

CARIBBEAN DEVELOPMENT BANK



**REPLENISHMENT OF THE RESOURCES OF
THE SPECIAL DEVELOPMENT FUND (SDF 7)**

**RESOLUTION
AND
REPORT OF CONTRIBUTORS ON SDF 7**

FEBRUARY 2009

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND

RESOLUTION AND REPORT OF CONTRIBUTORS TO SDF 7

WITH

REPORT OF MEETINGS OF CONTRIBUTORS HELD

APRIL 10 AND 11, 2008; MAY 27, 2008; JULY 25, 2008;

OCTOBER 29 AND 30, 2008 AND DECEMBER 11 AND 12, 2008

AS SCHEDULE 3

ADOPTED MARCH 5, 2009

RESOLUTION OF CONTRIBUTORS
TO THE SPECIAL DEVELOPMENT FUND
OF THE CARIBBEAN DEVELOPMENT BANK
(SDF 7)

WHEREAS:

The Board of Directors of the Caribbean Development Bank (hereafter called "the Bank") has determined that the Bank should carry out negotiations for a replenishment of its Special Development Fund (hereinafter called "the Special Development Fund") to finance the Bank's concessional lending programme for the four-year period commencing January 1, 2009, and, for that purpose, should seek contributions to the Special Development Fund;

The Governments listed in Part A of Schedule 1 to this Resolution (herein called "Contributors") have indicated their intentions to make contributions to the Special Development Fund in the respective amounts set out in the said Part A in accordance with the arrangements set forth in this Resolution and on the basis of the decisions and understandings contained in the Report of Contributors at Schedule 3 to this Resolution.

NOW THEREFORE, the Contributors hereby RESOLVE as follows:

1. Definitions

As used in this Resolution, unless the context otherwise requires, the several terms defined in the Rules for the Special Development Fund (adopted May 1983) have the respective meanings set forth therein, except that the term "Contribution Cycle" means the period of four years commencing January 1, 2009 and ending December 31, 2012, and the following additional terms have the following meanings:

- (i) "cash portion" means that portion of a Contribution which is payable in cash as indicated by the Contributor in its Instrument of Contribution;
- (ii) "currency of obligation" means the applicable currency of obligation indicated in the Third Column of Part A of Schedule 1 to this Resolution in which the relevant Contribution is to be made pursuant to paragraphs 3 (a) and 7 (a) of this Resolution;
- (iii) "instalment" means a cash payment which is part of a cash portion or a deposit of a note which is part of a notes portion;
- (iv) "notes" means non-negotiable non-interest bearing notes payable at their par value on demand;
- (v) "notes portion" means that portion of a Contribution which is payable by the deposit of notes as indicated by the Contributor in its Instrument of Contribution;
- (vi) "qualified contribution" means a contribution as defined in paragraph 3 (d) of this Resolution;
- (vii) "SDF 7" means the replenishment of the Special Development Fund for the Contribution Cycle; and

- (viii) "unqualified contribution" means a contribution as defined in paragraph 3 (c) of this Resolution.

2. Contributions

(a) Pledges by Contributors

The Contributors hereby severally pledge to the Bank contributions to SDF 7 in amounts not less than those indicated for the respective Contributors and in the respective currencies of obligation set out in Part A of Schedule 1 to this Resolution.

(b) Additional Contributions

Notwithstanding the provisions of paragraph 2 (a) above, the Bank may accept from any of the Contributors listed in Part A of Schedule 1 to this Resolution and other Contributors additional contributions to SDF 7 during the Contribution Cycle on terms and conditions similar to those set out and referred to in this Resolution.

3. Contribution Agreement

(a) Agreements resulting from Pledges under this Resolution

By June 30, 2009, or such later date as may be determined by the Board of Directors of the Bank, each Contributor shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to SDF 7 the amount of its contribution in the applicable currency of obligation as set forth in Part A of Schedule 1 to this Resolution and each such Instrument of Contribution shall constitute a Contribution Agreement.

(b) Agreements resulting from additional Contributions

Within three (3) months after the Bank has notified a Contributor that the Bank will accept an additional contribution to SDF 7 in the amount offered or proposed by such Contributor and on terms and conditions similar to those set out and referred to in this Resolution, or by such later date as may be determined by the Bank, such Contributor shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to SDF 7 the amount of its contribution in the applicable currency of obligation and each such Instrument of Contribution shall constitute a Contribution Agreement.

(c) Unqualified Contribution

Subject to the provisions of paragraph 3 (d) below, each Contribution Agreement shall constitute an unqualified commitment by the Contributor to make payment of its contribution in the manner and on the terms set forth in or contemplated by this Resolution.

(d) Qualified Contribution

As an exceptional case, where an unqualified contribution cannot be given by a Contributor due to its legislative practice, the Bank may accept from the Contributor a Contribution under a Contribution Agreement which contains the qualification that payment of all instalments of the Contribution, except the first, is subject to subsequent budgetary appropriations. Such an agreement, however, shall include an undertaking by the Contributor to seek the necessary appropriations in order to make payments of the second and subsequent instalments in accordance with paragraph 6 (a) and (b) below during the Contribution Cycle and to notify the Bank as soon as each such appropriation is obtained. Portions of a Contribution covered by such an agreement shall from time to time become unqualified to the extent that appropriations have been obtained.

4. Entry into Effect

Effectiveness of Contributions

Each Contribution or portion thereof shall become effective on the date of deposit with the Bank of the relevant Contribution Agreement.

5. Mode of Payment

All payments in respect of a Contribution shall be made in cash or by the deposit of notes of the Contributor or in both cash and notes.

6. Instalment Payments

(a) Amounts of Instalments and Payment Dates

Except as otherwise provided in this Resolution,

- (i) each cash portion shall be paid to the Bank in equal instalments, each in an amount of not less than twenty-five percent (25%) of the relevant cash portion, in such manner that at least one (1) payment shall be made prior to July 31, 2009 and subsequent payments by July 31 in each subsequent year of the Contribution Cycle or by such later date or dates as the Bank may determine; and
- (ii) each note portion shall be paid to the Bank in equal instalments, each in an amount of not less than twenty-five percent (25%) of the relevant notes portion, in such manner that at least one (1) payment shall be made prior to July 31, 2009 and subsequent payments by July 31 in each subsequent year of the Contribution Cycle or by such later date or dates as the Bank may determine.

(b) Payment of First Instalments and Drawdowns

Subject to the provisions of paragraph 6 (a) above and paragraphs 6 (d) and (e) below, each first instalment of a cash portion and/or a notes portion shall be made within thirty (30) days after the date of the deposit with the Bank of the relevant Contribution

Agreement in the form of an unqualified Instrument of Contribution, and drawdowns by the Bank in respect of notes deposited shall be made semi-annually according to a fixed encashment schedule based on the Bank's historical disbursement profiles weighted by the expected composition of the SDF 7 programme or such other drawdown arrangements as may be determined by the Board of Directors. The fixed encashment schedule will be communicated to the Bank by each Contributor at the time of the deposit of an Instrument of Contribution.

(c) Payments of a Qualified Contribution

Payments of instalments of a cash portion or a notes portion of a Qualified Contribution shall be made in accordance with paragraphs 6 (a) and (b) above unless such payments cannot be made because of the legislative practice of the Contributor. In such cases, payments shall be made within thirty (30) days after, and to the extent that, each such instalment has become unqualified.

(d) Payments of a delayed Contribution

If any Contributor shall deposit a Contribution Agreement after the date when the first instalment shall be payable pursuant to paragraph 6 (a) above, payment of any instalment due up to the time of the deposit of the Contribution Agreement pursuant to the provisions of paragraph 6 (a) above shall be made within thirty (30) days after the date of the deposit of such agreement.

(e) Optional Arrangements

A Contributor, at its option, may:

- (i) pay its Contribution in fewer instalments or in larger portions or at earlier dates than those specified in paragraph 6 (a) above, or in agreement with the Bank accelerate encashment of the note portion or portions of a Contribution, provided that such payment or accelerated arrangements are no less favourable to the Bank;
- (ii) defer payment of its first instalment until Contribution Agreements for an aggregate amount equivalent to at least fifty percent (50%) of the total sum indicated in Part A of Schedule 1 to this Resolution have been deposited with the Bank; and
- (iii) in the second or a subsequent calendar year of the Contribution Cycle, provided it has paid all instalments for the preceding calendar year, defer payments of further instalments so long as there is in arrears an aggregate amount equivalent to at least fifty percent (50%) of the instalments payable by the other Contributors.

7. Currency of Payment

(a) Currency of Obligation

Each Contributor shall make its Contribution in the applicable currency of obligation specified in Part A of Schedule 1 to this Resolution or, in the case of an additional Contribution, in the currency of obligation agreed to with the Bank.

(b) Acceptance by the Bank of other Currency

If a Contributor wishes to use a currency other than the currency of obligation for payment of any portion of its Contribution, the Bank, at the option of the Bank, may accept such other currency and the amount of such other currency at the time of such payment shall be determined by the Bank applying, as far as practicable, the principles applicable to the valuation of currencies forming part of the Bank's Ordinary Capital Resources.

8. Meetings of Contributors

If, during the Contribution Cycle, delays in the making of any instalments cause or threaten to cause a suspension in the Bank's concessionary lending operations, or otherwise prevent substantial attainment of the goals of SDF 7, the Bank shall convene a meeting of the Contributors to review the situation and consider ways of obtaining the necessary instalments and, based on the recommendation of such a meeting, the Bank shall adopt such measures as considered necessary.

9. Use of SDF 7

Contributions made under this Resolution shall be used and administered in accordance with the Rules for the Special Development Fund (adopted May 1983) and the decisions and understandings contained in the Report of Contributors at Schedule 3 to this Resolution.

