes. Areas of weakness in several projects included inadequate analysis at the Appraisal and design stage of potential risks and questionable assumptions about these risks, which in turn influence the timeframe and costing of the initiatives, operations and maintenance costs, and the potential for sustainability beyond the implementation period.

4.25 It should be noted that CDB is by no means unique in the challenges it faces with efficiency. Other IFIs are also wrestling with the efficiency challenges as efficiency is perhaps the least well-articulated and the most demanding of the evaluation criteria, given its central place in the pathways to results. Its assessment also implies judgments made about the other criteria and it is highly doubtful whether an intervention could be considered efficient if its relevance, effectiveness and sustainability are also in doubt.

4.26 The evaluation team acknowledges that, while some of the challenges and the causes of these delays relate to processes within CDB, others are within the BMCs remit and controls. It is therefore imperative for the Bank to work more closely with BMCs to address these pervasive issues.

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[19] Source http://www.caribank.org/wp-content/uploads/2015/05/CompleteTVETReport.pdf

[20] See CIDA, *Development Effectiveness Review of the Asian Development Bank 2006-2010*, January 2013 and CIDA, *Development Effectiveness Review of the United Nations Development Programme (UNDP) 2005-2011*, April 2012.

ORGANISATIONAL EFFECTIVENESS - USING EVALUATION, MONITORING AND MFDR TO IMPROVE DEVELOPMENT EFFECTIVENESS (CRITERION 3)

4.27 This section covers three *Organisational Effectiveness* aspects: the use of Evaluation, Monitoring, and Managing for Development Results to improve Development Effectiveness. More specifically, the evaluation team looked at whether: (a) systems and processes for Evaluation were effective; (b) systems and processes for monitoring and reporting on progress and results were effective; and (c) RBM systems in place were effective.

4.28 Under the systems and process for evaluation, the evaluation team looked at whether the initiative was evaluated or not, and any needed corrective action taken as a result of such evaluation. Under the systems and processes for monitoring and reporting on progress and results, the quality and timeliness of monitoring reports, including the reporting on the types of risk faced and corrective action(s) taken were reviewed. With respect to the RBM systems, the quality and usefulness of the RBM system, such as the existence of a RF for the Initiative with realistic objectives and SMART indicators, the quality of risk analysis done, and the adequacy and quality of the technical inputs to achieve the stated results were assessed.

TABLE 5: Ratings on Using Evaluation, Monitoring and MfDR

Sub-Criteria	HS	S	U	HU	N/A
1. The systems and process for evaluation are effective.	1 (5%)	10 (50%)	6 (30%)	3 (15 %)	30 (60%)
2. Systems and processes for monitoring and reporting on progress and results are effective	1 (2%)	20 (48%)	17 (40%)	4 (10%)	8 (16%)
3. Results Based Management (RBM) systems are effective	1 (3%)	11 (31%)	22 (60%)	2 (6%)	14 (28%)
Number of Initiatives in the sample (n) = 50 The percentages for the rated categories excluded the numbers in the NA categories					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Not Addressed

4.29 The most striking aspect was the high proportion of initiatives where the sub-criteria were not addressed, as shown in Table 5 above. The project files, documents and interviews provided some coverage of these issues but the information was too limited in many cases to rate the initiatives. It does, however, speak to the level of importance attached to these aspects.

4.30 ***RBM:*** With regard to *RBM*, most projects included a Logical Framework or Results Matrix in which the inputs, outputs and goals seemed to be reasonably coherent, but the related indicators were poorly formulated. They did not typically correspond to what are considered *SMART* (Specific, Measureable, Achievable, Relevant and Time-bound). There was also more limited focus on risks and possible mitigation measures in the reports reviewed. Feedback from interviews with CDB staff revealed that the shift to MfDR is viewed as relatively recent, having been introduced under SDF5. The interviews also indicated that staff generally do not currently use the project design and Monitoring Frameworks as a supervision tool, although this is changing and the situation has been improving more recently following the training in RBM received by staff across the Bank.

4.31 ***Monitoring and Reporting:*** The information obtained on the use of M&E as a management tool suggests that M&E practices were not yet fully institutionalised across the Bank. Monitoring was still heavily focused at the input level rather than at the output and outcome levels. Monitoring appeared to be limited to the timeliness of contractors' activities and reports, with less focus on effectively monitoring the results and managing the risks, which were also not always clearly defined in the log frames reviewed. PSRs are scheduled annually for each project, representing the key monitoring and reporting tool used to report against the progress of on-going projects; the PSR is also a key tool for providing information for corporate reporting in the Annual Review of Portfolio Performance to the BOD. The PSRs were highly inconsistent and variable across the different portfolio areas, both in terms of their completeness and substantive content. Many PSRs contained very limited analysis of project performance relative to the ratings on the criteria that are part of the Project Performance Evaluation System and used by the Bank in assessing progress, including poor or inadequate justification of the ratings. Often, the milestones and disbursement information that would allow assessment of progress against planned time frames and budgets are not completed.

4.32 ***Evaluation:*** With respect to evaluation, information available on the projects reviewed indicates that no specific provisions for self-evaluation were made in the budgets for most of the projects in the sample of SDF6 and SDF7 initiatives. While projects had an allocation for the M&E component, most of this allocation was used for monitoring as very few had been subjected to a Mid-Term Evaluation (MTE). Looking more closely at the evaluation system, self-evaluation is recognised in CDB's 2011 Evaluation Policy as "the foundation of the evaluation function." Conducted by Projects and Economics Departments under Management's oversight, self-evaluation at a project level is expected to result in the preparation of a PCR, produced within six months of the project completion date and submitted to OIE for review and validation.[21] The virtual non-existence of MTEs, the absence of PCRs for many of the completed projects in the SDF6 and SDF7 samples, and the scarcity of Validated PCRs are indications that CDB's self-evaluation practices are lagging behind in terms of implementation of the provisions in the Evaluation Policy. The evaluation function is discussed further in a later section of the report.

4.33 In reviewing the suite of tools used by the Bank for managing, monitoring and reporting progress on its initiatives, the combination of PSRs, PCRs, Validated PCRs and evaluations provides an appropriate mix of management tools for monitoring and assessing progress on the projects during their life cycle, and for reporting on their performance for learning and accountability purposes. Although there is some room for improving the tools, the challenge seems to rest less with the tools themselves and more with their application and use, as evidenced by the uneven quality of the PSRs across the different thematic portfolios and the absence of PCRs and self-evaluations on many of the projects. The quality of the PSRs, in particular, raises important questions about the capacity needs within CDB, especially among project staff, to monitor and report effectively on the projects. It also points to the need for a better Quality Assurance process.

EFFECTIVENESS (CRITERION 4)

4.34 To address the issue of *Effectiveness*, the evaluation team examined four aspects for each of the initiatives, as indicated by the sub-criteria outlined in Table 6 below. These included: (a) whether the supported initiative developed effective partnerships (with the BMC Government and other partners where applicable) for planning, coordination and implementation of its development efforts; (b) whether the initiative achieved its stated objectives and expected results; (c) whether the initiative resulted in positive benefits for beneficiaries; and (d) whether the initiative contributed to changes in national development policies, and/or to needed system reforms and processes (i.e. both the upstream and downstream linkages).

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[21] CDB, Evaluation Policy, December 2011, p.4

TABLE 6: Ratings on the Effectiveness Sub-criteria

Effectiveness Sub-Criteria	HS	S	U	HU	N/A
1. Initiative developed effective partnerships for planning, coordination and implementation of its support.	1 (2%)	22 (44%)	5 (10%)	0 (0%)	22 (44%)
2. Initiative achieved its stated objectives and expected results	12 (24%)	22 (44%)	9 (18%)	1 (2%)	6 (12%)
3. Initiative resulted in positive benefits for target group members	10 (20%)	26 (52%)	1 (2%)	1 (2%)	12 (24%)
4. Activities contributed to changes in national development policies, and/or to needed system reforms and processes.	2 (4%)	14 (28%)	3 (6%)	1 (2%)	30 (60%)
Number of Initiatives in the sample (n) = 50					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Not Addressed

4.35 The information gathered from the documents reviewed and interviews on many of the initiatives provided limited coverage to rate sub-criteria (i) partnerships and (iv) national policies and reforms. Information was available on more projects to rate sub-criteria (ii) achievement of objectives and expected results; and (iii) benefits for the target populations.

4.36 The coverage information was limited by the fact that many of the initiatives were behind schedule and still at the operational stage and only partly completed due to the implementation delays previously mentioned.

4.37 ***Objectives Achievement and Target Group Benefits:*** The gaps in coverage of these two sub-criteria notwithstanding, the picture appears to be positive on objectives achievement and benefits to the target populations with 68% and 72% of the initiatives rated as *Satisfactory* or better respectively. This is broadly in line with those from the Development Effectiveness Reviews of the AsDB (at 68% and 71% respectively) and the UNDP (at 66% and 83% respectively),[22] which also assessed these three sub-criteria. Although much of the information was at the level of outputs rather than results at the level of outcomes, the potential for wider linkages were there. This latter point underlines the importance of a rigorous system of M&E that generates sufficient evidence and lessons learned to avoid potentially costly mistakes in future cycles of the SDF.

4.38 While it is not feasible to provide a full account of the results and benefits from the SDF6 and SDF7 initiatives, some examples are presented below as illustrations. The results built on some important "foundation" work initiated under SDF6 and completed in SDF7 such as the development of the Caribbean-specific MDG targets and indicators (with the support of the UNDP), preparation of CPAs and support for BMCs to follow up the CPAs with development of full National Poverty Reduction Strategies.

4.39 In the area of *Poverty Reduction and Human Development*, initiatives funded under SDF6 and SDF7 contributed to the following types of results and benefits:

(a) Results in economic and social infrastructure included: newly built and upgraded roads, improved community buildings, construction of sea defences and urban drainage, and installation of water and sanitation facilities that provided access to these services for the poor (after natural disasters in some cases);

22 See CIDA, Development Effectiveness Reviews of the AsDB and UNDP, op. cit.

(b) Enhanced education and training facilities provided increased access to tertiary education for students from poor and vulnerable families through student loan funds for students from poorer and vulnerable households without the collateral that would otherwise be required;

(c) Budgetary support through PBLs helped to strengthen Government finances and improve their ability to provide support for the poor by undertaking policy and institutional reforms to strengthen the macroeconomic environment for economic growth and eliminate unsustainable fiscal and external imbalances, including a reduction in the debt burden;

(d) Under the BNTF, the SDF's flagship initiative for direct poverty reduction and inclusive social and economic development, which has been a standout in terms of results being achieved through its work with communities across the various participating countries: sub-projects have resulted in improved quality of life and access to employment in targeted communities in the areas such as the construction of day care and education facilities, skills training, water and sanitation, health facilities, and strengthened community capacity and the delivery of poverty related services; and

(e) Increased opportunities for lower-income persons to earn or sustain their livelihoods and to encourage new business start-ups and improvements in existing businesses through investments in the CTCS, CDB's main instrument for TA to micro, small and medium sized enterprises under both SDF6 and SDF7.

4.40 In the area of *Vulnerability and Resilience*, assistance provided to BMCs through IRLs for rehabilitation efforts after storms and floods helped to clean up debris and restore essential services. Notable examples include:

(a) Loans that helped Grenada, Guyana Barbados, Belize, Dominica and Jamaica between 2005 and 2007 to clear and clean up affected areas, to restore essential services, and to reconstruct infrastructure to sustain longer term economic recovery and development; and

(b) The joint approach to disaster mitigation and disaster risk management (DRM) for BMCs with other development partners, in the WB-led initiative to provide contributions for the Caribbean Catastrophe Risk Insurance Facility (CCRIF). This facility allows Governments to purchase insurance coverage to provide short-term liquidity after a major earthquake or hurricane, when a BMC generally has a significant decline in revenue generation, sharp increases in expenditures and a decline in access to credit.

4.41 Examples of initiatives supported under SDF7 in the Poverty Reduction and Human Development area include:

(a) Projects in response to the effects of natural hazard events in some BMCs, including the rehabilitation and reconstruction of critical infrastructure following the destruction caused by hurricanes and tropical storms, such as the reconstruction and expansion of schools. Some of these projects also included TA components that addressing DRM and climate change concerns;

(b) Policy-based financing to some BMCs that assisted in the restructuring of the Governments' debt and ability to weather the economic vulnerability to external shocks through support for macroeconomic reforms and freeing up resources to fund social programmes and other developmental activities;

(c) Support to enhance the education sector in BMCs to build human capital through upgrading and equipping of schools, the development of TVET programmes, financing of student loan schemes that provided students from low-income and vulnerable households with opportunities for educational enhancement and increased employment;

(d) Assistance in reducing vulnerability in many communities in ten BMCs through the implementation of BNTF sub-projects focused on urban and rural community-driven development projects to facilitate improved access to basic social and economic infrastructure and, in many cases, enhance income-generating opportunities and build social capital at the local level;

(e) Additional financing that helped to upgrade and expand the road networks and water supply systems in some BMCs.

4.42 In the area of *Environmental Sustainability and Advancing the Climate Change Agenda*, examples of initiatives include the following:

(a) Measures to assist counties in mitigating the risks associated with natural hazard events, including 14 IRLs and/or Grants that assisted with the clean-up following natural disasters, and assistance to several countries to meet their commitments to the CCRIF.

4.43 ***Partnerships:*** The availability of limited information on the partnerships aspect on many of the initiatives suggests that this was not an area of emphasis for the initiatives, as nearly half (46%) of the initiatives either did not put much emphasis on, or provided little information about, the role of partnerships. This was a surprising finding in itself, given the importance to Aid Effectiveness of Coordination and Harmonisation of efforts with other Development Partners (DPs) and agencies involved in the same thematic areas as CDB in some of the BMCs. While effective partnerships can be an end in itself, the evaluation team also sees it as an important means to strengthen both effectiveness and efficiency, as the partnership can be a valuable enabler in helping to resolve issues when things do not go as well as expected.

4.44 On the positive side, for the other half of the initiatives that placed a greater emphasis on the partnerships, roughly 80% of the initiatives were rated positively. While the partnerships were mostly with the BMCs' ministries and agencies involved in the initiatives, building on long-standing relationships with the Governments prior to the initiatives, some did involve other Development Partners. In such cases, the relationships appeared to help provide particular SDF initiatives a comparative advantage over similar interventions that did not, taking advantage of the synergy and complementarity offered by initiatives of other Development Partners. Most notable examples of this were some of CDB's road projects and BNTF sub-projects.

4.45 ***Policies and System Reforms:*** Very little information was obtained from the project documents and interviews about the extent to which SDF activities may have contributed to significant changes in national policies, economic and/or system reforms and processes. Except for the Policy Based Loans that were specifically designed to address this aspect, relatively few the SDF6 and SDF7 projects examined touched on the linkages between upstream and downstream benefits. This was also a rather surprising finding, given the importance of the policy and enabling environment for the success of initiatives and continuation of their benefits. This is discussed later under the Sustainability criterion.

CROSS-CUTTING ISSUES – GENDER AND ENVIRONMENT (CRITERION 5)

4.46 This criterion is about development that is gender inclusive and environmentally sensitive. It focuses on whether the initiatives incorporated Gender in their design, implementation and results, and whether the changes sought by the initiatives were environmentally sensitive and sustainable.

TABLE 7: Ratings on the Cross-Cutting Issues of Gender and Environment

Cross-cutting Issues Sub-Criteria	HS	S	U	HU	N/A
1. Extent initiatives effectively addressed gender equality (GE incorporated in its design, implementation and results)	3 (8%)	10 (25%)	9 (22%)	0 (0%)	18* (45%)
2. Extent changes sought by the initiative are environmentally sensitive and sustainable.	7 (18%)	23 (57%)	2 (5%)	0 (0%)	8* (20%)
Number of Initiatives in the sample (n) = 40* ***These numbers exclude initiatives where CCIs were less applicable, including the 6 IRLs and 4 PBLs.**					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Not Addressed

4.47 From the project files and documents reviewed, it was observed that they generally provided scant coverage of these two CCIs. Even in documents where information was available, weaknesses were observed in the integration and mainstreaming of gender and the environment into projects, although these were relevant aspects to be considered in the projects. To avoid introducing a negative bias in the distribution of ratings, the six IRLs and four PBLs were excluded as the CCIs were less applicable given the focus on emergency clean ups after disasters and broader Policy Reforms). Even so, the distribution of ratings in the table above indicates that mainstreaming of gender was an area of significant weakness with less than 33% of the initiatives rated as *Satisfactory* or better on gender inclusiveness (which compares unfavourably with the AsDB at 81% and UNDP at 62%).

4.48 The comparative performance on Gender is in stark contrast to the environmental sensitivity, where almost 75% of the initiatives were rated as *Satisfactory* or better in being sensitive to the environment and taking it into consideration (which is in a comparable range with the AsDB at 67% and UNDP at 79%).

4.49 Information from interviews suggest possible explanations for this. First, it has been noted that CCIs were viewed as more recent introductions to the SDF cycles. Hence most of the earlier projects in the SDF6 and SDF7 cycles did not take them into consideration. Secondly, it was also noted that Governance was the designated cross-cutting theme at the time, rather than Gender or the Environment. Staff also mentioned in the interviews that interventions showed no evident signs of disadvantaging women. While this may be so, it is also indicative of a lack of awareness of opportunities to fully incorporate gender perspectives into SDF initiatives to ensure that benefits are maximised across all projects.

4.50 Indeed, on Gender, the evaluation team recognises that some of the initiatives were designed and approved at a time that pre-dated the introduction of the GEPOS in 2008 and efforts to address the issue thereafter. With more recent actions to follow up on the recommendations of 2012 GEPOS assessment, [23] the picture appears to be changing. However, the uptake on the Gender issue in the BMCs faces significant headwinds on account of the lower priority accorded to it relative to other pressing concerns and the limited capacity in BMCs to deal with the issue, and revealed from interviews with staff in BMCs. There are

23 See Evaluation and Oversight Division (EOV), Assessment of the Implementation Effectiveness of the GEPOS of CDB, June 2012.

encouraging signs that this may be changing, if the recent announcement by the Government of Guyana to establish a National Gender Policy[24] can be taken as an indication of a significant move in this policy direction.

4.51 Efforts to mainstream environmental issues seemed to have had more success, partly because of its earlier introduction and partly because it occupies a higher priority on account of the obvious environmental challenges faced by BMCs and the additional potential threats posed by the projected impacts from a changing climate. The approval of the revised Policy on DRM in 2009 and more recent efforts in the area following the 2012 Assessment of the Extent and Effectiveness of Mainstreaming Environment, Climate Change and Disaster Management[25] and the more recent applications for accreditation to the Green Climate Fund (GCF) and Climate Adaptation Fund (CAF) should also contribute to further build the momentum in this area.

SUSTAINABILITY (CRITERION 6)

4.52 This criterion covers whether: (i) the benefits from the initiative are continuing, or likely to do so; (ii) the institutional and/or community capacity to carry on exists; (iii) there is continued commitment and ownership of the local partner(s); (iv) there are financial resources necessary to continue the intervention when external funding is completed; and (v) whether the initiative contributes to strengthening the enabling environment for development.

TABLE 8: Ratings on the Sustainability Sub-criteria

Sustainability Sub-Criteria	HS	S	U	HU	N/A
1. Benefits continuing, or likely to continue, after the initiative ends	2 (4%)	33 (66%)	3 (6%)	2 (4%)	10 (20%)
2. Local institutional & community capacity to carry on after initiative ends.	1 (2%)	29 (58%)	5 (10%)	3 (6%)	12 (24%)
3. A supportive / enabling environment exists for benefits to continue.	2 (4%)	17 (34%)	2 (4%)	3 (6%)	26 (52%)
4. Continued commitment and ownership of local partner(s) to carry on	2 (4%)	27 (54%)	7 (14%)	0 (0%)	14 (28%)
5. Financial resources are available to carry on after the initiative ends.	2 (3%)	19 (38%)	6 (12%)	0 (0%)	22 (44%)
Number of Initiatives in the sample (n) = 50					

HS = Highly Satisfactory; S = Satisfactory; U = Unsatisfactory; HU = Highly Unsatisfactory; N/A = Info Not Available

4.53 The information in Table 8 above paints a picture which suggests at first glance that the sustainability of the benefits from the SDF initiatives in the sample, or the likelihood that they will be sustained, appears to be in good shape with roughly 70% of the initiatives rated as *Satisfactory* or better. This compares very favourably with the AsDB (at 47%) and the UNDP (at 36%).

4.54 However, it is somewhat puzzling when considering the ratings on the other sub-criteria, which point to additional elements that are necessary to support sustainability. There may be an anomaly here, possibly overstating reality, as the ratings of *Satisfactory* or better on the supportive elements are much

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[24] Kaiteur News, "Govt to present National Gender Policy this year," February 1, 2016. The Government's intent to formulate and present a National Gender Policy during the course of 2016 was revealed during the Budget Speech recently presented to the National Assembly by Finance Minister Winston Jordan.

[25] See Evaluation and Oversight Division, Assessment of the Extent and Effectiveness of Mainstreaming Environment, Climate Change and Disaster Management at CDB, September 2012.

lower. After further analysis the information necessary to rate these sub-criteria was not available for many of the initiatives as indicated in the “N/A” category, especially for the enabling environment and financial resources to carry on beyond completion, where only 48% and 56% of the initiatives respectively addressed the issue.

4.55 On the issue of ***local institutional and community capacity*** to continue after the initiative ends, 60% of the initiatives contributed to strengthening institutional and/or community capacity to some extent or significantly, and were rated as *Satisfactory* or *Highly Satisfactory*. This compares favourably with the AsDB (at 35%) and is similar to that of the UNDP (at 58%). The issue of capacity constraints in BMCs was identified as a significant issue in interviews and merits closer attention going forward.

4.56 On the ***enabling environment***, only 19 of the 50 initiatives (38%) S*atisfactorily* addressed or contributed to changes in one or more of the following aspects: the overall framework and process for national development planning; systems and processes for public consultation and participation by civil society; governance structures and the rule of law; national and local mechanisms for accountability for public expenditures, service delivery and quality; or necessary improvements to supporting structures such as capital and labour markets. With less than half of the initiatives addressing this issue, the most that can really be said here is that it was not an area to which much attention was devoted. Greater attention to linkages between upstream policy environments in which the projects operate and the downstream benefits of the projects — are an equally important aspect that was rarely mentioned in project documentation or interviews—but could be very helpful in the future.

4.57 On ***local commitment and ownership***, 58% of the initiatives were rated as *Satisfactory* or better, implying that the levels of engagement, commitment and ownership of the local partner(s) to assume control and continue with the initiative after external support ends was evident. The issue of local ownership and commitment was not identified as a major problem in discussions. Many of the SDF projects incorporated some form of capacity building and/or TA, but it was not always the case and this also merits closer attention going forward.

4.58 Overall, the greatest challenges to sustainability of the initiatives appeared to be assuring that sufficient resources were available to continue beyond CDB’s intervention, and the capacity to maintain and continue the initiatives beyond the period when funding ends.

4.59 The lessons from past experience with development initiatives and emerging good practice have indicated that planning for sustainability of the benefits needs to begin from the outset, at the preparation and design stage and carried through to the implementation phase, while thinking about the ‘exit strategy’ at an early stage of design is a useful way to achieve this. The evaluation observed that the preparation of an exit strategy for sustainability, which has successfully been employed by some agencies, was not a feature of the planning and implementation process for many of CDB’s SDF initiatives in the sample. This is certainly a consideration the Bank may want to consider introducing in its preparation and design of future SDF initiatives under SDF9.

5. OTHER FINDINGS AND OBSERVATIONS

PROGRESS SINCE APPROVAL OF SDF6 AND SDF7

5.01 It is important to recognise the progress that has been made since the SDF6 and SDF7 replenishments were completed. This is important not only for acknowledgement, but more importantly as context for understanding the findings and deciding on what recommendations make sense.

5.02 The evaluation team is aware that much work has been completed and/or is ongoing to implement the internal reforms initiated over the 2008 – 2012 period,[26] and to address actions proposed in the Strategic Plan for 2010-2014.[27] There are also actions to address recommendations made in other corporate documents, such as evaluations, PCVRs and the Annual Reviews of Portfolio Performance.[28]

5.03 In 2008, the Bank initiated a series of institutional reforms[29] for the period 2008 – 2012, building on its earlier 2004 reform agenda. The reforms were designed as part of the Bank's strategy to enhance its Development Effectiveness and accountability, and included refocused and refined priorities, new, updated and/or revised polices and operational strategies that were relevant to the needs of the BMCs, and re-engineered processes and procedures. The reforms were initiated in light of the changes to the global economic landscape, the ongoing social and economic challenges facing the Caribbean, and increasing demands from shareholders and borrowing members for the Bank to be more efficient and effective in its operations, and more responsive to its clients.

5.04 As an organisation that aspires to become the premier development institution in the Caribbean, it was important for the Bank to adapt to the evolving realities and continue to effectively leverage development resources to tackle the challenges of poverty in its BMCs.

5.05 The internal reform agenda focused on four key outcomes:

(a) *Enhanced Corporate Governance and Oversight* frameworks that strengthen the BOD's oversight and effectiveness, improve risk management, transparency and accountability;

(b) *Improved Operational Policies, Strategies and Guidelines* that support improvement in project performance, outcomes, operational efficiency and overall Development Effectiveness;

(c) *Aligned Organisational Structure and Processes* that are lean, yet effective and responsive to its clients; and

(d) *Mainstreamed MfDR* focus, to strengthen the results orientation of the Bank's work.

26 See CDB, Status Report on CDB's Reform Agenda 2008 - 2012, July 18, 2012

27 See CDB, Strategic Plan 2010-14, May 2010. Appendix 6 outlines an Implementation Framework that proposed 34 actions, with monitoring parameters and target completion dates, covering various aspects of Operational and Organisational Effectiveness as well as Development Effectiveness on which progress is reported annually.

28 See for example, Paper BD 30/15, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation For the Year Ended December 31, 2014, May 2015

29 See Paper BD 78/12, Status Report on CDB's Reform Agenda, 2008-2012, May 2012 and Status Report on SDF7 Cycle – Presentation to the First Formal SDF Negotiation Meeting, Commonwealth of Dominica, March 8, 2012.

5.06 As Human Resources and Information Communication Technologies (ICT) are key enablers of the Bank's broader reform agenda, progress in these important areas were also reported where they had been undertaken.

5.07 Progress on the internal reform agenda has been rather slow. This is perhaps due to the high vacancy rates the Bank experienced over the past few years as it struggled to recruit replacements to fill the posts that became vacant as a number of staff retired. It has taken a while but many of these positions have now been filled and the vacancy rate has been significantly improved since 2014.