**RESOLUTION OF CONTRIBUTORS TO SDF 7
SCHEDULE 1 – CONTRIBUTIONS TO SDF SEVENTH CYCLE**

**SCHEDULE 1
CONTRIBUTIONS TO THE SPECIAL DEVELOPMENT FUND SEVENTH CYCLE (SDF 7)**

	Relative Share*	Contributions	Unit of Obligation	Amount in Unit of Obligation
	%	(US\$ '000)		('000)
Part A				
Regional Members				
Anguilla	0.21	605	USD	605
Antigua and Barbuda	0.21	† [605]	USD	† [605]
The Bahamas, Commonwealth of	1.98	5,665	USD	5,665
Barbados	1.98	5,665	USD	5,665
Belize	0.49	1,394	USD	1,394
British Virgin Islands	0.21	605	USD	605
Cayman Islands	0.21	† [605]	USD	† [605]
Dominica, Commonwealth of	0.49	1,394	USD	1,394
Grenada	0.21	605	USD	605
Guyana	1.98	5,665	USD	5,665
Haiti	0.32	910	USD	910
Jamaica	3.55	10,184	USD	10,184
Montserrat	0.21	605	USD	605
St. Kitts and Nevis	0.49	1,394	USD	1,394
St. Lucia	0.49	1,394	USD	1,394
St. Vincent and the Grenadines	0.49	1,394	USD	1,394
Trinidad and Tobago	3.55	10,184	USD	10,184
Turks and Caicos Islands	0.21	605	USD	605
Sub-total		49,478		
Colombia	1.26	≈3,600	USD	≈3,600
Mexico	1.05	≈3,000	USD	≈3,000
Venezuela	1.26	≈3,600	USD	≈3,600
Sub-total		10,200		
Non-Regional Members				
Canada	24.35	69,830	Canadian \$	70,340 ^a
China, People's Republic of	2.82	8,098	USD	8,098
Germany	6.57	††18,834	Euro	12,300 ^b
Italy	2.47	≈7,084	Euro	≈4,626 ^b
United Kingdom	24.35	69,830	Pound Sterling	35,357 ^c
Sub-total		173,676		
Non Members				
Brazil	1.74	≈5,000	USD	≈5,000
Spain	1.34	†† [3,828]	Euro	2,500 ^b
Agreed Contributions	84.46	242,182		
Transfer from OCR	5.23	15,000		
Agreed Add'l Resources for SDF 7	89.69	257,182		
Part B				
Structural Financing Gap	10.31	29,553		
Total	100.0	286,735		

[†] Subject to confirmation.

^{††} Contribution subject to parliamentary approval and entry into force of 2009 budget law; and subject to relative share not exceeding 6.61%.

[‡] Approved for Membership, legal formalities being completed.

^{††} Contribution may be dependent on Spain being deemed a substantial Contributor.

^{*} Contribution subject to parliamentary approval.

^a USD1= Cdn\$1.0073. Average daily exchange rate for 6-month period ending June 30, 2008

^b Euro \$1= USD 1.5312. Average daily exchange rate for 6-month period ending June 30, 2008

^c GBP\$1= USD 1.975. Average daily exchange rate for 6-month period ending June 30, 2008

SCHEDULE 2

INSTRUMENT OF CONTRIBUTION

(Insert)
(Office)
(Address of Signatory)

Your Ref. 35/2/9/5
Our Ref.

Date:

The Vice-President (Finance)
Caribbean Development Bank
P.O. Box 408
Wilkey
St. Michael
BARBADOS, W.I.

Dear Sir/Madam:

I am pleased to inform you that (name of country), by means of this letter, agrees to contribute to the Special Development Fund (SDF 7) of the Caribbean Development Bank (CDB) an amount of United States dollars^{1/} (USD)^{1/} of which \$^{1/} will be in cash and the remainder in notes,^{2/} pursuant to and in accordance with the conditions contained in the Resolution of the Contributors to SDF 7 adopted at the Meeting of Contributors on

^{3/} Payment of the second and subsequent instalments of the Contribution is subject to budgetary appropriations and (name of country) hereby undertakes to seek the necessary appropriations in order to pay such instalments in accordance with paragraph 6 (a) and (b) of the abovementioned Resolution and to notify CDB as soon as each such appropriation is obtained.

In the name and on behalf of (name of country), I declare that all the necessary legal requirements to assume this Instrument of Contribution have been fulfilled.

Yours sincerely,

^{4/}

^{1/} To be deleted if currency of obligation is other than US dollars. Where there is another currency of obligation, such currency is to be inserted in place of the phrase "United States dollars (USD)".
^{2/} To be altered as appropriate.
^{3/} Applicable only if the Contribution is qualified.
^{4/} To be signed by the Governor of the member country on the Bank's Board of Governors except in the case of Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands, and non-member contributing countries, when it should be signed by the proper authority of each such country.

SCHEDULE 3

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**A PARTNERSHIP FOR THE MILLENNIUM DEVELOPMENT GOALS
IN THE CARIBBEAN**

REPORT OF CONTRIBUTORS ON SDF 7

FEBRUARY 2009

ABBREVIATIONS AND ACRONYMS

AAA	Accra Agenda for Action
BMCs	Borrowing Member Countries
bn	billion
BNTF	Basic Needs Trust Fund
CARICOM	Caribbean Community
CDM	Comprehensive Disaster Management
CMDG	Caribbean-specific MDG framework
CPA	Country Poverty Assessment
CPS	Country Partnership Strategy
CSCR	Country Strategy Completion Report
CSME	Caribbean Single Market and Economy
CSP	Country Strategy Paper
CTCS	Caribbean Technological Consulting Services Network
DRM	Disaster Risk Management
EC	Commission of the European Union
EOV	Evaluation and Oversight Division
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
HLF	High-Level Forum
IDB	Inter-American Development Bank
ISF	Interest Subsidisation Fund
LDC	Least-Developed Country
MDG(s)	Millennium Development Goal(s)
MfDR	Managing for Development Results
NGO	Non-Governmental Organisation
NPRS	National Poverty Reduction Strategy
n.y.a	not yet available
OCR	Ordinary Capital Resources
OECS	Organisation of Eastern Caribbean States
p.a.	per annum
PBA	Programme-Based Approach
PBL	Policy-Based Lending
PCR	Project Completion Report
PPMS	Project Portfolio Management System
PPP	Purchasing Power Parity
PRS	Poverty Reduction Strategy
RAS	Resource Allocation Strategy
RCI	Regional Cooperation and Integration
RMF	Results Monitoring Framework
RPG	Regional Public Good
SDF	Special Development Fund (Unified)
SDF 6	Sixth Cycle of the SDF or Fifth Replenishment
SDF 7	Seventh Cycle of the SDF or Sixth Replenishment
SIDS	Small Island Developing States
SWAps	Sector-wide approaches
TA	Technical Assistance
TPG	Trans-National Public Good
\$	U.S. dollar (except where otherwise specified)

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EXECUTIVE SUMMARY

1. The Special Development Fund (SDF) is a partnership between non-regional and regional non-borrowing members and the Bank's Borrowing Member Countries (BMCs), all of which, including the poorest and most disadvantaged, contribute to the resources of the Fund. The Fund is a key element in the aid architecture for the Caribbean and in the role and operations of the Caribbean Development Bank (CDB) for the benefit of BMCs.

2. SDF has become a valuable instrument for addressing deep-seated issues of poverty, vulnerability and human development in the countdown to the Millennium Development Goals (MDGs) in the Caribbean and the MDG target date of 2015. It has allowed the Bank to position itself to play an increasing role on these issues and on the related challenges of climate change, economic adjustment and regional integration. It has also allowed the Bank to effectively begin to meet the challenge of an expanding role in the Caribbean, with the addition of Haiti to the Bank's membership.

3. The Bank's capacity and effectiveness are being strengthened, and the opportunity exists for an increasingly significant role for the Bank and SDF within the aid architecture for the Caribbean. Maintaining and strengthening the relative role of the SDF partnership is an objective on which the Contributor governments have agreed, and to which the Bank has positioned itself to respond.

4. The factors that make the role of SDF increasingly critical are:

- The focus on Caribbean-relevant targets for the MDGs, to which the Bank and SDF have contributed significantly, provides both an opportunity and a time-bound challenge for the SDF partnership and the developing countries of the Caribbean.
- The Bank's work, supported by SDF and partner agencies, in helping BMCs to assess and understand the special dimensions of poverty in the Caribbean has delineated the continued existence of unacceptable levels of poverty and vulnerability to poverty, and permitted an improved focus on the poverty reduction and human development MDGs, together with the strengthening of the instruments for addressing these challenges.
- The doubling of the Bank's client population, and the quadrupling of the number of the poor in its regional membership as a result of the accession of Haiti, together with the possibility of further increases, require a renewed response from SDF Contributors and partners.
- The need to strengthen support for regional solutions to economic adjustment and international competitiveness, environmental degradation and climate change, has increased the challenges facing the Bank as a key regional institution.
- The support being provided by other development agencies for the Region has added to the need for strengthening the role and leadership of the Bank, as the key Caribbean development institution and a joint instrument of the countries of the Caribbean Community (CARICOM) and their external partners, in building partnerships and increasing harmonisation and regional ownership of development programmes.

5. Contributors commended the progress that had been made over recent replenishment cycles in operationalising the priorities on which Contributors and the Bank had agreed. They also recognised, however, the challenges that the Bank had faced in implementing and institutionalising some of the new directions, and welcomed the steps that had been taken to strengthen the Bank's effectiveness and overcome capacity limitations, and the further measures being taken.

6. Contributors and the Bank agreed on four strategic themes for SDF 7:

- *Strengthening poverty reduction and human development;*
- *Supporting environmental sustainability and advancing the climate change agenda;*
- *Supporting regional cooperation and regional integration;* and
- *Enhancing development effectiveness.*

The first three themes provide direction for the SDF 7 operational programme, with poverty reduction as a primary objective. The fourth is a priority for the Bank's work as a whole, and encompasses Managing for Development Results (MfDR) and implementation of the Paris Declaration and Accra Agenda for Action (AAA).

7. Contributors and the Bank also agreed on *gender equality* as a major cross-cutting theme, and on *capacity building and good governance* as a continuing objective in the Bank's technical assistance (TA) and other operations.