5.08 At the end of the SDF7 cycle in 2012, many of these reforms were still in progress. For those that had been implemented, the expected benefits will take time to be fully realised. Since 2012, however, there has been further progress. Notable examples include the following:

(a) OIE and the new Evaluation Policy were approved in December 2011 and are now in force;

(b) A KM Strategy was approved in 2011 and a KM Advisor was subsequently recruited and given responsibility for rollout of the KM Strategy which is now underway;

(c) The Environmental Sustainability Unit was established in 2012 and its core staff complement has increased from two to four;

(d) In 2013, the Bank established an Office of Risk Management (ORM), headed by a Chief Risk Officer (CRO), with a mandate to identify, measure, monitor, manage and mitigate the risks CDB faces, including BMC and portfolio lending exposures. An Enterprise Wide Risk Management Framework, approved in March 2013, is now in place and several training sessions for staff have been completed;

(e) Revisions to the Operational Policies and Procedures Manual (OPPM) and Supervision Manual were completed in 2014 and made available to staff through the intranet;

(f) The Performance Assessment System (PAS) was being revised and related tools such as PAS Manuals for CSPs, Public Sector Investment Lending and TA (October 2013) and Quality At Entry Assessment - Guidance Questionnaire for CSPs and Public Sector Investment Lending (April 2013) were prepared;

(g) CDB's Information Disclosure Policy, approved in 2011, provides a framework within which the wide range of information can now be disclosed. Although the policy was approved in 2011, uploading of the documents began in earnest in late 2014.

(h) An independent *Review of CDB's Agenda for MfDR* in 2015[30] noted that there has been a "significant and noticeable improvement" in CDB's disclosure, as seen from the increase in documents available on the Bank's website, although more documents, including evaluations, PCRs, PCVRs and ARs for projects under implementation, should be uploaded;

(i) In May 2015, the Board approved a Strategic Framework for Integrity, Compliance and Accountability, to strengthen Corporate Governance, which is now operational.

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[30] See Universalia, Assessing CDB's Performance in Managing for Development Results, Volumes 1 and 2, 2015 and Universalia, Review of CDB's Agenda for MfDR, June 2012.

5.09 In the area of MfDR, the Bank has made significant progress in implementing its MfDR Results Action Plan (RAP) as revealed in the independent review commissioned in 2012 to assess its performance and a follow-up study in 2015.[31] Over the course of the SDF6 and SDF7 cycles, it has successfully built on the results agenda that was adopted in 2001. During SDF7, it adopted a RMF and established a Results Committee, with representation from across the Bank, which was tasked with reviewing the RMF and developing a consolidated Corporate RMF for the Bank as a whole. The corporate RMF has defined results, indicators and targets at four levels to serve as the basis for monitoring, measuring and reporting on its results. The Bank has also reported progress against these in "Development Effectiveness Reviews" for the years 2011, 2012, 2013 and 2014.

5.10 CDB now has a wide array of guidance tools and mechanisms for strategic and operational management in place to ensure proper accountability for resource use and results from its investments. This was not always the case from the start of the SDF6 cycle in 2005. Since then, as part of the broader Reform Agenda, there have been a number of significant changes that have already resulted in some improvements, many of which are still in progress.

5.11 At the Strategic level, examples of guidance tools include:

(a) Guidance from SDF Contributors on thematic areas for the SDF programming;

(b) Strategic Plans for CDB (2005-09);(2010-14); (2015-19)

(c) Country eligibility criteria and country grouping;

(d) RAS;

(e) Policies, and Operational Strategies across a range of CDB's areas of operation;

(f) RMFs for SDF cycles;

(g) Implementation Plans for the various SDF cycles and Status Reports on implementation;

(h) Annual Reports on SDF Cycles and Financial Projections for the next three years[32];

(i) Development Effectiveness Reports; and

(j) Annual Reviews of Portfolio Performance.[33]

5.12 At the Operational level, key guidance tools include:

(a) Updated OPPM Manuals: for Identification, Preparation and Appraisal; Supervision; and Guidelines for Ex-Post-Evaluation;

(b) Country Assistance Strategies, CPAs, and GAs;

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31 Ibid

32 For example, see Paper BD 45/14, SDF (Unified) Annual Report 2013 and Financial Projections 2014-16, May 2014; Paper BD 40/13, SDF (Unified) Annual Report 2012 and Financial Projections 2013-15,

33 See for example, Paper BD 30/15, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation For the Year Ended December 31, 2014, May 2015 and Paper BD 34/14, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation For the Year Ended December 31, 2013, May 2014.

(c) Performance Assessment System (PAS) Manuals for: Public Sector Investment Lending and TA; and CSPs;

(d) QAE (Quality at Entry) Guidance for: Assessment of CSPs, and Assessment of Public Sector Investment Lending and TA.

5.13 Changes still in process include the refinements to the PAS in line with revisions to the OPPM; Quality Assurance (QA) documents and Guidance for Quality at Entry; updates to PSR and PCR Templates to incorporate CCIs such as Citizen Security, Gender and the Environment; proposed revisions to the PCVR process; and the cascade of workflows for effective risk management from the new CRO and ORM. This will potentially also help to challenge some of the observed weaknesses in how risk was integrated into project design and appraisal under SDF6 and SDF7, with representatives from the ORM present at each stage of the internal clearance process, from departmental reviews, through to divisional review and Loans Committee, where the CRO effectively acts as the 'gatekeeper' and last line of defence on the extent to which risk management and other aspects of risk have been taken into account in the design.

5.14 The Bank has also been moving ahead into other areas to address the challenges facing its BMCs, such as working towards the development of more collaborative partnerships with donor agencies, the adoption of more harmonised approaches, policies and procedures for assisting BMCs, as well as greater alignment of its development assistance with national development plans, sectoral policies and strategies of BMCs.

5.15 Although these efforts and the changes that have been implemented or still considered to be work in progress have taxed the Bank's limited resources, they are also starting to translate into positive improvements in portfolio performance as reported in the Annual Review of Portfolio Performance (2014)[34]. Nonetheless, there are still several challenges ahead, as outlined in the next section.

ISSUES AND CHALLENGES GOING FORWARD

5.16 Despite some of the progress and positive change described above, a number of important issues and challenges remain, as observed from the analysis of the data collected from CDB's registry files and document reviews, as well as subsequent interviews with CDB staff, respondents and stakeholders in BMCs. The information sourced from these different lines of evidence were convergent on these issues, which also have a bearing on how CDB moves forward on both the current and future cycles of the SDF. Some of these relate more to Operational and Organisational Effectiveness, while others relate more to Development Effectiveness as outlined below.

[34] See Paper BD 30/15, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation for the Year Ended December 31, 2014, May 2015.

Operational and Organisational Effectiveness

5.17 Operational and Organisational Effectiveness issues that surfaced include the following:

(a) **Accessibility of Documents and Information for Building and Managing Knowledge**

(i) *The Filing System:* the organisation and state of the Registry files was not conducive to easy access and quick retrieval of documents. Project folders often had no contents pages, there was duplication of documents, and key documents such as ARs, PSRs and Back to office reports were occasionally missing. As a repertoire of information and source of knowledge for learning and managing, they could be more helpful if better organised and properly maintained.

(b) **Quality at Entry**

(i) *Assessment of BMC Readiness:* CDB needs to better take into account the institutional capacity and state of readiness of BMCs to access loans. Preconditions have to be met fairly quickly after the loan is signed, but loan conditions do not typically take into consideration the fact that a project implementation unit needs to be put in place or that relocation of residents and purchase of land may need to take place for some infrastructure projects.

(ii) *Appraisals and Risk Assessment:* The evaluation team found the quality of ARs to be good overall, with respect to the kind of information and level of details they provided on the design of projects and the financial aspects for budgeting and lending purposes. However, they were comparatively weaker in terms of their articulation of the expected results and in their treatment of risk. They have frequently been overly optimistic about implementation schedules for the initiatives in the sample, not taking adequate account of key risk factors and important assumptions made at the time of design, such as the implementation capacity constraints within the respective BMCs, potential challenges relating to procurement of contractors, goods and supplies and any specialised expertise needed, which in many cases are either known in advance or could have been anticipated based on previous experience. Recent ARs have improved but some problems still persist. More specifically, the classification of these risks as minor, moderate or major and some of the associated mitigation measures need more careful consideration as the assumptions about the risks may not be valid given past experience with similar risks on previous initiatives in each of the respective countries. More careful consideration of these risks, and whether they may require more specific measures to be taken – and integrated into the design, rather than leaving them as assumptions, knowing that they are unlikely to hold, could help to better estimate the costs that otherwise occur (see discussion on delays and cost efficiency under the Quality During Implementation section below).

(c) **Quality During implementation**

(i) *Project Supervision Reports:* While these documents proved to be generally useful, their quality was highly variable, inconsistent and uneven across the different portfolio areas, both in terms of their completeness and substantive content. Project achievements were not articulated relative to the expected results nor against the indicators in the project log frames and RFs to enable a more objective assessment of progress against planned outcomes. Also, many of the PSRs contained poor or inadequate justifications of the ratings against the criteria. The PSRs are particularly important, as they are a key source of data used to assess the quality of the loan portfolio in the ARPPs. Inaccurate or incomplete information in PSRs result in erroneous project assessments, and consequently undermine the integrity and credibility of the portfolio performance presented in ARPPs.

(ii) *Delays and Cost Efficiency:* Many of the projects in the sample experienced considerable delays in implementation, which affected the cost-efficiency of initiatives. But the implications of such delays on the overall cost of the projects and for the BMCs are often overlooked as they do not typically show up as cost overruns relative to the estimates around which projects were budgeted. Instead, the information from CDB's registry files and interviews indicate that project costs were managed well to the extent of avoiding cost overruns (at least for the Bank). In reality, the extra costs from the delays, both in terms of budgetary and the opportunity costs of services delayed, tend to be absorbed mostly by the BMCs.

(d) **Quality at Completion**

(i) *Absence of PCRs and Validated PCRs:* As a key piece of the self-evaluation system, and an essential building block for the foundations that underpin more in-depth thematic, policy and strategic evaluations, the absence of high quality PCRs creates an important gap in the evaluation system and MIS systems. Completing PCRs in the time frame specified in the OPPM and in corporate guidelines has been a challenge for some time. This has been recognised and the Bank has been making significant additional efforts to get them completed on a timely basis, including setting completion targets more recently in its RMFs. However, the evaluation team's work on the SDF6 and SDF7 sample initiatives reveal that it continues to be a challenge. For example, the Bank has only succeeded in meeting 55% of the RMF target of 100% in 2014 for the two-year period, although it had a better success rate with completion of 93% against the RMF target in the previous year. The main challenge continues to be competing work schedules of CDB staff, according to the ARPP (2014).

(e) ***Capacity Building:*** Across the initiatives, the capacity constraints and training needs within CDB, especially strengthening the capacity of its project staff to use systems based tools to monitor and report effectively, emerged as an important aspect for further consideration.

(f) ***Staff Turnover and Changes of Personnel:*** This issue is relevant for both CDB and the BMCs as changes during project implementation can cause delays and significantly affect project completion and the sustainability of the benefits.

DEVELOPMENT EFFECTIVENESS

5.18 Assessment of the Development Effectiveness aspects, and more specifically the contribution of the Bank's SDF initiatives to development results in the BMCs, has been a real challenge as many of the initiatives that were initially considered to be further ahead in their implementation, were in fact well behind schedule.

(a) ***Effectiveness/Results on the Ground:*** This has not been as straightforward to assess due to the delays in implementation on several of the SDF initiatives, but also because the M&E systems, management and reporting tools, including PSRs and PCRs, do not routinely capture information and data on results beyond outputs. Hence, the information for addressing key aspects of Development Effectiveness, such as project outcomes and broader influences on beneficiaries' lives, upstream and downstream linkages, and any influences on positive changes to national policies and/or economic reforms were important gaps in the information. Unless they are part of the project design and log frames/RF, there will continue to be gaps, which will impact on the Bank's ability to report on results achieved from its initiatives in BMCs and account to its key stakeholders for the outcomes achieved or not.

(b) ***Capacity Building:*** Across all the initiatives in the sample, capacity building appeared to be treated as a priority for some projects, but not in others. Capacity constraints and shortages of professional staff, both within institutions and in BMCs, especially at Program Management levels, surfaced as an important area of concern. The extent to which CDB factors human resources, capacity constraints and capabilities into account is one of the areas that merits closer attention in the project design process, including whether additional complementary TA resources may be warranted to strengthen the capacities in areas identified as weak early in design.

(c) ***Cross-Cutting Issues****:* There was relatively weak coverage of Gender in many projects and the integration of Gender as a cross-cutting theme has also been variable and uneven in those projects where there was considered to be some scope to so integrate Gender into program design. From the perspectives of both CDB and the SDF Contributors, this emerged as a priority area. From the perspective of BMCs, however, although it is acknowledged to be an important issue, it is comparatively lower on their list of development priorities.

(d) ***Partnerships and Collaboration:*** Some of the SDF initiatives in the sample succeeded in partnering with other DPs and benefited from their collaboration, but this does not appear to be as prevalent a feature in the projects reviewed as might have been expected, given the Principles of the Paris Declaration, and subsequently the Accra Agenda for Action. The same is true of harmonisation and alignment of efforts with other DPs working in the same sectors or similar areas of BMCs. The frequency of truly joint programming of initiatives with other DPs is lower than anticipated. CDB's initiatives in the sample appear to be characterised more as complementary rather than collaborative with other DPs.

(e) ***Sustainability:*** For similar reasons to those noted above under Effectiveness, this was a challenging area to address. Weak MIS systems and the absence of plans for the continuity or handover to national institutions surfaced as important issues affecting the sustainability of initiatives in both SDF6 and SDF7. From the available information, the level of commitment and ownership, and the policy environment in the countries did not appear to be constraints, whereas in many circumstances the key obstacles to sustainability seemed to be a combination of local capacity and scarce resources to carry on after the initiatives ended, although there is evidence in some countries that are taking important steps to make specific provisions in departmental budgets for on-going maintenance to sustain the initiatives after CDB funded projects have been completed.