8. Contributors underlined the importance of focusing SDF on core priorities within the new strategic framework, consistent with the Bank's comparative advantage, resources and capacity, and of targeting, monitoring and reporting on key results. They also stressed the importance of continuing to strengthen the Bank's capacity to undertake the approved level of operations in an effective and timely manner, including a continuation of the necessary measures of institutional reform.

9. Contributors agreed, subject to final approval of this Report of Contributors, to recommend a substantial replenishment of the Fund for the SDF 7 cycle, recognising that this was necessary to strengthen the ability of CDB, as the principal regional development institution in the Caribbean, to play a stronger role in supporting Caribbean countries through the economic adjustments necessary to meet current challenges to the global economy.

10. They agreed on an overall programme level of \$390.6 million (mn), to cover the four-year period 2009-2012. This would be financed from new contributions from Contributors of [\$242.2 mn], internally generated SDF resources of \$103.9 mn, and, subject to approval of the Board of Directors and Board of Governors, a transfer of \$15 mn from the Bank's OCR net income, with an unallocated structural gap of \$29.5 mn. New contributions by Contributors will comprise about [83.4]% of the total replenishment, representing a 64% increase from SDF 6.

11. The increased resources will provide, *inter alia*, for:

- A significant increase in the level of country lending allocated through the performance-based resource allocation system, to assist BMCs in accelerating progress towards the Caribbean MDG targets in the SDF core priority sectors, with an emphasis on broad-based, inclusive economic growth;
- An expansion from the relatively low SDF 6 base in poverty reduction-focused interventions in Haiti, the largest and poorest BMC and both a less developed country (LDC) and a fragile state, to be undertaken in close association with development partners, to take fuller advantage of the basic operational capacity for Haiti being put in place by the Bank;
- A scaling up of the Bank's flagship direct poverty reduction programme – the Basic Needs Trust Fund (BNTF) – taking advantage of the improvements that have been made

to BNTF operational systems, including in-country capacities, allowing a more comprehensive BNTF strategy and adding an additional BMC to BNTF recipients; and

- Better targeted and strengthened support for regional integration and regional public goods (RPGs), gender equality, and environmental sustainability and climate change.

12. Both Contributors and the Bank attached particular importance to the use of a ***Results Monitoring Framework (RMF)*** as a part of strengthening the results culture within the Bank and as a key tool for monitoring results under SDF 7. It was agreed that the RMF would be developed further in early 2009 for submission to Contributors for review and approval by March 2009.

13. Contributors and the Bank agreed on an Implementation Plan for SDF 7, which provides a basis for monitoring key steps necessary to implement the SDF 7 Agreement. They also agreed to closely monitor progress in implementing the agreed SDF 7 framework, including a Mid-Term Review during the course of SDF 7.

14. As the outcome document for the SDF 7 Replenishment Negotiations, this Report constitutes an agreement between the Bank and the Contributors, on the basis of which Contributors will provide new resources for the SDF 7 period, subject to monitoring and the Mid-Term Review. The undertakings by the Bank set out in this Report are critical elements of the agreement and a key to the successful implementation of SDF 7.

A PARTNERSHIP FOR THE MILLENNIUM DEVELOPMENT GOALS IN THE CARIBBEAN

1. INTRODUCTION

1.01 SDF^a is a key element in the aid architecture for the Caribbean and in the role and operations of CDB for the benefit of its BMCs. It has become a valuable instrument for addressing deep-seated issues of poverty, vulnerability and human development in the countdown to the MDGs in the Caribbean and the important MDG target date of 2015. It has allowed the Bank to position itself to play an increasing role on these issues and on the related challenges of climate change, economic adjustment and regional integration. It has also allowed the Bank to effectively begin to meet the challenge of an expanding role in the Caribbean, with the addition of Haiti to the Bank's membership.

1.02 SDF is a unique partnership between non-regional and regional non-borrowing members and the Bank's BMCs, all of which, including the poorest and most disadvantaged, contribute to the resources of the Fund. Over successive replenishment cycles, the Bank and the Contributors, working together, have strengthened the operational focus of SDF on core issues of poverty, human development, the environment and good governance, while recognising the overall importance of broad-based, sustainable economic growth. In the most recent replenishment cycles, the focus on management for development results, operationalisation of core strategies and the development effectiveness agenda, as represented by the Paris Declaration and, most recently, the AAA, has been significantly strengthened, and further measures to this end are being implemented.

1.03 The Bank's capacity and effectiveness are being strengthened, and the opportunity exists for an increasingly significant role for the Bank and the SDF, *pari passu* with the development resources being made available by other agencies, and for which the Bank and SDF can help to provide a complementary, coordinating and catalytic role within the aid architecture for the Caribbean. Maintaining and strengthening the relative role of the SDF partnership is an objective on which the Contributor governments have agreed, and to which the Bank has positioned itself to respond.

1.04 *BMC Contributors in particular underlined* the importance of the leadership role of the Bank in assisting BMCs to meet the critical challenges they are facing, which are being accentuated by the current global economic and financial crisis, and the need for a significantly expanded SDF to support the Bank's role.

1.05 The factors that make the role of SDF increasingly critical are:

- (a) The focus on Caribbean-relevant targets for the MDGs, to which the Bank and SDF have contributed significantly, provides both an opportunity and a time-bound challenge for the SDF partnership and the developing countries of the Caribbean.
- (b) The Bank's work, supported by SDF and partner agencies, in helping BMCs to assess and understand the special dimensions of poverty in the Caribbean has delineated the continued existence of unacceptable levels of poverty and vulnerability to poverty, and permitted an improved focus on the poverty reduction and human development MDGs, together with the strengthening of the instruments for addressing these challenges.
- (c) The doubling of the Bank's client population, and the quadrupling of the number of the poor in its regional membership as a result of the accession of Haiti, together with the

^a References to the Special Development Fund (SDF) in this Report are to the Special Development Fund (Unified) established in 1983.

possibility of further increases, require a renewed response from SDF Contributors and partners.

- (d) The need to strengthen support for regional solutions to economic adjustment and international competitiveness, environmental degradation and climate change, has increased the challenges facing the Bank as a key regional institution.
- (e) The support being provided by other development agencies for the Region has added to the need for strengthening the role and leadership of the Bank, as the key Caribbean development institution and a joint instrument of the countries of CARICOM and their external partners, in building partnerships and increasing harmonisation and regional ownership of development programmes.

1.06 In the course of their work in assessing SDF operations and the road ahead, Contributors met in a series of five negotiation meetings and reviewed a series of papers and reports evaluating progress in various areas, setting out proposed operational directions, and assessing resource requirements. (Refer to Appendix A: Documents Reviewed by Contributors)

1.07 *Contributors recognised and commended* the progress that had been made over recent replenishment cycles in developing and operationalising the priorities on which Contributors and the Bank had agreed. *They also recognised*, however, the challenges that the Bank had faced in implementing and institutionalising some of the new directions, and *welcomed the steps* that had been taken to strengthen the Bank's effectiveness and overcome capacity limitations. To this end, *they also welcomed and supported* the further measures being taken. *Contributors and the Bank agreed* that SDF 7 should draw on this increased capacity as well as focus on a set of core priorities that would allow the Bank and SDF to concentrate their efforts.

1.08 In their assessment of progress to date and in reaching their conclusions on the way forward, *Contributors reviewed and took into account* a number of evaluation studies that had been recently completed, including an independent Multi-Cycle Evaluation of SDF covering SDF 4 and SDF 5, which had also given attention to considerations relevant to the planning for SDF 7.¹

1.09 *Contributors noted* that the Multi-Cycle Evaluation had concluded that SDF had been and remained highly relevant to BMCs and that SDF 7 represented a unique opportunity to fully integrate the Caribbean-specific Millennium Development Goals (CMDGs) in country systems and CDB operations. The evaluation had also concluded that there had been a positive evolution in the approach of the Bank during recent SDF cycles, including significant changes to strategy and policy frameworks, instruments and tools for guiding programming, as well as in the systems used to plan, supervise and evaluate the Bank's work. At the same time, the Evaluation had underlined that further work needed to be done on monitoring and reporting on results, that attention needs to be paid to a number of issues identified in recent evaluations, such as strengthening BNTF and TA operations, and that capacity constraints also needed further attention. The Evaluation had also supported the need for the Bank to focus on areas clearly within its niche and to continue to emphasise the country-based agenda, which was at the heart of Managing for Development Results.

1.10 *Contributors agreed* with this assessment, and in particular, *a number of Contributors underlined* the importance of SDF to BMCs, and the special role SDF would need to play in assisting BMCs in an increased effort to meet the CMDG Targets by 2015.

1.11 In setting out the framework for SDF 7, which will need to begin in 2009 if SDF operations are to continue without interruption, *Contributors and the Bank agreed on four strategic themes for SDF 7. These are:*

- *Strengthening poverty reduction and human development;*
- *Supporting environmental sustainability and advancing the climate change agenda;*
- *Supporting regional cooperation and regional integration; and*
- *Enhancing development effectiveness.*

The first three themes provide direction for the SDF 7 operational programme, with poverty reduction as a primary objective, consistent with the Bank's Mission Statement. The fourth is a multi-faceted priority for the Bank's work as a whole, and encompasses Managing for Development Results (MfDR) and implementation of the Paris Declaration and Accra Agenda for Action.