(f) ***BMCs' Familiarity with CDB's Processes and Procedures:*** During the country missions and in distance interviews with other BMCs, the evaluation team explored the extent to which BMCs were aware of, and fully understand CDB protocols, procedures and processes relating to its financial management and procurement systems. This had been noted as one possible cause for some of the loan cancellations and project delays that occurred. There is a need for the Bank to take more note of this constraint and provide further opportunities to brief senior officials and technical staff of the Bank's requirements, especially in contexts where Governments may have changed.

6. EMERGING CHALLENGES, OPPORTUNITIES AND RISKS

6.01 The Evaluation TORs also called for an examination of other issues that may influence the outcomes and overall success of current and future cycles of the SDF going forward. A number of these have already been referred to in passing in previous sections as they also surfaced in the assessment of the initiatives, interviews and discussions. . This chapter provides a more in depth treatment of some of these other essential aspects within a changing context for both the SDF and CDB. They present challenges and risks for the Bank going forward. But they also provide opportunities.

THE CHANGING CONTEXT FOR SDF AND CDB

6.02 In the changing and dynamic context going forward, the Caribbean and its BMCs face enormous challenges and needs, recognised in a range of corporate reports and papers submitted to the BOD and SDF Contributors[35] The difficulties in achieving the CMDGs in the face of the challenges experienced by the Caribbean countries including poverty and vulnerability (to both environmental and economic shocks), slow economic growth, global and regional integration, high debt burdens, limited fiscal space to borrow, and high unemployment are well known. Compounding these challenges, the issue of youth unemployment has become another priority for attention in the region to prevent youths' involvement in rising levels of crime and drugs, including risks to personal and internal security in the BMCs. Youth unemployment was a feature of CDB's Board of Governors' Meeting in May 2015, coinciding with the issue of CDB's publication "*Youth are our Future: The Imperative of Youth Employment for Sustainable Development*" proposing a comprehensive, multi-sectoral approach to tackle chronic youth unemployment in regional territories.[36] While supply side investments in education initiatives such as TVET to enhance the capacity and marketability of youths are necessary, they will not be sufficient. They need to be balanced by investments on the demand side through initiatives that create employment opportunities as an outlet and alternative to involvement of youths in illegal activities such as drugs and crime.

6.03 Positioning the Caribbean countries to achieve the newly articulated Sustainable Development Goals (SDGs) will not be easy. The slow global recovery from the financial crisis in 2008 and the prospect of rising interest rates in the US suggest that the already slow pace of recovery of the region and its BMCs will likely continue for some time. The combination of the growing needs in BMCs and across the Caribbean region, in combination with the financial and economic outlook, the debt burdens and limitations of fiscal space faced by the BMCs, would suggest that demand for more resources, especially in the form of Grants rather than Loans or Loans on more concessional terms, could far exceed supply. This would put additional pressures on the Bank to ensure that the limited resources are used in the most efficient and effective ways possible.

6.04 In this new and emerging context, both the SDF and the Bank will need to adapt and adjust given their relative importance in the aid architecture of the Caribbean. The partnerships between BMCs and DPs that are both members and non-members of the Bank and the central role of SDF resources as a complement to the OCR operations of the Bank will take on greater significance. The Bank, in particular, will need to become more flexible, nimble, efficient and effective if it is to secure some of the additional resources that it may need over the next few years to remain competitive.

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[35] Paper BD 24/13 Corr. 1, Report on Negotiations for Replenishment of the Special Development Fund (Eighth Cycle) - Corrigendum, March 2013.

[36] See http://www.caribank.org/publications/featured-publications/study-the-youth-are-the-future-the-imperative-of-youth-employment-for-sustainable-development-in-the-caribbean

OUTLOOK FOR RESOURCES

6.05 On the Resources front, besides replenishments for future cycles of the SDF, the prospects for additional resources to 'complement' the SDF resources seem encouraging. There is an opportunity for the Bank to access additional resources, given the recent announcements by the UK of 300 mn British Pounds ($460 mn) for a Caribbean Infrastructure Fund[37] to be channeled through CDB and an earlier announcement by China of a substantial ($30 billion) allocation for public infrastructure in the Caribbean and Latin America region.[38]. It is not unreasonable to assume that some of these resources may be available for programming through CDB, a leading Caribbean development institution in the region, providing it can demonstrate it has the absorptive capacity to effectively administer, manage and program the additional resources efficiently and reasonable terms can be agreed. CDB has also applied for Accreditation to the GCF and CAF, which are both relatively new areas of focus for the Bank However, assistance provided in a way that is not harmonised with existing processes and procedures would place additional burdens on the Bank and risks to the efficiency and effectiveness of their use.

6.06 Regardless, the Bank would need to make a strong business case for any additional resources and the terms and conditions to be able to access some of these funds. Issues that would weigh heavily in the considerations are likely to include: the Bank's niche and comparative advantage; its absorptive capacity; its efficiency; and its competitiveness in terms of price, speed and flexibility in the use of the funds. These aspects are explored further in the following sections.

CARIBBEAN DEVELOPMENT BANK'S NICHE AND COMPARATIVE ADVANTAGE

6.07 Given that CDB is a relatively small organisation, exploiting its niche and comparative advantage were considered as important issues. This was explored in conversations with several stakeholders. The was little doubt about the positive characteristics and attributes that the Bank brings to the table: a human resources base and specialist staff from the Caribbean region who are competent and share an intimate knowledge and understanding of the many issues and challenges facing BMCs; staff who are genuinely open, committed and sensitive to the needs of their BMCs; the Bank's proximity and close relationships with its BMCs, distinguishing CDB from other development partners in the region - were all confirmed in feedback received from stakeholders. They also pointed to important niche areas of the bank, such as its work in infrastructure, education, community driven development and natural disasters and the environment. Finally, They also pointed to the fact that the Bank has been able to leverage its competitive advantages and close relationship with other DPs in the Region to mobilise resources to address the challenges facing BMCs, working collaboratively in partnerships with donor agencies to assist BMCs, including alignment its assistance with the development plans and strategies of the BMCs.

6.08 However, information from the evaluation team's work and feedback received from stakeholders in both the Bank and BMCs suggests that while the Bank may have enjoyed a comparative advantage, the landscape is changing and the Bank's comparative advantage cannot be taken for granted. It has to be continually earned, as other DPs in the region have closed the gap. They pointed to institutions such as the World Bank (WB) and especially the IDB, that have in-country offices and a strong and dedicated local presence that allow them to stay in closer touch with the changing realities on the ground and offer easier access and more timely contacts to discuss challenges faced on initiatives as they arise. This is an issue to which the Bank will need to pay closer attention going forward.

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37 Need to find and reference the announcement as source

38 KNEWS, People's Republic of China celebrates 66th Anniversary… China to establish US$30B fund for public infrastructure cooperation with Caribbean Region, September 25, 2015 |

CARIBBEAN DEVELOPMENT BANK'S ABSORPTIVE CAPACITY

6.09 A detailed assessment of the Bank's absorptive capacity was beyond the scope, mandate and resources available for this evaluation, but some of the indications emerging from the issues examined suggest the Bank's capacity may be reaching a point where it is already stretched. This perhaps merits a more detailed examination. Accepting additional resources for programming without sufficient additional or incremental administrative resources to enhance the Bank's internal capacity, operational and organisational effectiveness could risk stretching the capacity of the Bank even further.

6.10 While the Bank's capacity may be enhanced with some of the efficiency improvements and other measures that formed part of the reform agenda, it is doubtful that efficiency improvements alone would be sufficient to free up the head room and staff time to absorb any significant volume of additional resources, especially if this requires widening the Bank's focus beyond its current thematic areas. The evaluation team noted a tendency for new contributions to be provided without any resources allocated to administer, manage and program additional funds. The Bank will therefore need to be judicious about the circumstances under which it takes on additional programming resources, especially for funds that are made available without any allocation to strengthen internal capacity or different terms, conditions and specific requirements that are not aligned to the existing systems, as that would return the Bank to the situation that prevailed the SDF was Unified.

6.11 **Lagging Commitments and Disbursements:** One indication of the capacity challenges faced by the Bank is the level of resource commitments relative to resource allocations. The Bank has been slow to commit resources under SDF6 and SDF7 and at first glance, the problem appears to have continued into the eighth cycle, under SDF 8, as indicated by the lag in commitments shown in Table 9 below, where 53% of resources from the SDF 8 allocation still remained uncommitted at mid-term in December 2014, with $163.0 mn of the $305.7mn resources allocated under SDF8 reported as uncommitted. However, on further analysis it also indicates some tentative signs of improvements, with close to 47% of funds committed at the MTR for SDF8, compared to 35% under SDF7 and 27% under SDF6, which suggests the trend may be moving in the right direction.

TABLE 9: Allocations and Commitments ($mn), at SDF-8 Mid-term[39]

Category	SDF-8 Allocation	Committed in 2013 and 2014	Uncommitted from SDF-8 Allocation at Dec. 31, 2014
Loans			
Group 2 BMCs	172.7	98.2	74.5
Disaster Mitigation and Rehabilitation	33	7.3	22.7
Grants			
Haiti	46	16.2	29.8
BNTF-8	10	10	
Technical Assistance	20	7.9	12.1
Regional Integration and RPGs	10	1.5	8.5
Environment and Climate Change	5	0.4	4.6
Immediate Disaster Response	5	1.1	3.9
Citizen Security	4	0.1	3.9
Total	305.7	142.7	163.0 (53.2%)

Source: Reproduced from SDF 8 of MTR, Table 5.1.1, p. 10

39 Rideau Strategy Consultants Ltd., Mid–Term Review - Special Development Fund SDF 8, May 2015

6.12 With respect to Approval levels for thematic Grants, other than BNTF Grants, only about 21% of the $44.0 mn allocated had been approved at the mid-point of the SDF8 cycle as shown in Table 10 below.

TABLE 10: Thematic Grants Other than BNTF Grants, 2013 and 2014

	SDF-8 Allocation	Approved in 2013 and 2014	%
Immediate Disaster Response	5,000	1,100	22%
Regional Solutions and RPGs	10,000	2,009	20%
Citizen Security	4,000	246	6%
Environmental Sustainability and Climate Change	5,000	426	9%
Caribbean Technical Consulting Service	5,000	1,517	30%
TA Capacity Building	12,000	3,791	32%
TA Agriculture	3,000	1,835	61%
Totals	44,000	9,090	21%

Source: SDF8 Mid-Term Review, p. 10

6.13 Other examples of the comparatively slow commitments include[40]:

(a) Approximately 70% ($61.3 mn of the $88.0 mn) of SDF funds available to the BNTF at the start of SDF8 (funds from BNTF 6-8) remained undisbursed in the BNTF at the mid-term of SDF8;

(b) Roughly 60% ($12.1 mn of the $20 mn) of the SDF-8 set aside for Technical Cooperation Grants remained uncommitted from the amount approved in 2012 for operationalising the Technical Assistance Policy and Operational Strategy (TAPOS); and

(c) Roughly 75% of the SDF-8 allocation of $10 mn for Grants related to regional integration and regional public goods remained uncommitted as only $2 mn had been committed by mid-term.

6.14 Taken together with the fact that all but one of the Recommendations from the 2012 and 2013 ARPPs are still under implementation, as reported in the 2014 ARPP,[41] these are important aspects of the challenges CDB faces and raise concerns about the Bank's capacity going forward.

6.15 The evaluation team is aware that one part of the slowness to commit resources is due to demand from BMCs and their capacity constraints to identify, propose and develop credible proposals for initiatives (TAs, Grants, and Loans). But the team is also of the view that it is partly a reflection of the Bank's capacity and aspects related to its internal enabling environment as discussed in the section below.

THE ENABLING ENVIRONMENT WITHIN THE BANK

6.16 Efficiency issues pose a significant risk to CDB's performance and reputation. Institutional efficiency at CDB is limited by what appears to be cumbersome processes and centralised decision-making, which staff perceive as a constraint on their ability to take initiative

[40] See Rideau Strategy Consultants Ltd., Mid–Term Review - Special Development Fund SDF 8, May 2015, pp. 17-37.

[41] Paper BD 30/15, Annual Review of the Performance of the Portfolio of Projects/Loans Under implementation For the Year Ended December 31, 2014, May 2015

and be innovative, as revealed from feedback received in interviews and discussions. The feedback from outside stakeholders with comments such as "CDB staff are tied up with a lot of process", "Everything seems to require Board approval" and "Things take a long time" resonated with other comments by staff and stakeholders in BMCs about the Bank being "bureaucratic", "slow" and "inflexible" in its processes and approach. A more effective and efficient implementation of the Strategic Plan for 2015-20 would require the organisation to be nimbler, the evaluation team decided to further explore a few of the more significant aspects relating to the Bank's internal enabling environment and how they affect its efficiency and effectiveness. These included the decision-making processes and delegation of authorities, and related procedures.

Delegation of Authorities

6.17 The evaluation team's observations about decision-making noted that the Delegation of Authorities, which has not been updated since 1999, indicates that "All capital projects and TA proposals above $150,000 must be submitted to the BOD for approval. All projects and TA proposals must have a recommendation from the Bank's President (referred to as the President's Recommendation) before the BOD can consider the proposal."[42] It was further observed, and confirmed by staff, that the President approves all Loans, Grants and TAs up to 150,000, irrespective of size.

6.18 In terms of the delegation of decision-making internally, an exploratory examination of the Grants and Loans approved from 2010 to 2014 revealed that decision-making is indeed highly centralized, as smaller initiatives that did not have to go to the Board for approval had to go to the President for approval. As shown in the table below, initiatives under $100K accounted for a substantial part of all approvals in a given year, ranging from a high of 41% in 2012 and 2013 to a low of 31 % in 2014 (34% or 27/72 in 2010, 39% or 27/69 in 2011, 41% or 21/51 in 2012, 41% or 18/44 in 2013 and 31% or 19/62 in 2014). When the upper limit of $150,000 was used, the proportion of internal approvals increased to a range between 42% and 63% depending on the year (42%, 52%, 63%, 55% and 52%).