1.12 *Contributors and the Bank also agreed on gender equality as a major cross-cutting theme, and on capacity building and good governance as a continuing objective in the Bank's technical assistance (TA) and other operations.*

1.13 *Contributors underlined the importance of focusing on priority areas within the new strategic framework, consistent with the Bank's comparative advantage, resources and capacity, and of targeting, monitoring and reporting on key results. They also stressed the importance of continuing to strengthen the Bank's capacity to undertake the approved level of operations in an effective and timely manner, including a continuation of the necessary measures of institutional reform.*

1.14 *Contributors agreed to recommend a substantial replenishment of the Fund for the SDF 7 cycle, recognising that this was necessary to strengthen the ability of CDB, as the principal regional development institution in the Caribbean, to play a stronger role in supporting Caribbean countries through the economic adjustments necessary to meet current challenges to the global economy. This was consistent with the decisions of global leaders on November 15, 2008 to encourage the multilateral development banks to use their full capacity in support of their development agenda, to reaffirm the importance of the MDGs, and to this end, to increase their resources where necessary.² They also agreed to closely monitor progress in implementing the agreed SDF 7 framework, including a Mid-Term Review during the course of SDF 7.*

1.15 As the outcome document for the SDF 7 Replenishment Negotiations, this Report constitutes an agreement between the Bank and the Contributors, on the basis of which Contributors will provide new resources for the SDF 7 period, subject to monitoring and the Mid-Term Review. The undertakings by the Bank set out in this Report are critical elements of the agreement and a key to the successful implementation of SDF 7.

1.16 The Report consists of five further chapters. Chapter 2 reviews the context for the Replenishment and the analysis that Contributors have taken into account in assessing the need for SDF 7. Chapter 3 sets out the agreed operational strategy and the key priorities for SDF 7. Chapter 4 outlines the elements of the development effectiveness agenda, and Chapter 5 provides the framework for the provision of financial resources and the setting of programme levels. A final chapter sets out the implementation plan and the basis for monitoring implementation.

2. THE MILLENNIUM DEVELOPMENT GOALS IN THE CARIBBEAN

We will spare no effort to free our fellow men, women and children from the abject and dehumanising conditions of extreme poverty . . .

- Millennium Declaration, September 2000³

2.1 The Caribbean MDG Framework

2.01 Since the adoption of the Millennium Declaration in September 2000 by all members of the United Nations, the world community has endorsed both the eight *MDGs* and a process of setting and monitoring targets for specific outcomes within a specific timeframe. The MDGs focus on the core objectives of *poverty reduction, human development* and *environmental sustainability*. They recognise the multi-dimensional nature of these objectives, and also establish a related Goal of a results-oriented *global partnership for development*.

2.02 The MDGs and the associated targets and indicators continue to guide the international development effort, including the efforts of development agencies and individual governments, and the critical target year for most of the principal Goals is 2015, measuring progress against a base of 1990.

2.03 In the SDF 5 Agreement in 2001, Contributors endorsed the MDGs as an integral part of the policy framework for SDF, and recommended that the Goals, including a CMDG framework, be used as strategic benchmarks against which SDF operations were planned and achievements assessed. In the SDF 6 Agreement in 2005, Contributors recognised that the process of operationalising the MDGs had taken time, but they commended the Bank for the initiative it had taken in assisting Caribbean governments to articulate and define a Caribbean MDG framework (Refer to Appendix B), with appropriate targets and indicators for measuring progress and results. Contributors also reaffirmed the importance of such a framework in setting the objectives and a results-based monitoring framework for SDF operations, and underlined their expectation that this framework would assist in the development of results-based country strategies, selection and design of programmes and projects, and monitoring of, and reporting on, SDF operations.

2.04 In their assessment of progress to date and the framework for SDF operations during SDF 7, *Contributors again endorsed* the Caribbean MDG framework as a principal means of targeting objectives, selecting and designing programmes and projects, and monitoring results. *They commended* the further work that had been undertaken by the Bank in assisting Caribbean countries to further refine targets and indicators, *and endorsed* the MDGs and the Caribbean-specific targets and indicators as a framework for monitoring of results during SDF 7.

2.05 *Contributors underlined the critical importance* of devoting increased effort and resources to assisting BMCs to reach their goals and targets in the countdown to 2015. *They recognised* that SDF 7 would be the last full replenishment that would be able to assist BMCs in reaching the MDG Targets, *and recommended* an increased effort by the Bank and its partners to this end, an effort that *Contributors were prepared to support* with increased SDF resources. *They recognised, however,* that there would be a need to focus the work of SDF, select priorities, and target specific results, consistent with the Bank's comparative advantage and with available resources and capacity. *Contributors and the Bank agreed* on a framework for establishing such priorities and setting targets for expected results, as set out in Chapters 3 and 4 of this Report.

2.2 The Challenge of Poverty in the Caribbean

Poor people share a common dilemma – they lack the essential assets and opportunities to improve their living conditions and achieve a quality of life that can be considered even minimally acceptable. Poverty in the Caribbean, however, is not simply a “have” or “have not” situation. Broad segments of society are vulnerable to deprivation. The most vulnerable and deprived households live in chronic poverty, while others move into and out of poverty with varying degrees of regularity. Extreme vulnerability of many of the economies in the Caribbean to frequent natural disasters and economic shocks disproportionately affect the poor and the risk of deprivation for the near poor.

- Report of Contributors of SDF 5⁴

2.06 The nature and incidence of poverty, indigence and vulnerability in the Caribbean are now much better understood as a result of Country Poverty Assessments (CPAs), for which the Bank has played a key role. These confirm that, despite gains in many areas of social life, unacceptable levels of indigence and poverty remain a characteristic of life for many in the Caribbean, and indeed have assumed new forms and dimensions, with the growth of urban poverty and the consequent swelling of the working poor, new types of rural poverty arising from the removal of preferences for major agricultural exports and the lowering of trade barriers to agricultural imports, poverty from HIV/AIDS, and aging of the population. Poverty, inequality and social exclusion remain defining features of the economic and social reality of the Region.

TABLE 1: MAJOR POVERTY INDICATORS

Country/Region (in descending order of % below poverty line)	Survey Year	Below the Poverty Line		Below the Indigence Line		Poverty Gap	Gini Coefficient	Vulnerability
		Population	Households	Population	Households			
Haiti	1997	65.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Suriname	2000	63.1%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Guyana	1999	43.0%	n.a.	28.0%	n.a.	n.a.	n.a.	n.a.
Dominica	2002	39.0%	29.0%	15.0%	11.0%	10.2	35%	45%
St. Vincent	1995	38.0%	31.0%	26.0%	20.0%	12.6	56%	n.a.
Belize	1996	33.0%	25.0%	13.0%	10.0%	8.7	51%	n.a.
Grenada	1998	32.1%	24.0%	12.9%	11.0%	15.3	45%	n.a.
Nevis	1999/2000	32.0%	16.0%	17%	n.a.	2.8	37%	n.a.
St. Kitts	1999	30.5%	16.0%	11%	4.3%	2.5	40%	n.a.
St. Lucia	2005	28.8%	21.4%	1.6%	1.2%	N/A	42%	40.3 %
Turks & Caicos Isl.	1999	26.0%	18.3%	3.2%	3.0%	5.7	37%	n.a.
Anguilla	2002	23.0%	20.0%	2.0%	2.0%	6.9	31%	n.a.
BVI	2002	22.0%	16.0%	1.0%	1.0%	4.1	23%	n.a.
Antigua & Barbuda	2006	18.3%	13.4%	3.7%	3.1%	6.3	48%	10%
Jamaica	2001	18.0%	n.a.	n.a.	n.a.	n.a.	38%	n.a.
Trinidad & Tobago	2005	16.7%	n.a.	1.2%	n.a.	4.6.	39%	9.0%
Barbados	1996	14.0%	9.0%	1.0%	1.0%	2.3	39%	n.a.

Sources: Country Poverty Assessments conducted by CDB; Jamaica annual SLCs; Barbados CPA (IDB); Guyana Living Conditions Survey (UNDP); Trinidad and Tobago SLC 2005; Belize SLC; Bahamas Survey of Living Conditions.

2.07 While comparable data is not available for all countries, and there have been some changes since the survey data shown in Table 1, available data show poverty levels at 63% to 65% for Suriname and Haiti,^b 30% to 43% for Belize, Dominica, Grenada, Guyana, St. Kitts and Nevis, and St. Vincent and the Grenadines, and 20% to 29% in a number of other cases. Indigence, or extreme poverty, is high in several countries, from 11% in St. Kitts to 26% in St. Vincent and the Grenadines and 28% in Guyana,

^b Other estimates are 70% and 80%, respectively. Poverty levels in Haiti will also have been affected by a recent series of four storms/hurricanes in as many weeks.

and probably much higher in Suriname and Haiti. Progress has been made in lowering poverty levels in some cases such as Jamaica, while in other countries, poverty levels have deteriorated, largely as a consequence of severe economic shocks and natural disasters. In some cases, a large proportion of the population is highly vulnerable to falling into poverty, e.g. 40% of the population in St. Lucia and 45% in Dominica.

2.08 A number of interrelated factors contribute to poverty in the Caribbean. These include poor growth performance, reliance on a single crop or sector in decline, macroeconomic instability, limited job growth, low productivity and low wages in the informal sector, and inadequate access to social services. Other factors include economic disparities within countries and communities, decline in family income as a result of debilitating health challenges such as HIV/AIDS, environmental degradation, increased difficulties in the agriculture sector, and weakening of the traditional family, with consequent economic and social impacts on single-parent households and the elderly. Poverty also results from the reduced capacity of the Region to address citizens' concerns and ambitions, contributing to migration and depletion of valuable skills. In addition, the current international financial and economic crisis is likely to seriously affect growth rates, with consequent implications for poverty levels.

2.09 Although unemployment rates throughout the Region are high and adversely affect the poor, levels of unemployment are similar among the poor and non-poor. Duration of unemployment, however, is longer for the poor. Low wages in the informal sector, low returns to rural self-employment, under-employment, and protracted periods of unemployment, are characteristics of poverty patterns.

2.3 The Vulnerability of Caribbean States

2.10 Small states such as those in the Caribbean bring to the globalisation process inherent weaknesses that make them highly vulnerable to external shocks. These include a small resource base in terms of skills and natural resources, limited institutional capability, small domestic markets, remoteness that makes international transportation very costly, proneness to natural disasters, environmental fragility, high export dependence – particularly dependence on a small number of exports and a limited number of markets, high import dependence, including dependence on imported energy, and limited access to capital markets. In a Commonwealth Secretariat and World Bank study on vulnerability of states within the Commonwealth in 2000, ten Caribbean countries were categorised as highly vulnerable and three exhibited medium to high vulnerability.

2.11 The Bank in 2006 updated an earlier CDB study on economic vulnerability. The 2006 study included an additional variable that captures the quality of the insertion of nation states into the global economy. This evaluates the type of exports of goods and services.⁵ Countries exporting goods with low income or price elasticity are more vulnerable than those that engage in products that are technologically dynamic and have high price and income elasticities.

2.12 Both studies concluded that micro states, small states and small island developing states (SIDS) are among the world's most vulnerable countries. In the 2006 study (Refer to Table 2), Caribbean countries as a group ranked fourth in economic vulnerability, a marginal change from third in the 1999 study. Nine of the Bank's BMCs, including Haiti, were among the world's most vulnerable countries.^c

2.13 One of the major vulnerabilities in the Caribbean is the exposure to natural disasters, which are frequent and often devastating. They include hurricanes, floods, landslides, volcanic

TABLE 2: VULNERABILITY SCORES

Country Groups	EVI 2006	Ranking
Micro States	0.68	1
Small Island States (SIDS)	0.64	2
Islands	0.63	3
Caribbean	0.62	4
Medium States	0.50	6
Landlocked	0.50	6
All Countries	0.50	6
Non-Small States	0.44	9
Large States	0.36	10
Small States	0.62	4

^c Antigua and Barbuda, The Bahamas, Belize, Dominica, Grenada, Guyana, St Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines

activity and earthquakes. As shown in Appendix C, which lists major disasters in the Region between 1998 and 2008 (excluding Haiti), every BMC has been affected. Several countries suffered more than one such event, including Anguilla, Antigua and Barbuda, Dominica, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The estimated cost of these disasters is \$9.5 billion (bn), with additional costs for 2008 disasters still being calculated.

2.14 The estimates include only the cost of damage, and do not include economic output foregone as a result of a natural disaster. The economic effects can last for many years. In the case of Montserrat, the effects will last for decades. The replacement costs of infrastructure, crops and other assets are very high, and one of the major economic burdens of these economies.

2.15 Given the weaknesses and vulnerabilities of the Region, integration into the world economy on the basis of international competitiveness is difficult. While some vulnerabilities can be reduced with trade liberalisation, others – such as a small resource base or susceptibility to natural disasters – remain. In fact, current predictions with respect to global warming are that the frequency and the intensity of natural disasters are likely to increase. Also, in a globalised economic environment, new vulnerabilities have emerged, particularly the risk of financial crisis/contagion with greater integration into global financial markets.

2.4 The Challenge of Economic Adjustment

2.16 Over the last three decades, and particularly during the last decade-and-a-half (1993-2008), the Bank's BMCs have had to confront the major challenges of trade liberalisation and globalisation. This has meant an intensification of international competition from the growing integration of markets stimulated by rapid technological change, a significant reduction in international transportation costs, and new directions in national and international policy focused on the freeing up of markets.

2.17 For BMCs, trade liberalisation has had among its consequences, the diminution of preferences for major exports such as bananas and sugar, on which the Caribbean has depended for decades. On the import side, the liberalisation of trade has led to the contraction or elimination of uncompetitive domestic and regional industries. The result has been a slowing of economic growth, and the persistence of high unemployment and poverty.

2.18 While freer trade offers greater international access to markets and potentially a conduit for economic growth, financial resource and other constraints (narrow resource base, limited skills development and limited institutional capacity) have made it difficult to effect the transition to new competitive industries.

2.19 While the Caribbean has been a beneficiary of foreign direct investment (FDI), the distribution has been skewed in favour of a few countries. Between 1997 and 2006, for example, 70% to 80% of net FDI inflows have gone consistently to three countries – Trinidad, Jamaica and The Bahamas. The sectoral distribution of FDI inflows also indicates significant gaps in sectors such as agriculture, which have borne the brunt of the trade liberalisation process and need resources for economic adjustment and transformation.

2.20 The rate of economic growth is a major factor impacting the level of poverty. Real income growth for CDB's BMCs averaged 3% over 1990-2007, with considerable variability. The average reached 3.8% during 2002-2007, or 3.4% excluding Trinidad and Tobago. During 1992-1996 and 1997-2001, growth averaged 2.2% and 2.9%. During 1992-1996, the Region began to feel the effects of the diminution of European trade preferences. During the 1990s, also, several regional economies underwent structural adjustment programmes, of which an important component was the opening up of these economies to international trade. The second period also includes the impact of 9/11.

2.21 While average growth improved gradually during 1990-2007, it was moderate at best, and below the average for all small states. For six countries, growth rates were below 3% for the most recent period (2002-07), and for three of them, it was 2% or less. For Haiti, average growth for 1990-2006 was 0.7%, and during 2002-2007 was 0.1%. Only four countries in recent years have posted growth rates that might have had a significant positive impact on poverty levels – Antigua and Barbuda, The Bahamas, Belize and Trinidad and Tobago. But even in these faster-growing economies, with the exception of Trinidad and Tobago, the unemployment rate, which impacts on poverty levels, has remained stubbornly persistent at high levels, at as much as 27% in Haiti, 22% for St. Lucia and 11.8% for Grenada in various years during the period 2003-2007.

2.22 The variability of growth performance was also highly problematic for most countries. The coefficient of variation of growth performance for several countries was greater than one, underscoring the vulnerability to exogenous shocks. A coefficient of variation of one implies that an economic shock such as a hurricane can throw an economy off its trend growth rate and into a recession. The higher the coefficient of variation, the higher the level of economic instability. For the period 1990 to 2006, the coefficient of variation was greater than one for seven of the BMCs.

2.23 For Haiti, the coefficient was 16.4, underscoring the tremendous challenges faced by Haiti, with a poverty level of 65% or more. Given expectations on the effects of global warming, including an increase in the frequency and intensity of climatic events and the flooding of low-lying areas, the Caribbean seems likely to witness even greater variability in economic performance.

2.24 The vulnerability of Caribbean economies to economic shocks has particular implications for the poor and the vulnerable, who represent a significant proportion of the population, and who are easily pushed into poverty because of economic shocks.

2.25 Another area of macroeconomic performance that impacts on poverty is fiscal and debt performance. Governments can use expenditure policy as a means of reducing income inequalities through transfers. Governments can also use their financial resources to provide housing, health, education and other services to improve the welfare and life chances of the poor and disadvantaged.

2.26 A significant number of BMCs, however, are in serious fiscal and debt difficulties, compromising their ability to address poverty and vulnerability. During 2002-2006, six BMCs averaged fiscal deficits of more than 5% of Gross Domestic Product (GDP) – Belize, Grenada, Guyana, Jamaica, St. Kitts and Nevis and St. Lucia. By the end of 2007, five BMCs had ratios of public sector debt-to-GDP of more than 100% – Antigua and Barbuda, Grenada, Guyana, Jamaica and St. Kitts and Nevis, all facing problems of fiscal and debt sustainability. Others, while not as heavily indebted, are substantially above the prudential norm of no more than 60% of GDP. These are Barbados, Belize, and, to a lesser extent, St. Vincent and the Grenadines.

2.27 With limited access to concessional resources, the Caribbean region in the late 1990s began to participate in a rapid acceleration in global financial activity in emerging markets. Increased availability of financial resources through the market, however, exposed new vulnerabilities. The shift to commercial debt, together with an increased debt stock, meant that interest and amortisation payments quickly became onerous. As debt repayments increased, so did the pressure for increased borrowing. At the end of 2003, 15 Caribbean countries were among the most indebted in the world. Six countries were also the most severely indebted. These were Antigua and Barbuda, Belize, Dominica, Grenada, Jamaica and St. Kitts and Nevis, with a public sector debt-to-GDP ratio of more than 90%.

2.28 The ballooning of the debt stock was the outcome of inexperience and a lack of institutional mechanisms and skills to evaluate the terms of loans. The fiscal and debt outcomes underscore the institutional inadequacies with respect to fiscal and debt management that, unless addressed, will continue

to limit beneficial participation in those markets and compromise the ability of governments to reduce poverty levels.

Risks and Opportunities

2.29 Given the openness of Caribbean economies, they will continue to be vulnerable to terms of trade and other shocks from the external environment. The current international environment with high oil and food prices, unstable financial markets, and an economic downturn in major developed countries, presents significant challenges. With the expectation of lower export levels for both goods and services and reduced growth and employment, the impact on the indigent, poor and vulnerable can be severe.

2.30 The current global financial and economic crisis has underlined the seriousness of the challenges to the world economy and the anticipated shocks being experienced by almost all economies, which can be expected to severely impact open and vulnerable economies in the Caribbean.

2.31 A related problem for the Bank's BMCs is the upward trend in inflation. Estimates of inflation in the Caribbean during 2003 to 2007 indicate that in a significant number of countries, inflation is increasing, with the average inflation rate rising from 4% to 5% over the period. Rising oil and food prices accounting for 50% or more of the rise in prices. Inflation over the period averaged as high as 19% in Haiti, 11.3% in Jamaica and 7.7% in Guyana.

2.32 Rising food prices remain of major concern, given the impact on the poor, who must make further adjustments in their consumption pattern and nutrition intake. The balance of payments impact is also significant. Regional food imports, including for Haiti and Suriname, amount annually to more than \$2 bn. In 2004, the estimate was \$2.2 bn. Between 1994 and 2004, regional food imports grew in real terms by 2.4% per annum. In at least six countries, food dependence, defined by the ratio of food imports to consumption in volume terms, is already close to or more than 80%.

2.33 Increasing raw material demand, related to strong economic growth in East Asia, China and India will continue to benefit regional producers of mining products. At the same time, countries dependent on energy imports will find themselves vulnerable to oil shocks, requiring the implementation of energy conservation initiatives, development of alternative sources of energy and further oil exploration.