TABLE 11: Distribution by Size of Grants and Loans Approved from 2010 to 2014

Grants or Loans	2010	2011	2012	2013	2014
TA Grants and Loans					
- Less than $50K	18	18	15	8	12
- Between $51K and $100K	7	9	6	10	7
- Between $101K and $150K	5	9	11	6	13
- Between $151K and $350K	14	10	5	6	7
- Above $350K	15	3	5	2	5
Total # of TA Loans and Grants	59	49	42	32	44
Value of TA Loans and Grants ($ 000)	31,172	7,101	11,396	5,856	23,026
Investment Loans					
Total # of Investment Loans	13 (0)*	20 (9)*	9 (0)*	12 (2)*	18 (4)*
Value of Investment Loans ($ 000)	269,516	143,996	97,343	136,944	$243,808
Total # of Initiatives Approved	72	69	51	44	62
Numbers in brackets indicate loans valued at $750,000 or less, mostly IRLs Source: Information in the table was compiled from the ARPPs for 2010, 2011, 2012, 2013 and 2014.					

[42] CDB, Operational Policies and Procedures Manual, Volume 2: Identification, Preparation and Appraisal, October 2014, p.180.

6.19 As an amount such as the maximum of $150,000 that the President can approve for a capital project or a TA proposal does not have the same purchasing power now as it did in 1999, the evaluation team looked at how other MDBs are dealing with this issue of efficiency, as they are all facing challenges in the area. Mindful of the risks associated with straight comparisons with the larger MDB, given CDB's small size relative to these institutions, the evaluation team also looked at IFAD[43], which is a hybrid international financial institution and Specialised UN agency that has a more comparable portfolio size of about 100 projects and value of about $1 billion. This is closer to that of CDB, although IFAD's projects spread over nearly 100 countries compared with 19 for CDB, and it has a staff complement of almost three times that of CDB (575 Full Time Equivalents, FTEs in 2012, compared to 212 at CDB).

6.20 Both IFAD and the AsDB have recently introduced changes to address efficiency concerns, motivated by considerations that are germane to CDB: the question of whether it was necessary or efficient for Management to seek the Board's approval in cases where there was limited direct risk to the Bank's financial resources, or where reputational risks or risks relating to the proper use of resources could be sufficiently mitigated.

6.21 IFAD, for example, has made progress on the issue following a 2013 Corporate Level Evaluation on Efficiency (CLEE)[44]. As part of a Board approved Action Plan that Management introduced to respond to the CLEE, the Fund introduced a revised delegation of authority framework in which the Board delegated authority to the President to approve small Grants up to $500 000. All Loans are still approved by the Board, although not all are discussed in the Board. There is a lapse of time policy for loans below a certain amount ($15 mn), which get approved automatically, unless Board members ask for a discussion.[45]

6.22 The AsDB also recently announced a package of reforms that were approved by its BOD in December 2015 to enhance its Operational Efficiency. The reforms were approved after considering a policy paper[46] that examined a number of issues in current AsDB operations and proposed improvements in the areas such as: the delivery and administration of loans, the approach for seeking approvals of BOD, and levels of delegation of authorities for approval of TA and loan investments. The reforms include delegating more authority to the President to enhance the efficiency of TA by raising the ceiling of the President's TA approval authority from $1.5 mn to $5.0 mn, authorising the President to further delegate approval authority to Vice-Presidents and Heads of Departments and Operations Offices, and introducing adjustments to a no-objection procedure for certain types of approvals[47].

6.23 In the case of CDB, some exploratory work that looked at the agendas for the five 2015 Board meetings revealed what seemed to be 'crowded' agendas with a mix of more substantive and other items, some of which could have been handled by management. The part-time nature of the Board (with five meetings per year) combined with what appears to be an overloaded agenda at each Board meeting would seem to limit opportunities to focus on some of the more strategic issues. Besides staff time and resources to prepare the documents for the BOD, the burden for Board Members was significant, especially for BMC members who do not have the same "back room" support as members from donor countries such as Canada or the UK.

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[43] As a Specialised Agency of the United Nations and an IFI, IFAD has a complex governance structure, with a Governing Council and an Executive Board with standing subsidiary bodies such as the Evaluation and Audit Committees.

[44] IFAD/Independent Office of Evaluation, IFAD's Institutional Efficiency and Efficiency of IFAD-funded Operations, July 2013.

[45] E-mail exchange with Mr. Ashwani Muthoo, Deputy Director, Independent Office of Evaluation, IFAD.

[46] ADB, Policy Paper - Enhancing Operational Efficiency of the Asian Development Bank, November 2015.

[47] It should be noted that most MDBs use a "short procedure" to streamline the consideration of small project operations, TA, and administrative and procedural matters. WB has adopted a principles-based procedure to seek the Board's approval on project proposals without a formal meeting of the Board.

6.24 By way of an illustration of the process involved, an amount of $39,875 from CDB's SFR to finance the development of online procurement training modules had to be approved by the President. The document was prepared by the Head of Procurement, sequentially routed through the Director of Projects Department and Vice President of Operations for recommendations to the President before his approval. The approval process took just over a month. In addition, the approval had to be submitted to the Board for notification, as a condition of the authority delegated by BOD to the President. Under the current arrangement, each TA sub-project approved by the President and the Terms and Conditions has to be reported to the BOD at its first convenient meeting scheduled after approval of the sub-project. Going forward, the BOD and the Bank may want to consider whether some bolder measures are needed to better enable the organisation and position it to deal with the emerging challenges the Bank will face in the future. Such measures could include re-examining the Delegation of Authority to the President and seeking:

(a) An increase from the current level of $150,000 to a more appropriate level (say up to $750,000 or even $1,000,000) that would better position the organisation to make decisions in the future;

(b) Authorisation for the President to further delegate approval authority to senior staff such as Vice-President (Operations), Directors of Departments and Division Chiefs; and

(c) Authorisation for a no objection procedure for certain types of approvals, such as cost increases and over-runs up to a certain amount (say 20% of the initial amount).

6.25 Complementing this with performance agreements at all levels of the managerial hierarchy would help to strengthen the culture of performance and accountability for results. It would also help to speed up the process of approvals and improve efficiency of implementation, as it would give staff more responsibility to exercise leadership, take decisions and accept greater accountability for their actions.

6.26 In terms of managing the risks associated with the increased delegation, the evaluation team is of the view that CDB now has an adequate set of tools for the Board's oversight and accountability. The introduction of the proposed Quality Assurance process, coupled with the work of ORM, Internal Audit Division (IAD), OIE and the more recent Office of Integrity, Compliance and Assurance (OICA) relating to different categories of risks, would provide a robust assurance system to enhance the management and controls of a variety of risks.

6.27 This would also free up space on the agendas of both the President and the Board to focus on more strategic issues, lessen the burden on BOD Members, and reduce the level of staff time and resources devoted to preparations for meetings. The Bank and the BOD may even consider whether the number of face-to-face BOD Meetings could be reduced with the possibility of presenting approvals for some of the initiatives in a virtual space on a "no objection" basis when the number of agenda items may not warrant convening the Board for a formal face-to face meeting.

Further Streamlining of Business Processes

6.28 The evaluation team recognises that the efficiency challenges faced by CDB will only be partially addressed by greater Delegation of Authority from the Board and further delegation internally. Observations and feedback from staff suggest that there are important opportunities for CDB to further enhance efficiency by making additional improvements to its operations, procedures and internal processes. Some of these should flow naturally from the revised Delegation of Authorities, but additional streamlining of business processes and investments in technology also need to be part of an overall change management effort, explicitly focused on improvements to both efficiency and effectiveness.

6.29 Taking the BNTF as an example, some positive changes were already made to its operations and processes in response to the BNTF-6 MTE to shorten the approval times while retaining the rigor in the appraisal process. These included: a refocused scope on three core priority sectors; reduced counterpart funding requirement from 20% to 5%; Delegation of Authority to Programme Coordinators for Project Cycle Management; increased upper limits for large sub-projects from $500,000 to $600,000 and for small sub-projects from $50,000 to $100,000; and the move to a portfolio approach to sub-project preparation and appraisal by 'frontloading' the appraisal and approval of its sub-projects and avoiding the previously *ad-hoc* approval of projects during the Programme's life cycle.

6.30 While this frontloading approach makes a lot of sense, the systems, procedures and processes are still relatively complex as evidenced by the 11-step project cycle outlined in the 165-page Operations Manual, with a control and accountability system that is centralized, requiring CDB approval at three key steps in the process. When considering that most of the sub-projects are still comparatively small (with an average size of less than $100,000 in most BMCs), and each sub-project has to go through a preparation and appraisal process that is as almost as demanding as large projects, it adds up to an overall process that is heavy and slow. There is certainly a case to be made for further simplifying and reducing the administrative and information requirements for approval and implementation to speed up the process.

6.31 The evaluation team is also aware that CDB has recognised these challenges and is working to address them. It has already prepared a revised Delegation of Authority paper, which is under internal review and is expected to be presented to the meeting of the BOD in March 2016. On the matter of Operational Efficiency, the Operations team has begun to address the simplification and streamlining of internal procedures, documentation and automation, among other priority areas, with a view to speeding up delivery, improving efficiency, reducing administrative burdens and costs. This is expected to result in more time to sharpen the Bank's focus on new products and services, and innovative development solutions. The evaluation team views this as a positive move in the right direction and encourages the organisation to forge ahead with its efforts.

6.32 Finally, as some of the key factors that influence the efficiency of CDB-supported initiatives lie outside the Bank, such as weaknesses in capacity and performance in the countries, CDB will also need to work with its BMCs to strengthen Government capacities in these areas. Strengthening the capacity for project design, management and M&E would be important areas of support.

Country Leads and In-Country Presence

6.33 The issue of not having a clear lead or focal point in CDB as a liaison or first point of call and lead contact for each BMC has been raised as a real challenge in interviews and discussions with stakeholders inside, as well as outside, the Bank. BMCs often find it difficult to communicate with the Bank when issues requiring attention arise and project staff are difficult to reach when they are travelling on other assignments. The absence of staff on the ground also limits opportunities to discuss issues on a more timely and frequent basis on specific projects, to coordinate with other DPs and to have a seat at the negotiating table when important strategic and policy issues are discussed, and opportunities for more timely monitoring of progress on the portfolio of initiatives. The problem is magnified when the portfolio of projects is large. Clearly demarcating who is in charge of a particular country is something the Bank should actively consider, and having someone available on the ground is preferable. However, respondents also recognised that the Bank is a small institution and costs are an important factor. To keep costs manageable but still open up the potential for in-country presence, the Bank could consider negotiating with one of the central or line Ministries (Ministry of Finance, Economic Planning and Development) or other DPs to share office space.

COUNTRY GROUPS, TERMS OF LENDING AND RESOURCE ALLOCATION ISSUES

6.34 Country groups are used to determine the eligibility for accessing SDF resources and the Terms of Lending. Going into SDF9, and beyond, the issues around classification of countries into different groupings, the Terms of Lending offered by the SDF, and resource allocations are all areas that will require further attention. Although there have been some significant changes under SDF8 in the country groups as well as the Terms of Lending[48], based on a review of the country classification mechanism, further adjustments may be needed, as there are emerging risks to the Bank in building up its portfolio. These include issues of competitiveness of the SDF, CDB resources in the market place, effectively targeting and reaching the poor, and others discussed below.

6.35 The classification of countries into different groups, based on per capita income, was reviewed in response to the fact that per capita incomes in several countries had increased significantly. The number of country groups was reduced from four to three, and loan terms and conditions were simplified. Group 3 countries are eligible mainly for SDF funding. Group 2 countries are eligible for funding from both SDF and the Bank's OCR. Group 1 countries are eligible mainly for OCR, with the possibility of participating in RCI initiatives funded through the SDF. The per capita income bands used to determine country classification were: Group 3 - below $2,000; Group 2 - $2,001 to $10,000, and Group 1 - above $10,000 per annum (using 2005 prices). The upper threshold for the SDF is substantially higher than the threshold in other MDB concessional funds, reflecting an exception for Small Island Developing States (SIDS) which make up the majority of CDB's members. The higher threshold is a welcome change, as SIDS are highly vulnerable to natural disasters (including hurricanes and tropical storms) which often lead to severe damage to infrastructure, with high costs of repair and major interruptions to production potential and essential services.

6.36 The Resource Allocation Formula (RAF), which has a needs-based component and a performance-based component for allocating SDF resources to eligible countries, was also adjusted. The performance component of the formula was not changed but the needs component was adjusted to enhance its poverty relevance by including a new variable to better capture the number of poor people in each country, complementing the other three needs variables: population size, vulnerability and per capita income. This 'poor' variable was given a lower weight, relative to the weight of GDP per capita and vulnerability variables.

6.37 The revised country categories and RAS was used to make the initial allocations to countries under SDF8 in 2013, with a mid-term reallocation planned as usual at mid-cycle (in 2015). The reclassified country groups and the associated lending terms are shown in Table 12 below.

[48] Paper BD37/15 - Special Development Fund (Unified) Annual Report 2014 and Financial Projections for 2015-2017, May 2015

TABLE 12: COUNTRY GROUPS AND TERMS OF LENDING FOR SDF 8 COMPARED WITH SDF7

Country	Grouping SDF8 Compared with SDF7	Change in the Terms of Lending
Bahamas, The British Virgin Islands, Cayman Islands	No Change – Group 1	**(OCR Mainly)** Interest rate - from 5% to 2.5% Maximum Grace Period - No Change (5 yrs) Maximum Overall Maturity - from 10 to 20 yrs Maximum Grant Element - 30.8% to 53.7%
Anguilla Antigua and Barbuda Barbados Trinidad and Tobago Turks and Caicos Islands	From Group 2 to Group 1	**(OCR Mainly)** Interest rate - from 4% to 2.5% Maximum Grace Period - No Change (5 yrs) Maximum Overall Maturity - from 25 to 20 yrs Maximum Grant Element - 30.8% to 53.7%
Montserrat [a/] St. Kitts and Nevis	No Change – Group 2	**(SDF - OCR Blend)** Interest rate - from 4% to 2.5% Maximum Grace Period - No Change (5 yrs) Maximum Overall Maturity - No Change Maximum Grant Element – 46.6% to 59.4%
Belize Dominica Grenada Jamaica St. Lucia St. Vincent and the Grenadines	From Group 3 to Group 2	**(SDF - OCR Blend)** Interest rate - No Change (2.5%) Maximum Grace Period - from 10 to 5 Years Max. Overall Maturity - from 30 to 25 Years Maximum Grant Element - 66.3% to 59.4%
Guyana Haiti	From Group 4 to Group 3	**(SDF Mainly)** Interest rate - No Change (2%) Max Grace Period - No Change (10 yrs) Max. Maturity - No Change (30 yrs) Max. Grant Element - 70.7% to 71.2%

Source: Paper BD 112/11: *The implementation of the revised country classification and terms of lending for country groups of the SDF (U)*, November 2011, Appendix 3, with the grant elements added from Paper BD37/15 - *Special Development Fund (Unified) Annual Report 2014 and Financial Projections for 2015-2017*, May 2015, and CDB, *Annual Report*, 2011.

6.38 As the table above shows, the new groupings of countries also changed their comparative access to concessional financing and resources: the maturity period on SDF and OCR loans has been shortened for most of the BMCs and the interest rate and grace period changed for many of the BMCs. For example, although countries in Group 1 will not be eligible for an allocation from the SDF, they will continue to be eligible to access resources mainly from OCR through loans with an interest rate of 2.5% (instead of 5% previously) and a loan maturity of 20 years (instead of 10 years previously), providing an overall increased grant element from 30.8 to 53.7%. While the changes have been beneficial overall for most of the countries, as indicated by increases in the maximum grant element, those that were moved from Group 3 to Group 2 continue to be eligible to access a blend of SDF and OCR resources through loans, but with a slightly lower grant element, a shortened grace period and shortened maturity. This could well influence borrowing decisions.

6.39 Nevertheless, there are also a number of other issues that require continued attention to the reclassification of countries and adjustments to lending terms:

(a) The timing may be an issue for some of the current Group 2 countries which have a high level of indebtedness, are very vulnerable to economic shocks, and, like most of the countries of the Caribbean, have not recovered yet from the financial crisis and face the constraints imposed by high debt burdens, limited fiscal space and costly debt servicing ratios. Many of the BMCs are in this situation and would continue to need funds on the most concessional terms they can get.

(b) As BMCs "graduate" from Group 2 to Group 1, and thereby lose their eligibility for an allocation from SDF funds, CDB runs the risk of being unable to reach a significant proportion of the poor who are in these middle income Group 1 countries, especially if BMCs choose to borrow at better rates from another lender.

(c) The issue of the price competitiveness of CDB as a development lender, raised in the MTR of SDF8[49], is worthy of repeating here. In an exploratory comparison of the cost of CDB loans with loans from the Inter-American Development Bank (IDB) (concessionary funds and ordinary capital resources), the authors of the MTR of SDF8 found that that loans from CDB are more expensive than loans from the IDB, and IDB terms and conditions were more generous. Over the past six years CDB, including its SDF resources, has been the high-price lender among DFIs in the Caribbean. The IDB, for example, has lent large sums of ordinary capital to some BMCs at much lower cost than CDB's SDF funds, prompting the authors to suggest a reform of the SDF price regime as many BMCs may be more reluctant to borrow from CDB or slow to draw down on the funds when they do borrow.

6.40 The Bank has faced some significant challenges in achieving its lending targets in its Strategic Plan (2010-14) and growing its portfolio. Given the current weakness of the global economy and the financial situation, including the likely prospects of the continued low interest rate environment in capital markets persisting into the foreseeable future, an important consideration is whether the Bank will be able to further lower its lending rates within its existing cost structures to be more competitive with other lenders in the region, especially if it is to incur additional expenses to enhance its presence in several of the larger BMCs. If the situation continues it will become more difficult for CDB to meet its lending targets and grow its portfolio. This could have ramifications for the Bank's OCR, its "bread and butter", and therefore on the future funding arrangements for consideration by the Bank and its Contributors, including any additional resources and guarantees that may be necessary to make CDB more competitive.

AVAILABLE TOOLS AND THEIR USE

6.41 Appropriate tools have been in place over both cycles but their implementation and use have revealed significant weaknesses suggesting a need for further training and capacity building for CDB and BMC staff to use the tools effectively as well as exercising better Quality Assurance and controls to support their practical use and application.

Capacity to Report on Results beyond Outputs

6.42 In the context of the SDF7 replenishment cycle, the Bank adopted a RMF for the Strategic Plan (2010 – 14)[50]. The RMF has been adapted and applied across the Bank and is routinely used for reporting annually to the BOD on these indicators as part of the progress report in implementing the new Strategic Plan. A key limitation here is the RBM and PPMS, which have not yet developed to the stage of tracking and reporting on results beyond outputs. This creates difficulties for the organisation to report

[49] Rideau Strategy Consultants Ltd., Mid–Term Review - Special Development Fund SDF 8, May 2015

[50] CDB's Strategic Plan 2010-14, May 2010 outlines CDB's RMF in Appendix 5 and an Implementation Framework in Appendix 6. The latter outlined a list of 34 proposed actions with monitoring parameters and target dates for completion. The actions relate to various aspects of Operational and Organisational Effectiveness as well as Development Effectiveness against which progress is reported annually.

effectively on some of the more aggregate measures in its RMF. This is further complicated by the relative absence of any supporting M&E systems or investments in RBM and MfDR at the country level as many of the BMCs, with few exceptions, have not yet invested in appropriate M&E systems.

The Evaluation System

6.43 CDB's Evaluation Policy (2011) outlines the Bank's evaluation system. It provides for independent evaluations led by OIE as well as self-evaluation led by the Projects and Economics Departments, under Management oversight. Both self-evaluation and independent evaluation may be carried out across the full spectrum of development activities, including projects, sectoral and thematic policies, country strategies, and corporate processes.

6.44 The Policy notes that self-evaluation lays the foundations underpinning the evaluation system. At the project level, self-evaluation culminates in the preparation of a PCR upon completion of the implementation for each project, usually within six (6) months of the project completion date.

6.45 In addition to its responsibilities for conducting independent evaluations, OIE is also responsible for:

(a) Collaborating with Projects and Economics Departments to develop appropriate guidance for validating [auditing] completed PCRs;

(b) Reviewing completed Country Strategy Evaluations;

(c) Including in its work program specific activities to build its own evaluation capacities and those in CDB, and "if sufficient funds are available, it also could help build evaluation capacities in Member Countries";

(d) Auditing all PCRs and preparing Project Performance Audit Reports (PPARs) to be submitted to the Audit and Post Evaluation Committee (APEC), and BOD and disseminating the evaluation reports, PCVRs, lessons and findings to senior CDB staff;

(e) Providing support to Operations, including tools such as evaluation manuals, advice, and guidance, and conducting quality assessments of any evaluative work of Operations divisions; and

(f) Producing an Annual Report on evaluation results, which "as experience and resources allow, this could become a report on Development Effectiveness".

6.46 Resources for the work of OIE are determined on the basis of an annual budget request in conjunction with a two-year rolling work plan prepared by OIE and approved by BOD after consultation with the President and endorsement by the Audit and Post Evaluation Committee (APEC)[51]. The plan is expected to provide for an adequate level of evaluation coverage of CDB's portfolio over a two-year cycle linked to CDB's Strategic Plan.

6.47 The evaluation team offers the following observations. First, the coverage of completed initiatives by independent evaluations and validated PCRs has been limited over the past three years. Second, as part of the self-evaluation process, there have been MTRs of both the SDF and BNTF cycles, but there have

[51] APEC was broadened in December to the 'Oversight and Assurance Committee' (OAC) covering the respective work of Internal Audit (IAD), Independent Evaluation (OIE), Risk (ORM), and the Integrity, Compliance and Assurance (OICA).

rarely been any evaluations of projects by Operations divisions to take advantage of possible corrective actions that such evaluations can highlight to improve project's implementation and performance or propose justifications for revisions to its scale and scope. Third, timely completion of PCRs has been a constraining issue.

6.48 Looking at the resources approved for the OIE in its Annual Work Programme and Budget(2015)[52] and its approach to selecting initiatives for evaluation, the evaluation team noted that OIE's resources in 2015 comprised four professionals, including the Head, one administrative support staff and a budget allocation of $193,500, although OIE also has access to other potential sources of funding outside this approved budget envelope, such as for the evaluation of the SDF6 and SDF7 cycles, secured through the SDF, TA and Use of Funds. With its limited resources, the OIE has adopted an approach which seeks to strategically optimize its use of available resources, by selecting and focusing on evaluations at the BMC level, for example the CSPE in Haiti approved for OIE's 2015-16 Annual Work Plan, or on strategic and thematic aspects that cluster a number of projects rather than individual project evaluations, as was the case for the recent evaluation of TVET[53]. This approach makes sense given the limited resources of OIE, although it may not provide an adequate level of evaluation coverage of CDB's portfolio over a two-year cycle as may be expected.

6.49 Even with this approach, however, the evaluation team considers OIE's resources are not adequate to fully deliver on the ambitions and expectations outlined in the Evaluation Policy. There is a need to re-examine the policy and either increase the resources available to OIE or adjust the expectations and ambitions highlighted in the 2011 Evaluation Policy regarding the extent of its validations of PCRs and support to self-evaluation. A revised PCVR process that scales back the expectations in the Evaluation Policy that OIE will validate all PCRs and recognising the importance to rebalance and calibrate the scope and coverage of PCVRs was reviewed by APEC and it was agreed to focus on more strategic considerations in the choice and selection of PCRs to validate, including aspects to choose PCRs as the foundations for future evaluations, random selections for QA and Accountability purposes and options for the OAC to make their own 'live' recommendations from a shortlist of PCRs presented at the meeting.

6.50 In light of the delays and challenges experienced by many of its projects, the Bank may also want to consider whether more MTEs should be commissioned, particularly for some of the larger projects. Experience has shown that MTEs of projects – and programmes - can be very helpful in identifying problems that initiatives are facing and proposing a range of possible options and necessary corrective action to get them back on track. In terms of resourcing, good practice also suggests specific provisions for monitoring, self-evaluation and independent evaluation by allocating between 3-5% of the project or programme budget as a reasonable benchmark[54], which would also signal the importance of an effective evaluation function for both accountability and lesson learning. The evaluation team has been informed that a Peer Review of CDBs evaluation function and OIE is currently being undertaken and this would be helpful in providing more in-depth analysis and information for moving forward.

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52 OIE, Status of 2015 Work Programme and Proposed 2016/17 Budget and Work Programme, October 2015 and Status of 2014 Work Programme, November 2014.

53 OIE, Final Report on The Evaluation of CDB's Intervention in Technical and Vocational Education and Training (1990–2012), May 2015.

54 Capra International, Global and Thematic Evaluation of the Millennium Development Goals Achievement Fund - Final Evaluation Report, September 2014, p.12. See report on: http://www.mdgfund.org/sites/default/files/UNDP_MDG-F_Evaluation_Final_Report_20140929.pdf

The Project Rating System and the PPMS

6.51 The Project Rating System and the PPMS are another area of the Bank's operations that merit closer attention as they may pose important reputational risks for the Bank moving forward. These risks are closely linked to the rating scales used and the way the Bank rates performance of its initiatives in management tools such as PSRs, PCRs and the Project Performance Evaluation System (PPES). The information on ratings is captured in the PPMS and used for important Corporate Performance reports and BOD documents such as ARPPs and Annual Reports. As noted earlier, CDB uses an unbalanced rating scale, which is skewed to the positive, unlike some other organisations.[55] This runs a risk of providing a picture of performance that raises potentially serious credibility issues, especially if the rating of project performance against CDB's criteria are overly optimistic and generous, as they appear to be. The portfolio performance rating captured in the *Annual Review of the Portfolio Performance* in 2014stood at 100%[56]. This is well above self-scored ratings recorded by other MDBs, although the criteria used are different. From a validity standpoint, however, when taken at face value, the questions remain whether the picture presented in the ARPP is an accurate representation of the reality or whether there is a significant disconnect. It is widely acknowledged that development is a risky business and it is extremely difficult to get it right *all* of the time, rarely *most* of the time and more typically *some* of the time.

6.52 To the Bank's credit, it recognised, as stated in the ARPP (2014), a need for further improvements in the application of the rating criteria in the PPES, both in terms of the consistency of the ratings and the justifications provided for the ratings. The intent is to address this through further training of staff. This is increasingly important as project performance scores are only useful to the extent that their 'objectivity' can be relied upon. There also appears to be a lack of appreciation of the links between cost efficiency and implementation delays and other operational issues, including the potential risks impacting the projects, the assumptions made and the mitigation measures proposed. The Bank is also urged to move ahead with the proposed training, wherever it is needed. The evaluation team understands that an internal discussion paper was prepared by OIE in December 2014, highlighting some of the apparent discrepancies between CDB's self-reported performance data in the ARPP (2014) against comparators across a range of other donors and DPs to calibrate the observed performance reported in the ARPP against the realities of similar performance assessments reported by other DPs.