2.34 While trade liberalisation has presented major challenges, there are also opportunities. One is the possibility of increased exports, given the dynamism of the trade environment. During 1990 to 2005, growth in world trade volume averaged 6.5%, significantly faster than growth in economic activity. While major regional commodity exports have so far been impacted negatively by trade liberalisation, the opportunity exists, with adequate resource inflows and appropriate trade and other economic policies, to benefit substantially from a general freeing up of trade.

BOX 1: IMPACT OF THE GLOBAL ECONOMIC CRISIS ON THE CARIBBEAN

The current global crisis is expected to impact both the financial system and the real economy in the Caribbean.

In the **financial system**, there is likely to be a deterioration of asset quality and reduction in liquidity. Tighter global borrowing conditions could squeeze domestic liquidity and raise domestic interest rates. Trade credit lines may be withdrawn and demand for credit lines may arise from purchasers of Caribbean exports. Spreads on internationally traded sovereign borrowing will rise and this will increase roll-over risks.

In the **real economy**, recession in major trading partners will likely result in:

- Lower tourism receipts
- Lower remittances
- Lower FDI and other private capital
- Lower commodity prices

These impacts will translate into lower rates of economic growth and increased balance of payment pressures. The significance of such impacts will depend on the depth and length of the recession. CDB will need, along with other development partners, to increase support for fiscal and debt management and infrastructure development to enhance economic growth and social protection programmes in order to mitigate impacts on vulnerable groups.

2.35 The challenge lies in the identification and exploitation of new trading opportunities. This assumes a capacity to respond effectively to such opportunities. For small island states, export opportunities are likely to be mainly in the service sector, which has shown greater dynamism than merchandise trade. Trade liberalisation also allows a wider array of choices in the trading arena, potentially reducing two of the vulnerabilities of small states – product and market concentration. Remoteness, and its implications for the Region’s competitiveness, is being reduced by the increase in communications efficiency. High transport costs of cargo, however, remain a constraining factor for continued reliance on high volume commodity exports, suggesting that the Caribbean has to change its trading strategy towards export services and lighter, higher value-added products.

2.36 The Caribbean Single Market and Economy (CSME) is an important part of the Community’s response to the challenges of trade liberalisation and globalisation. The single market came into effect in 2006, with the steps necessary to establish a single economy as the next step. Much will depend on how the various issues are addressed and within what time frame.

2.37 *Contributors recognised* these key economic factors and challenges as important elements underlying the need for an increased role for SDF and the Bank in the period ahead.

2.5 Comparative Advantage and the Role of SDF in the Caribbean Aid Architecture

2.38 The comparative advantage of SDF and the Bank, and their role in the aid architecture for the Caribbean, are key factors to which *Contributors attached major importance* in assessing the scope and scale, as well as the focus and special role of SDF 7.

2.39 *Comparative advantage* is a function of the experience and capacities of the Bank and SDF, as well as the Bank’s relationships with BMCs and with other development partners. *Contributors recognised* that an important element in CDB’s comparative advantage continued to be its close relationship with BMCs and its understanding of the problems and dynamics of the Region, easy access of Bank personnel to policymakers and administrators as well as the institutions of civil society, the ownership and confidence that BMC governments have in their own regional institution, and the Bank’s physical location in the Region and proximity to most of the BMCs. The challenge lies in extending this comparative advantage to the new circumstances of an expanded membership with different traditions, language and institutional experience. *Contributors agreed* that additional support and strengthening of the Bank’s administrative and human resources will be required for this purpose.

2.40 The Bank has a recognised comparative advantage in its substantially lower costs for the appraisal and supervision of projects of the size that characterise the economies of the Caribbean.⁶ It also undertakes grant and loan TA, public sector lending and private sector operations within a single organisation, and can take advantage of various synergies. Its exclusive focus on the Caribbean and closeness to its BMCs gives it a special role in relation to regional cooperation and integration (RCI) and to the strengthening of governance and the institutions of civil society, as well as a high acceptability as a partner in poverty reduction at the national level.

2.41 The multinational nature of CDB’s partnerships, together with its non-regional and regional non-borrowing shareholders, has allowed the Bank to develop relationships and networks through which it can mobilise expertise to deliver assistance, even where it does not itself have such expertise.

2.42 The Bank has gained substantial experience over more than 20 years in the design and delivery of community-based programmes targeted to the poor, as well as in a range of programming of direct relevance to the poor, including rural development, basic housing, early childhood education, environmental planning, strengthening of small- and medium-size private business enterprises, and small-scale credit. Considerable work has been done by the Bank on the policy and institutional elements that are essential for strengthening pro-poor governance, including preparation of critically important CPA and development of National Poverty Reduction Strategies (NPRSs).

2.43 The Bank’s particular experience in working with its BMCs extends to institutional strengthening of development finance companies, the strengthening of the operational and technical capacities of public utilities, and economic and fiscal management, programme delivery and institutional strengthening, as well as in economic infrastructure projects.

2.44 CDB has worked closely with many other development agencies, and has longstanding partnership relationships with the Inter-American Development Bank (IDB), World Bank, United Nations Development Programme, International Fund for Agricultural Development, Pan American Health Organisation, Food and Agriculture Organisation of the United Nations, the Organisation of American States and the Commonwealth Fund for Technical Cooperation, as well as the Canadian International Development Agency, U.K. Department for International Development, United States Agency for International Development and other bilateral development agencies. It has played a partner and work-sharing role in various coordination, harmonisation and alignment efforts, including in the social sectors, where a large number of donors are active.

2.45 The Bank has longstanding and mutually supportive relationships with other Caribbean institutions and agencies, including those of the CARICOM and the Organisation of Eastern Caribbean. It played a major role in facilitating the establishment of the Caribbean Court of Justice, which is an essential element of the CSME. CDB is also an important partner of agencies such as the Caribbean Centre for Technical Assistance and the Caribbean Regional Negotiating Machinery.

2.46 The role of the Bank and SDF in the *aid architecture for the Caribbean*⁷ follows from these comparative advantages. *Contributors recognised* the Bank as the most important regional development institution in the Caribbean, with a broad development mandate, and well-placed as a focal point for dialogue, intermediation and extended partnerships on behalf of the BMCs, and for the strengthening of regional ownership of development programmes. *BMC Contributors in particular underlined* the importance of the leadership role of the Bank in assisting BMCs to meet the critical challenges they are currently facing.

2.47 The sense of ownership is expressed, in the context of SDF, by the significant contributions that all of the BMCs, even the most disadvantaged, have made to successive replenishments of the Fund. It was also reflected in the role the Bank had been able to play in initiating and supporting BMCs in the identification of a CMDG framework, a role that *Contributors welcomed*, and *encouraged* the Bank to continue.

2.48 Although a partnership of countries from within and outside the Region, the Bank is also an important instrument of South-South cooperation, and the work of the Bank and SDF includes “triangular cooperation”⁸, particularly in TA operations financed by SDF, and in managing additional contributions from other donors to programmes such as BNTF.

2.49 *Contributors encouraged* the Bank to extend its role as a participant on behalf of the BMCs and the CARICOM in the International Dialogue on Aid Effectiveness, and noted that it had participated in the recent Accra High Level Meeting. *Contributors also welcomed* the role that CDB was playing, jointly with the IDB, in assisting BMCs to engage in and apply MfDR, which is a key element in addressing both the MDGs and the implementation of the Paris Declaration on Aid Effectiveness.

2.50 Development partners in the Region tend to cluster their support around a small number of broad themes such as education, social development, HIV/AIDS, financial management and public sector management and modernisation. While development partners may be operating under the same broad themes, however, this does not mean there is duplication, as they often focus on different countries or different aspects of the problem. At the same time, the limited degree of collaboration prevents the effective exploitation of synergies and constructing integrated activity frameworks. Within the areas of concentration, questions arise about the coherence of development partner programmes taken as a whole. There is concern that the activities are too fragmented, spread too thinly and cover too few countries.

RESOLUTION OF CONTRIBUTORS TO SDF 7
SCHEDULE 3 – REPORT AND CONCLUSIONS OF NEGOTIATIONS FOR SDF 7

2.51 *Contributors also encouraged* the Bank to renew its role in aid coordination and collaboration as an instrument of alignment and harmonisation and reducing the transaction costs in the development assistance relationship, including in local aid coordination at the country and sector level. More broadly, *Contributors agreed* that regional and sub-regional institutions such as the Bank had a comparative advantage in establishing strong partnerships, reflecting regional, cultural, linguistic and historical ties.⁹ In this way, the Bank, with the essential support of SDF, has a special role to play in overcoming some of the complexities in the aid architecture for the Caribbean, and the transaction costs of a large number of aid channels and the fragmentation of donor-funded activities.¹⁰

3. OPERATIONAL STRATEGY FOR SDF 7

3.1 Targeting Strategic Themes and Objectives

3.01 *Contributors and the Bank agreed on an operational strategy for SDF 7 that would target selected strategic themes within the framework of the MDGs and the CMDG Targets. The strategy is consistent with the Bank’s Strategic Plan 2005-2009 and the expected framework of the new Strategic Plan, envisaged to be in place by the end of 2009. It reflects the regional economic and social environment, the impact of the global environment, and the economic transition facing the BMCs, as well as lessons learned from SDF operations to date.*

3.02 The objectives and priorities for SDF 7 will be developed within four overall strategic themes:

- *Strengthening poverty reduction and human development;*
- *Supporting environmental sustainability and advancing the climate change agenda;*
- *Supporting regional cooperation and regional integration;* and
- *Enhancing development effectiveness.*

3.03 The first three themes are both programming areas and cross-cutting issues, with poverty reduction as an overarching theme, consistent with the Bank’s mission statement. These operational themes build on the policy framework and experience of successive SDF replenishment cycles. They will extend and deepen the efforts under SDF 5 and SDF 6 to plan, target and monitor SDF operations in a CMDG framework.