6.53 Regarding the current PPMS, although it has effectively been in operation since 2001, and has been subjected to regular modifications to improve the system's functionality and utility, there are still several shortcomings that limit its operational efficiency, the quality of data and the reports it generates. A replacement system was recommended in the ARPP (2008). Work has been continuing on the design and roll out of the new system, but it appears to be unlikely that the new PPMS system will be available before December 2016 according to information from the ARPP (2014). As the PPMS is an essential management tool, every effort should be made to speed up the design and testing phases, to roll out the new PPMS at the earliest possible opportunity.

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55 For example, IFAD uses a balanced six point rating scale, with scores of: 1-Highly Unsatisfactory, 2-Unsatisfactory, 3-Moderately Unsatisfactory, 4-Moderately Satisfactory, 5-Satisfactory, and 6-Highly Satisfactory; the EBRD also uses a six point scale (Excellent, Good, Satisfactory, Marginal, Unsatisfactory and Highy Unsatisfactory); and AsDB's Assessment Methodology uses a four point scale (Highly Relevant, Relevant, Less than Relevant, Irrelevant).

56 See the ARPP (2014), Op Cit.

LEVERAGING TECHNOLOGY TO DRIVE EFFICIENCY

6.54 The Bank appears to have experienced a real challenge to optimising its use of technology to drive the benefits and efficiencies for workflows, project and/or portfolio management. There is an opportunity to make further improvements to their current systems, by developing more easily accessible and more timely electronic access and retrieval of essential documents such as ARs, PSRs, PCRs and BTORs, as well as statements of financial reconciliations, audits and projections of disbursements and progress against plans. Respondents typically reported that the document management is still a manual process for many documents and the Portfolio Performance Management System, which is very important for the preparation, uploading and management of key documents, including Annual Reports, PSRs, PCRs, BTORs and the required inputs into ARPPs, has been characterised with descriptors such as a "clunky" and "difficult to work with". The evaluation team recognise that the PPMS is in the process of being upgraded but is unlikely to be completed before the end of 2016, judging from the schedules in the ARPP (2014).

6.55 The value of an effective document retrieval and Management Information System (MIS) for sharing knowledge, information and lessons emerging across the portfolio of projects between operational and technical staff and management, as well as contributing to improve efficiency within the Bank cannot be overstated. As is the potential value of making some of the knowledge accessible to BMCs and other external DPs and stakeholders and the Bank is urged to review its systems and address the constraints to establishing a well-functioning MIS and document management system, leveraging modern technological and ICT applications.

Part III: Conclusions, Lessons and Recommendations

7. CONCLUSIONS AND LESSONS

INTRODUCTION

7.01 The evaluation team experienced significant difficulties in retrieving project documents, data and management information from CDB's registry files and MIS systems, challenges in arranging and rescheduling times and dates for the interviews with CDB staff and in the BMCs, due to a combination of factors, including busy schedules, conflicts with operational and technical meetings, IMF Missions and other donors and DPs schedules, as well as several unforeseen events such as the elections for a new Government (Guyana) and natural disasters, including Tropical Storm Erika (Dominica). However, despite these difficulties, the team persevered and was eventually able to engage in interviews and discussions with more than 150 individuals (including CDB staff, seven BMCs, donor agencies, SDF Contributors, Directors on the BOD and regional and other Development Partners).Information was collected across a range of SDF6 and SDF7 initiatives based on an initial sample of over 65 SDF initiatives and sufficient information was eventually collected and made available for a sample of 50 initiatives that gives the evaluation team a reasonable level of confidence in the findings and conclusions of the Evaluation.

SPECIAL DEVELOPMENT FUND WITHIN THE CARIBEAN DEVELOPMENT BANK

7.02 The SDF has been a very important part of the Bank's operations and development work, in both financial and non-financial terms. Financially, its contributions have amounted to between 30-35 percent the Bank's total financial resources over the past years under SDF6 and SDF7. The SDF funding for Grants and concessional financing have complemented the Bank's own OCR, and helped position CDB to fund initiatives in key areas of importance to BMCs in their effort to contribute to poverty reduction and other developments for the benefit their people.

7.03 The SDF has also been a catalyst for positive change at the Bank, helping it to become more disciplined, focused, results oriented, and accountable though the introduction of a number of improvements in areas such as Gender Equality, MfDR and other important development instruments such as the Corporate RMF for the Strategic Plans and the role of the BNTF.

7.04 As the SDF is embedded within the Bank and SDF resources are often blended with the Bank's OCR, it is much more difficult to separate out the specific results and effects of the SDF from the wider efforts of the Bank.

CONCLUSIONS ON FINDINGS BY CRITERIA

7.05 From the analysis in the preceding chapters, a number of conclusions can be drawn about the performance of the initiatives funded under the SDF6 and SDF7 cycles against each of the evaluation criteria specified in the Inception Report. The performance was variable and uneven, both across the different criteria and within each of the criterion.

7.06 In terms of **Relevance, Positioning and Responsiveness,** the performance of the SDF has been strong. Most of the initiatives rated very highly in terms of the suitability of investments tailored to the needs of BMCs and project beneficiaries, their alignment to national and regional development priorities and goals, as well as the Mission and Corporate Priorities of CDB. The thematic areas under SDF6 and SDF7 were also considered to be highly appropriate to the needs of the BMCs and region and the mix of modalities and instruments used for delivering SDF assistance allowed SFR resources to be responsive to the changing conditions and emerging needs in the BMCs across the Caribbean region.

7.07 The allocation of funds to BMCs is based on a system of country categories and use of a RAS that has a needs element as well as a performance-based element, was seen as an appropriate practice. The process has worked well, except on occasions when particular BMCs were unable to use its allocation and the funds had to be reallocated to other BMCs at mid-cycle, which did not allow sufficient time to optimise use of the funds. Finally, the use of set-asides proved to be useful in a changing context, providing needed flexibility to address special situations and emerging needs.

7.08 Factors that have enabled and facilitated the comparatively strong performance on the **Relevance** of the SDF sample initiatives included corporate processes, procedures and tools that provide solid up-front guidance for the selection, design and appraisal of initiatives including clear strategic and thematic areas of focus, sector policies and operational strategies in the areas of focus for each of the SDF cycles, Strategic Plans, Implementation Strategies, the SDF's RAS, CSPs, CPAs and GAs, and a well-defined and substantive project appraisal process, which have resulted in comprehensive design and appraisal documents.

7.09 In terms of **Efficiency,** the performance of the SDF initiatives in the sample was below expectations, as many of the initiatives experienced long delays, both in fulfilling the conditions precedent and in their implementation phases, which in turn impacted on cost-efficiency and overall cost effectiveness. CDB is not alone in this regard, as other MDBs and DFIs have also experienced difficulties in this area. While CDB has some of the key tools in place including Supervision Mission and Back to Office Reports (BTORs), PSRs, PCRs, the evaluation team found that their systematic application and use have been variable and uneven across the organisation. The systems for Quality Assurance at entry, during implementation, supervision and at exit on completion all need closer attention. There were also issues related to the difficulties experienced in leveraging the potential benefits from technology to drive efficiencies.

7.10 In terms of **Effectiveness,** the SDF has performed reasonably well with most of the initiatives in the sample (68%) rated as Satisfactory or better in achieving their stated objectives and expected results, and 72% of the sample SDF6 and SDF7 initiatives delivered positive benefits for members of the target population, or were well positioned to do so. A key enabler was the broad mix and combination of instruments and modalities (including Grants, TAs, IRLs, Investment Loans and PBLs) that could be tailored to the needs of each of the BMCs, whether they required IRLs to clean up and clear debris to restore vital and essential services after natural disasters or adverse climatic events such as hurricanes, tropical storms and floods, or combinations of Grants, Investment Loans and TAs to help lay the foundations for longer-term development efforts including Reconstruction, Rehabilitation, Infrastructure and DRR preparations. One area requiring closer attention was 'Partnerships', as only about half of the initiatives in the sample developed effective partnerships for planning, coordination and implementation. Partnerships were mostly with BMCs' line ministries and technical or sectoral agencies involved in the initiatives and, to a lesser extent, with other Development Partners. Partnerships were approached more in terms of 'coordination' efforts rather than joint programming, management and design. A greater focus on development partnerships to take advantage of the synergies and complementarity between the initiatives of other partners is an area where greater emphasis could perhaps be helpful in future.

7.11 Regarding Development Effectiveness and the contributions of the SDF to achieving the CMDGs, the relatively modest scale of the Bank's investments in BMCs relative to the countries' own resources and investments made by other Development Partners, make it difficult to say anything more definitive about the Bank's and the SDF's respective contributions, compounded by the common practice of blending SDF and OCR resources. The SDF initiatives have clearly helped, although the extent of their contributions is much more difficult to quantify in the absence of reliable and timely data and baseline information.

7.12 **CCIs** of Gender Equality and Environmental Sensitivity are essential elements for sound development practice and are therefore important for enhancing both the success and sustainability of investments. The comparative performance of the CCIs was mixed with Environmental mainstreaming showing better progress than Gender. This is perhaps due in part to the more recent introduction of Gender into SDF programming and design, with the approval of GEPOS in 2008 and the limitations of the time taken and resources available to put the supporting 'infrastructure' for greater Gender Awareness in place at the Bank. The implementation of the recommendations from EOV's 2012 Evaluation of GEPOS, subsequent to the SDF6 and SDF7 cycles, including the appointment of a Gender Equality Adviser to the Vice President (Operations) and the Gender and Development Operations Officer, have significantly improved the situation at the Bank and positioned it for further improvements in its results on Gender under future SDF cycles. The challenge going forward will be the weaker capacity and 'infrastructure' for mainstreaming Gender in BMCs, compounded by the relatively lower priority accorded to Gender compared with the Environment in BMCs due to other pressing resource constraints and development demands.

7.13 **Sustainability,** which represents the continuation of benefits from investments, or the likelihood of the benefits and results being sustained, was considered to be more positive under the SDF6 and SDF7 cycles, although there is still room for improvement. Closer attention needs to be paid to some of the more important aspects that enable the benefits to continue, including the policy and enabling environment, local ownership, and the local institutional capacity and resources to maintain the initiatives and carry on beyond the end of implementation. There are some emerging examples of good practice internationally and one way to achieve more sustainable initiatives is to explicitly include 'Exit Strategies' at design, which promotes thinking in advance about the conditions likely to be required to secure sustainability at an early stage of appraisal by design.

7.14 **ORBM, Monitoring and Reporting and Evaluation** are some of the essential Operational and Organisational Effectiveness and management tools to improve Development Effectiveness. The evaluation found that the uptake of these aspects at the Bank has been comparatively slow. The systems for RBM, Monitoring and Reporting and Evaluation are still at an early stage and considered to be work in progress. Progress on MfDR, in particular, has been slow. The systems for M&E and RBM in the BMCs and region are less developed than at the Bank, as many of the BMCs have not yet invested in appropriate M&E systems. This has made it more difficult for the Bank to effectively monitor and report on the progress of its initiatives at the level of outputs, and sometimes at the level of inputs, much less on outcomes at the country level. This seems likely to continue to be a challenge for the foreseeable future.

CONCLUSIONS ON OTHER OBSERVATIONS AND FINDINGS

7.15 The SDF has played a vital and strategic role helping the Bank to address the challenges faced by the Caribbean countries and contribute to their poverty reduction efforts. Without the contributions from the SDF, it is doubtful whether the Bank would have been able to achieve the progress it has over successive cycles of SDF funding. Looking forward, there are a number of challenges and risks, but there are also opportunities. Some of challenges are within the control of the Bank and some are not. In both cases, the issues will revolve around how the SDF and the Bank position themselves to manage and control the emerging risks in this changing and dynamic context.

7.16 The emerging challenges and development needs faced by the Caribbean Region and its BMCs have been well documented. The slow and fragile global recovery from the financial crisis in 2008 and the prospect of rising interest rates in the United States implies that the slower pace of recovery of the LAC region and its BMCs is likely to continue. The growing demands and needs in the BMCs set against the challenging financial and economic outlook, including the debt burden and tight fiscal space faced by the Caribbean countries, suggest that demand for more resources, especially in the form of Grants and highly concessional Loans, could far exceed supply. This places additional pressures on the Bank to ensure that the limited resources are used in the most efficient and effective ways possible.

7.17 As the needs of the countries change in this emerging context, the Bank and the SDF will also need to adjust and the Bank will need to become more flexible, nimble and efficient if it is to effectively deliver some of the additional resources that may be available to complement the SDF, including the recently announced Caribbean Infrastructure Fund by the UK and a share of China's LAC Infrastructure Fund in what is considered to be a niche area of the Bank's operations, providing it can demonstrate it has the absorptive capacity to take on additional resources and reasonable terms and conditions can be agreed. On the issue of the Bank's absorptive capacity, it may be reaching a point where it is already stretched. This is an area that merits more detailed examination. Accepting additional resources for programming without sufficient complementary or incremental administrative resources to enhance the Bank's internal capacity and operational and organisational effectiveness, could risk further stretching the capacity of the Bank and negatively affect its performance.

7.18 While the Bank's capacity can be enhanced with some of the Efficiency improvements and other measures that have taken place as part of the reform agenda, it is doubtful that these improvements alone would be sufficient to free up the head room and staff time to absorb any significant amount of additional resources without an incremental or additional allocation to administer, manage and program additional funds. The Bank will have to be judicious about how it takes on additional programming resources, especially if the funds are made available without sufficient resources to 'administer' them or if they have specific terms and conditions or requirements that are not aligned to or harmonized with those of the SDF, and particularly if they seek to widen the Bank's focal areas of programming. That would return the Bank to the unenviable situation that prevailed before the SDF became the *Unified* fund.