3.04 *Contributors recognised that SDF 7 would be the last full SDF cycle before the critical MDG target year of 2015, and agreed that SDF and the Bank needed to step up efforts to assist BMCs in accelerating progress toward the CMDG targets for poverty reduction and human development. Contributors also welcomed the increased emphasis for SDF 7 on environmental sustainability and climate change mitigation and adaptation under MDG 7.*

3.05 *Contributors recognised the importance in the Caribbean context of MDG 8 on strengthening partnership for development, including addressing the special needs of LDCs and SIDS. Support for regional cooperation and integration within CARICOM is a key element of MDG 8 in the Caribbean, and will receive increased attention in SDF 7, as will support for the Bank’s newest BMC, which is a major LDC and a fragile state.*

3.06 *Contributors and the Bank also agreed that **gender equality** and MDG 3 would be a principal cross-cutting theme in SDF 7 and would be further mainstreamed in the Bank’s operations.*

3.07 The fourth strategic theme reflects the commitment of the international development community to increase the effectiveness with which development resources are used, and to do so in the context of the Paris Declaration of May 2005 and the Agenda for Action, issued by the Accra HLM in September 2008. This includes a commitment to monitoring and measuring results, with a further strengthening of the Bank’s work on MfDR, as well as to strengthening partnerships, harmonisation and alignment, as these are defined in the international community of practice that has been developed since the High Level Meetings in Rome in 2003 and Paris in 2005. It includes a priority for the Bank’s internal reform agenda and further strengthening of its human resource and institutional capacity, as discussed in Chapter 4.

3.08 *Contributors supported the Bank’s intention, in planning and implementing SDF 7, to draw heavily on lessons learned, as identified in recent evaluations of SDF operations, including the Multi-Cycle Evaluation of SDF and the evaluation of the Bank’s TA operations, both of which have recently been completed, as well as in the Bank’s own analysis submitted to Contributors during their consideration of SDF 7.*

3.09 Contributors laid particular emphasis on the importance of *focusing on selected priorities* within the new strategic framework, and of *targeting, monitoring and reporting on key results*. Contributors also stressed the importance of continuing to *strengthen the Bank’s capacity* to undertake the approved level of operations in an effective and timely manner, including further steps in the Bank’s *institutional reform agenda*.

3.10 Contributors agreed with the Bank’s intention to target the three operational themes, with poverty reduction as an overarching theme, through *four strategic objectives* and a limited number of *core priorities or sectors*, in which the Bank has strong experience and would expect to be a leading provider of assistance. As a cross-cutting theme, gender equality would be reflected across the strategic objectives.

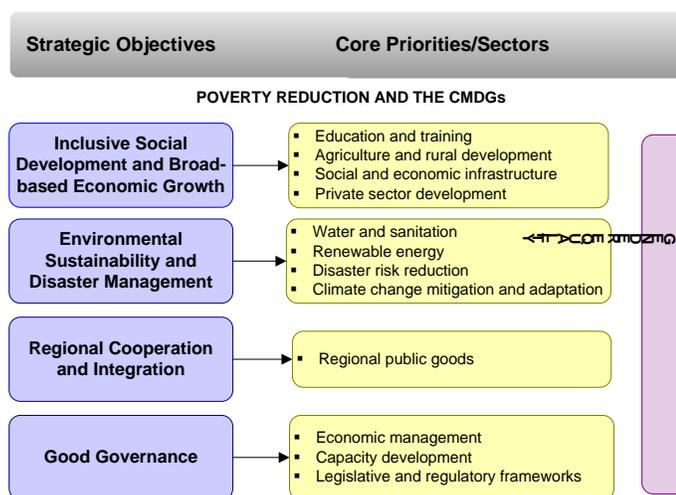
3.11 The objectives and core priorities would be implemented through the use of appropriate modalities, according to country circumstances, available capacity and resource availability.

3.12 In the case of *Inclusive Social Development and Broad-based Economic Growth*, the Bank’s flagship direct poverty reduction programme, the BNTF, will be a principal modality, with increased resources to strengthen outcomes and capture economies of scale in the administrative infrastructure already set up for BNTF.

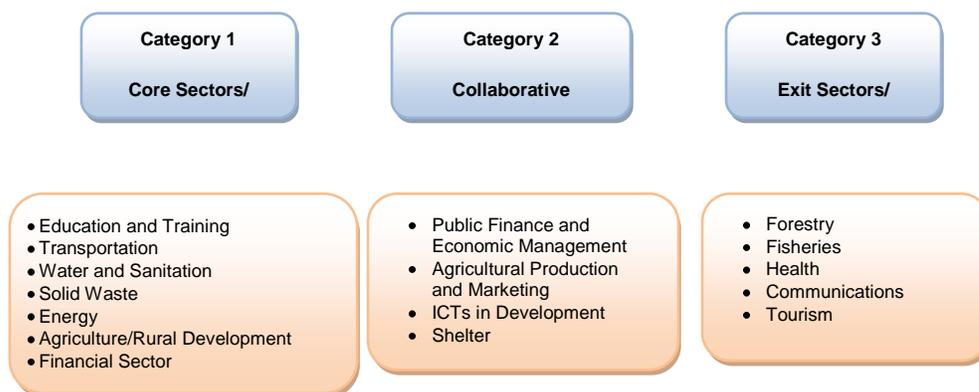
3.13 Contributors also recognised that the Bank had experience and expertise in certain other sectors, such as shelter, but where it would not seek to be a leading provider of assistance, depending on country or regional circumstances, it might engage as part of a collaborative effort.

3.14 There are, however, several sectors in which the Bank would not expect to develop or maintain capacity, and where it would disengage. These include forestry, fisheries, health, communications, and tourism, all of which are important to BMCs, but where other agencies have the necessary capability and experience.

BOX 2: STRATEGIC OBJECTIVES AND CORE PRIORITIES



BOX 3: SELECTIVITY AND OPERATIONAL SECTORS



3.15 For each of the three strategic themes the Bank will prepare an operationally-oriented results framework that sets out expected outputs and intended outcomes in terms of the relevant MDGs and CMDG Targets. Each thematic results framework will in turn provide a basis for the selection of a smaller number of performance measures that will be reported together with the Bank’s overall RMF, as discussed in Chapter 4. Examples for each thematic results framework are shown in Appendix D. The thematic results frameworks will be developed further in the context of SDF 7 country programme planning.

3.2 Poverty Reduction and Human Development

3.16 *Contributors strongly endorsed* the role of SDF, including the important work of the BNTF, in addressing poverty reduction in its many aspects, and *it was agreed* that there should be an increased effort during SDF 7 to accelerate progress towards the poverty reduction and human development MDGs, with a focus on areas where the Bank had experience and capacity. *Contributors recognised* the need, given escalating food prices, for this to include renewed emphasis on agricultural development and improving the contribution of the agricultural sector to the economies of BMCs.

3.17 *Contributors agreed* that the reduction of poverty should be at the core of the work of SDF and the Bank, *and supported* the continued use of the strategic levers of the Bank’s poverty reduction strategy – Capability Enhancement, Vulnerability Reduction and Good Governance. *Contributors urged*, however, that in selecting particular modalities an effort should be made to focus on areas of comparative advantage within the Bank’s capacities.

3.18 *Contributors supported* an emphasis on increasing broad-based economic growth as an integral part of making possible a sustained reduction in poverty and vulnerability to poverty. Economic growth was a powerful vehicle for reducing poverty, but growth needed to be broad-based and inclusive to ensure that poor and vulnerable sections of society are not left behind.

3.19 *Contributors welcomed* the progress and achievements to date in SDF operations in Haiti, which was a major LDC and part of the focus of MDG 8 as well as MDG 1. *They congratulated* the Bank and Haiti on a constructive engagement. *It was agreed* that these achievements should be built on, with a scaling up of the role of SDF as part of a cooperative partnership to address the special needs of the Bank’s newest BMC as a least developed country and a fragile state; recognising, however, the importance of selectivity and focus within the capacity that the Bank was developing for operations in that country. *Contributors also suggested* that consideration be given, as appropriate, to supporting community-oriented BNTF-like activities in Haiti, and to working with non-governmental organisations.

3.20 *Contributors and the Bank agreed* that addressing issues of poverty requires action to:

- Promote the economic opportunities and productive capabilities of the poor through measures to improve the livelihood of poor people;

BOX 4: PROGRAMMING IN HAITI

An important part of SDF programming in support of poverty reduction and human development will be in respect of the Bank’s newest and largest BMC. SDF interventions in Haiti will be guided by the country’s development priorities, interventions of development partners, and the Bank’s own capacities and strengths. These considerations suggest that early SDF interventions should be directed to the design, appraisal and supervision of small and medium-sized social and economic infrastructure and education projects, institutional strengthening and capacity-building of public sector institutions, and community-based poverty reduction projects, particularly improvement of water, sanitation and agriculture.

Efforts to support Haiti will involve close collaboration with development partners, increasing field presence and building on lessons learned. Instruments and modalities will need to be flexible and adapted to the realities of the Haitian environment. The Bank has developed an initial strategy and programme along these lines, and expects to complete a country partnership strategy paper in 2009.

- Target vulnerabilities that affect the poor, or those at risk of becoming poor, resulting from events such as economic shocks and natural disasters;
- Facilitate the development of the private sector by supporting an enabling environment and contributing to financial sector development; and
- Promote good governance, by:
 - improving access to, and delivery of, services that benefit the poor and vulnerable;
 - promoting sound policy and equitable resource allocation, i.e. sound macro-economic management; and
 - encouraging increased stakeholder participation in decision-making processes and in policy, programme and project implementation.

3.21 These issues will be addressed through the four strategic objectives and a limited number of core priorities or sectors, which may also support other operational themes. Specific modalities will be selected according to particular country circumstances, resources available and the Bank's capacities.

3.3 Environmental Sustainability and the Climate Change Agenda

3.22 *Contributors underlined* the importance of support for environmental sustainability, *and welcomed* the Bank's commitment to give a high priority to the climate change agenda. *They encouraged* the Bank to play a stronger role in assisting BMCs to address MDG 7, including with respect to innovative funding mechanisms for climate change mitigation and adaptation. *Contributors also underlined* the need to ensure that disaster risk reduction and climate change adaptation are well coordinated.