7.19 There is also the issue of competition and/or complementarity with the SDF. Depending on the terms and conditions accompanying these additional sources of funds, there is a risk that competition between the SDF and additional sources of funds could effectively contribute to "crowding out" the SDF. Considering the issue of competition, there are still several questions being raised about the competitiveness of the Bank's SDF and OCR resources relative to those of other development lenders. The Bank has acknowledged some of the difficulties in growing its portfolio and achieving the lending targets set out in the previous Strategic Plan (2010-2014). Going into SDF8, significant changes were made to its country groups and the terms and conditions for its lending. Going into SDF9, further adjustments may be required to remedy the emerging risks to the Bank's ability to grow its portfolio and achieve its lending targets over the current Strategic Plan (2015-2019).

7.20 Finally, there are a number of issues relating to the enabling environment within the Bank that merit closer attention, both to address perceptions about the comparatively slow pace at which it operates and to consider whether decision-making is overly centralised. While the Delegation of Authorities may address some of the underlying issues, it may not be sufficient. Further streamlining and simplification of the business processes and procedures, including how CDB could better leverage technology to improve its systems, learning and efficiency may also be required.

LESSONS

7.21 ***Stakeholder Involvement:*** Internal and external stakeholder involvement and "buy in" are critical to successful project implementation. CDB needs to ensure that the executing and/or implementing agencies have appropriate mechanisms, systems and processes that both involve and respond to stakeholders needs to secure their effective buy in.

7.22 ***Country Ownership and Commitment:*** Strong Country Ownership and shared commitments are critical to more effective development, both in terms of the success of the initiatives in achieving their planned outputs and expected outcomes, as well as securing the sustainability of the benefits after the initiative ends.

7.23 ***The importance of having good systems, tools and using them effectively:*** Having a good suite of design, management, supervision and reporting tools is important but it is equally important to have both the capacity and the commitment to use the tools available to maximum effect.

7.24 ***Exit Strategies:*** Including 'Exit Strategies' early in the design stage of projects helps to promote thinking about the conditions required for sustainability, including maintenance of essential activities, local institutional and financial capacity, the enabling environment, ownership and commitment, and other key aspects of Sustainability that may be relevant to the specific context.

7.25 ***Monitoring and Evaluation:*** M&E are essential complementary processes for determining progress towards targets and expected results, as well as providing feedback on their Efficiency and Effectiveness. Well timed and sequenced MTEs of initiatives can be a highly effective tool for identifying areas for improvement and the corrective actions required to keep initiatives on track or to refocus initiatives that may have drifted off course.

8. RECOMMENDATIONS AND CORPORATE CONSIDERATIONS

8.01 The recommendations take into consideration the significant progress that has already been made based on work that has either been completed or in progress after the implementation of the internal reforms over the 2008 – 2012 period, as well as actions proposed in the Strategic Plan for 2010-14, and responses to the recommendations from various other corporate reports and review documents. They have been prioritised to arrive at a reasonable number of operational recommendations that take into account what is feasible, considering previous commitments, and the absorptive capacity of both CDB and its BMCs.

OPERATIONAL AND ORGANISATIONAL EFFECTIVENESS

8.02 **Recommendation 1 - Quality Assurance**

Justification: Although much work has already been conducted in terms of updating the systems and processes for Quality Assurance (QA), including 'Quality at Entry' (Project Appraisal and Design), Quality during implementation (PSRs) and Quality at Exit (PCRs) and further efforts are underway to build the capacity of staff to use these applications and systems, there are still some apparent weaknesses. The most pressing QA issue is the analysis of risks, assumptions and probable impact at design, to establish more realistic time frames adapted across the full range of CDB initiatives, to reduce the significance, occurrence and potential costs of delays. During implementation, a clear priority is to improve the timeliness and quality of PSRs, while the priority for quality at exit is completing PCRs in line with the provisions of the OPPM Bank guidelines.

Recommendation: The Bank should consolidate gains made in this area by accelerating implementation of the QA process at each stage of the project cycle, including additional training in RBM and Risk Management to build on the foundations of the current capacity of staff and enable them both to make better use of existing applications systems and to ensure the quality and timeliness of implementation and results on completion.

Specifically, it is recommended that:

(i) CDB and the Office for Independent Evaluation employ a 6-point or 4-point balanced rating scale to assess project performance;

(ii) CDB Operations ensure that all Project Completion Reports (PCRs) are completed on time, report against expected results, and are done in accordance with the Operations Policy and Procedures Manual); and

(iii) CDB reviews the Annual Review of Portfolio Performance methodology with a view to ensuring a more realistic assessment of project performance, including the need to clearly reference evidence of achievements to substantiate the ratings..

8.03 **Recommendation 2: Update of Delegated Authorities**

Justification: One of the key factors that has contributed to inefficiencies and the comparatively slow pace at which the Bank is perceived to operate is the issue of the Delegation of Authorities, which has not been updated since 1999. The maximum amount of $150,000 that the President can approve for capital projects or TA proposals is extremely low and certainly does not have anywhere near the same purchasing power as it did prior to the Millennium. Other IFIs are also experiencing challenges relating to Efficiency and have made policy and strategic adjustments to processes and procedures to address these challenges, including adjustments and updates to their Delegation of Authorities.

Recommendation: The Bank should prepare and submit a request to the BOD for approval of a revised Delegation of Authorities that would better enable the President and key Management and Operational staff across the spectrum of the Bank's operations to exercise Leadership and take the necessary corrective action required in their areas of responsibility within a framework of Accountability, Delegation and Exercise of Responsibilities. This would effectively update CDB's policies and practices in line with recent changes to the practices of other similar organisations.

More specifically, it is recommended that:

(i) The delegated authority for the President be increased to USD 750,000, or a higher level if deemed more appropriate by the organisation should it, for example, decide in future to reduce the frequency of Board meetings. (NB: This amount is in line with recently approved IRLs);

(ii) The delegated authority for the levels of Vice-President, Directors of Departments and Division Chiefs be set at USD 300,000, USD 150,000 and USD 50,000, respectively; and

(iii) Authorisation be sought for the President to be able to approve through a "No Objection" procedure certain types of expenditures, such as cost increases and over-runs up to a certain amount (say 20% of the initial approval

8.04 **Recommendation 3: Clear Focal Points for Member Countries and In-Country Presence**

Justification: The absence of a clear Focal Point at CDB Headquarters for each BMC (or small groups of BMCs) and a CDB *in-country* presence or Country Office in new member BMCs and those with large portfolios emerged as a significant constraint for both BMCs and CDB staff as it impacts negatively in terms of both *Efficiency* and *Effectiveness*. It also impacts negatively on CDB's visibility and policy influence with other DPs and BMC Governments. Greater clarity in terms of a designated contact or liaison for communications when challenges emerge has been highlighted as a significant issue for country-level coordination and dialogue.

Recommendation: The Bank should consider establishing clear focal points for member countries, including enhancing its country presence though country offices in several of the largest recipients of CDB funds, to improve communications between the BMCs and the Bank, enhance monitoring and supervision of its projects, improve country-level coordination with other Development Partners and increase CDB's visibility and influence in strategic and policy decisions in BMCs. To keep costs more manageable and balanced against the need for in-country presence, for example in new BMCs like Suriname, the Bank could explore the possibilities for sharing office space with one of the Central Line Ministries (Ministry of Finance, Economics or Planning) or other DPs like the IDB.

Specifically, it is recommended that:

(i) CDB prepares a discussion paper to develop criteria and propose options (including cost estimates) country presence; and

(ii) CDB pilots country presence in two countries in 2017.

DEVELOPMENT EFFECTIVENESS

8.05 **Recommendation 4: Harmonisation**

Justification: More can be done to reduce the burden of monitoring, reporting and transaction costs on BMCs by undertaking more joint work with other Development Partners on front-end design aspects, monitoring and reporting, and harmonising CDBs processes and procedures with other Development Partners.

Recommendation: The Bank should try to harmonise its efforts with other Development Partners across the Caribbean to strengthen Development Effectiveness by minimising the monitoring and reporting burden and transaction costs on BMCs and undertaking more joint initiatives in key areas of common interest, including capacity building in procurement and statistics, front-end design and planning work, including preparation of CSPs, CPAs, and Country GAs.

8.06 **Recommendation 5: Improving Communications and Understanding of CDB's Terms and Conditions**

Justification: Senior officials and technical and operational staff in BMCs are not always sufficiently aware or familiar with the terms and conditions and specific requirements of loans, especially when there has been a recent change in Government. This has created opportunities for misunderstandings between Bank staff and BMC counterparts.

Recommendation: The Bank should consider putting in place improved orientation and communication protocols for senior officials and technical staff in BMCs about the terms and conditions and specific requirements of loans to reduce the potential for cancellations and delays, especially when there has been a recent change in Government. These should be continuously refreshed and updated to reflect emerging good practice and lessons learned.

8.07 **Recommendation 6. Strengthening Country Capacity to Prepare and Implement Initiatives**

Justification: The capacity in BMCs to prepare, design and implement initiatives is variable and uneven across the different member countries and comparatively weak in most, contributing to delays in the front-end preparation and design of initiatives, in meeting the conditions precedent, and subsequently during implementation. BMCs have reported difficulties in finding the expertise and skills to establish project management and implementation units to oversee and supervise the projects. A major source of delays is the procurement of the expertise required, frequently from outside of Government.

Recommendation: Where project preparation and implementation capacity is known to be weak, the Bank should consider providing timely, strategic and integrated TA and technical support to strengthen the capacity of BMCs for planning, preparation, design and implementation of the initiatives, including investments in country systems for procurement and reporting to allow CDB and other DPs to use a common country procurement and reporting system.

8.08 **Recommendation 7: Gender Equality Mainstreaming:**

Justification: Integration of Gender Equality and Equity into the design, implementation and results of projects has been identified as an area that was weak under SDF6 and SDF7 and, despite some of the progress made under the GEPOS in SDF8, it is still comparatively weak, particularly in many of the BMCs, where capacity and resources for GE mainstreaming remain a constraint.

Recommendation: The Bank should strengthen its efforts to mainstream Gender Equality and Equity into its project design, implementation, monitoring and supervision and results.

8.09 **Recommendation 8: Sustainability**

Justification: Introduction of requirements to consider 'Exit Strategies' early in project design and preparation stages to encourage thinking about sustainability in advance, and planning for it. Measures to enhance sustainability, including aspects of the enabling environment that may need strengthening and considering provisions for resources to carry on beyond the initiatives completion have been a weak aspect of project design and preparation phases in many of the SDF projects in the sample.

Recommendation: The Bank should consider measures to explicitly include 'Exit Strategies' early in the design stage of projects to promote thinking about the conditions required for sustainability, including maintenance of essential activities, local, institutional and financial capacity, the enabling environment, ownership and commitment, and other key aspects to support sustainability that may be relevant in the **context.**

CORPORATE CONSIDERATIONS

8.10 The intent of this section is to highlight some important areas of potential vulnerability that are not subject to specific recommendations but which the organisation nevertheless needs to take note of and consider for future cycles of lending. These are proposed as corporate considerations rather than recommendations in recognition of the fact that work is either under development or progress is already being made in these areas but efforts need to be sustained or scaled up, as they pose risks to the organisation if they are not addressed. These include:

(a) Issues around country classification, the terms of lending and resource allocation, including competitiveness of its SDF and OCR resources, as these issues will have a strong bearing on the Bank's ability to achieve its lending targets and grow its portfolio, as well potentially reducing its risk exposure, through portfolio diversification;

(b) Work on simplification of processes, procedures and MIS systems applications to better leverage technology and drive efficiency gains, improve effectiveness, capture lessons, foster learning and share communications, knowledge management and institutional memory;

(c) Consider the potential implications of additional programming and securing more resources, for example the GCF and CAF, Caribbean Infrastructure Fund[57] and a future share of China's Infrastructure fund for the LAC region without sufficient incremental or additional resources allocated to administer, manage and program the funds, especially if the resources are made available, subject to terms and conditions that are not harmonised with, or aligned to those of the SDF;

(d) The level of resourcing available for M&E, especially for independent evaluation and self-evaluation and consideration as to whether some of the larger projects should include specific provision for MTEs, is an area that merits closer attention; and

(e) The Bank's Project Rating System and the PPMS, which is an area of continued vulnerability and potential reputational risk to the organisation going forward, including effectively flagging projects at risk sufficiently early in their implementation to take remedial actions, although this has not yet surfaced as a major concern so far.

8.12 Finally, the trend towards greater flexibility among the MDBs is a consideration worthy of note. Unlike the other MDBs, and perhaps including IFAD, with much larger constituencies, membership and geographic coverage with more complex bureaucracies and governance structures, CDB has a unique opportunity to capitalise on its smaller size and geographic spread, by developing and adopting a simplified and less complex governance structure, streamline its operational processes and procedures to further leverage comparative advantage. This is an area where CDB could add value for the benefit of its constituency members, by becoming more responsive, nimble and flexible in the ways it operates through innovating and adaptive programming.

8.13 As the President of the EBRD, Sir Suma Chakrabarti,[58] recently articulated at an event hosted by the UK's Overseas Development Institute, MDBs "must move beyond business as usual to support the Sustainable Development Goals (SDGs)." They need to be more "nimble and flexible" in order to help countries rise to meet the challenges of the new SDGs. In particular, he suggested that the MDBs need to learn to be more flexible in the way they respond to demand, as well as giving their clients a stronger voice in the organisation.

[57] The UK CIF contains provisions for management fees and administrative resources equivalent to approximately 3.75% of the total budget and an additional M&E Component of GBP 4 mn, as well as additional provisions of up to GBP 2 mn for staff to be recruited specifically for the UK CIF.

[58] See article by Emma Rumney titled Development banks "must move beyond business as usual to support SDGs" in **Public Finance International**, 3 Dec 2015

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