3.23 *Contributors and the Bank agreed* that the operational strategy on environmental sustainability and climate change should assist BMCs to design and implement interventions that:

- widen the options for sustaining the livelihoods of the poor and vulnerable through improved protection and sustainable management of natural resources;
- improve coverage of the population with access to improved water and sanitation services to reduce pollution and improve the health and productivity of the poor;
- reduce BMCs' vulnerability to natural hazards and improve resilience and adaptation to climate change; and
- strengthen the capacities of regional and national institutions for improved environmental and natural resource management.

3.24 Criteria for selecting SDF 7 interventions should be the extent to which they:

- provide opportunities for beneficial impacts for the poor and vulnerable;
- contribute to BMC environmental priorities;

- offer opportunities to improve environmental benefits and natural resource management where CDB has experience, credibility and comparative advantage; and
- afford synergies with other areas of the Bank’s operations and those of development partners.

3.25 The most vulnerable group likely to be impacted by climate change are the poor, and targeted measures to build community resilience to climate change need to be implemented, together with the BNTF and other programmes. Support will be provided for regional institutions to strengthen and advance the Caribbean knowledge base on climate change and to monitor adaptation measures. Access for BMCs to innovative climate change funding mechanisms will also be needed.

3.26 Climate change mitigation and adaptation will be a core priority for SDF 7. There are two principal challenges to be addressed – to stop and reverse greenhouse gas concentrations in the atmosphere, referred to as mitigation – and to address ways in which society can live with the degree of global warming that cannot be stopped, referred to as adaptation. Adaptation to climate change is a priority for ensuring the longer-term effectiveness of investments in poverty reduction and sustainable development. Proposed interventions will focus on integrating climate change adaptation into sustainable development and poverty reduction strategies.

3.27 Support would be provided for:

- preparation and adoption by BMCs of national climate change adaptation policies;
- mainstreaming climate change adaptation into sectoral policies, strategies and plans;
- building community resilience to adapt to climate change;
- supporting regional institutions to monitor climate change adaptation and conducting research into climate change modelling and predictions; and
- supporting BMCs in accessing innovative climate change funding mechanisms.

3.4 Regional Cooperation and Integration

3.28 *Contributors recognised* that the BMCs had entered a critical phase of the integration process, with the implementation of the CSME, which will determine how well the objectives set out in the Revised Treaty of Chaguaramas are achieved. It remains to be seen whether the convergent forces are strong enough, with development partner support, to overcome the fears that accompany the subsuming of individual sovereignty into a larger, more responsive entity, better able to cope with the demands of the new global reality.

3.29 *Contributors endorsed* support for regional integration as a key priority for the Bank, with a potential lead role in selected areas, *and welcomed* the Bank’s work in further defining a targeted and realistic role for both SDF and the Bank. *They also encouraged* the Bank to play an important “convening” role, as a coordinator, bringing together the different actors and partners in the Region.

3.30 *Contributors agreed* that the Bank should focus its interventions on developing common structures and processes in BMCs, based on best practice. Support for regional public goods (RPGs), including trans-national public goods (TPGs) and national or sub-regional public goods, should be the core priority in the Bank’s support for regional cooperation and integration.

3.31 Several considerations enter into selecting interventions in support of Regional Cooperation and Integration (RCI). Among these are urgency, development impact, transnational externalities, building block effect, transferability of practice, gaps in development partners' programmes, and potential for follow-up investment.

3.32 Priorities will also be influenced by other considerations, including:

- the level of resources available, including the possibility of leveraging the Bank's such resources with those of development partners;
- CDB's role as leader or supporter in promoting regional cooperation and integration;
- opportunities for outsourcing to supplement internal Bank capacities;
- the possibility of linking TA to investment lending;
- the feasibility of shifting to activity-driven, priority-based support for regional cooperation and integration;
- the need to rationalise and strengthen the financing of regional institutions; and
- the importance of innovative legal regimes for doing business in a single economy.

3.33 *Contributors and the Bank agreed* that an operational programme should be developed within this framework according to the resources available under SDF 7 and other resources that may be available from SDF Contributors and other partners. The framework primarily addresses areas where TA should be focused. In addition, there may be complementary capital investment opportunities, particularly for RPGs, where Bank support will need to be determined according to the circumstances and available resources.

3.34 *Contributors supported* the priority for regional cooperation and integration, including the critical importance of a focal point within the Bank to develop and coordinate a programme under this theme and undertake further work in areas such as RPGs. *They also recognised* that support for regional integration would need to rely not only on expertise available within the Bank, but also on outsourcing to other institutions, research centers, consulting firms and consortia, as well as individual consultants.

3.35 *Contributors also supported* the Bank's intention to consult with its partners with a view to establishing a Development Partners' Coordination Group, as a contribution to the Paris and Accra objectives of increased harmonisation and alignment of development assistance.

3.5 Cross-cutting Issues

3.36 Contributors and the Bank agreed that a major cross-cutting theme for SDF 7 will be improving **gender equality**, which stands on its own merits as a development objective, and addresses MDG 3 and the corresponding CMDG Targets. A key rationale for addressing gender equality in the Bank's programming is the link between gender inequality and poverty in both rural and urban contexts. *Contributors welcomed* the recognition, in the planning for SDF 7, of the importance of developing and institutionalising explicit gender policies, strategies and action plans. The Bank's gender policy and implementation framework was based on its overall strategic objectives and the poverty reduction and governance strategies. The framework incorporates a results-based approach and will establish links between overall programming and gender equality. Core issues include:

- Analysis of the economic and social dimensions of gender issues and integration into all CDB policies, programmes and projects;
- Addressing gender-related outcomes in policies and programmes of BMCs; over the longer-term, this will support sustainable development and good governance, and reduce poverty and vulnerability; and
- Developing approaches to gender equality through partnerships between women and men, thereby supporting both women’s empowerment and men’s inclusion.

3.37 The Bank will continue to utilise strategic entry points for integrating gender issues into existing processes, but will be more systematic in how gender equality issues are mainstreamed. To strengthen the policy dialogue with BMCs on economic management and to assist the Bank in the use of its investment resources, a framework of actions is being developed to improve analytic and sector work as well as the design of projects for greater responsiveness to development needs related to gender equality.

3.38 The commitment of the Senior Management Group as champions for gender equality, the development of a Gender Policy, and addressing issues of internal capacity by equipping Bank staff with gender analysis capability are the starting point, on which good progress has been made. The Bank will also draw on external gender expertise to support loan and sector operations, and will need to commit resources to complement country processes for reliable social and gender statistics to identify gender gaps and inequalities, as well as provide support for BMC policy formulation.

3.39 The Bank will also explore the potential for working with partners in collaborative sector work, gender research and specific areas of programming. Coordination with the Bank’s partners will seek to ensure consistency of approaches and to report on good practice in gender mainstreaming.

3.40 Capacity limitations in BMCs were a major weakness. *Contributors underlined* that the SDF-financed technical assistance programme would be critical to helping BMCs meet the MDGs. *They also underscored* the need for a particular focus on **capacity development**, which should be a core priority under **good governance**.

3.41 *Contributors and the Bank agreed* that resources allocated for institutional strengthening and capacity building should be carefully targeted for maximum results, and that the Bank indicated that it recognised the need to strengthen its TA work, with greater emphasis on strategic direction, and increased attention to quality at entry, project supervision, and results monitoring and reporting.

4. DEVELOPMENT EFFECTIVENESS AND MANAGING FOR RESULTS

4.01 *Contributors and the Bank agreed* that further strengthening of development effectiveness should be one of the strategic themes for SDF 7, building on and extending achievements to date, including the Results Agenda that has been a feature of SDF 6.

4.02 Development effectiveness — the extent to which the policies and programmes of developing countries contribute to the achievement of important social and economic outcomes, and the extent to which external partners help to achieve those outcomes — has long been the objective in the development assistance relationship. It has also been increasingly recognised that addressing development priorities at the country level requires a long-term and holistic strategy, to which a range of different actions can contribute, as well as country ownership of that strategy and a country-led partnership with agencies supporting a country’s development efforts.

4.03 This integrated approach has been strengthened since the MDGs were adopted by the world community, beginning with the Monterey Conference in 2002, followed by High-Level Fora on Aid Effectiveness in 2003, 2005 and September 2008. Emphasis has also been given to **results** as a critical element in development effectiveness. This includes an emphasis on identifying intended development outcomes and on measuring, monitoring and managing for results, particularly in terms of the MDGs.

4.04 The Paris Declaration in 2005 set out a series of inter-related commitments by developing countries and development assistance agencies, including the MDBs. These were structured in terms of five core objectives – *Ownership, Alignment, Harmonisation, MfDR* and *Mutual Accountability*. The most recent High Level Forum (HLF), held in Accra, reviewed progress on the commitments made at the Paris HLF and agreed that, while progress had been made, this was not sufficient to meet the targets agreed in Paris. The Agenda for Action issued in Accra^d sets out commitments to accelerate and deepen implementation of the Paris Declaration. These involve steps to:

- ***Strengthen country ownership over development;***
- ***Build more effective and inclusive partnerships; and***
- ***Deliver and account for development results.***

4.05 The Bank’s participation in the Accra HLF was *welcomed by Contributors*, who endorsed the steps the Bank had outlined to build on the work during SDF 6 and address various aspects of the Accra Agenda for Action. *Contributors attached importance* to all elements of the agenda that had been outlined by the Bank, *but laid particular emphasis* on the need to further strengthen the Bank’s results orientation and the framework for monitoring and reporting on results, as well as on the need to strengthen the capacity of the BMCs to lead and manage development and progress towards the MDGs.

4.06 *Contributors and the Bank agreed* that the core elements of the approach to enhancing development effectiveness during SDF 7 should be:

- Further development of ***the Bank’s MfDR or Results Agenda;***
- Priority for the Bank’s ***institutional reform and capacity strengthening agenda;*** and
- Use of a ***results monitoring framework***, which would cover development outcomes in the framework of the MDGs, as well as institutional and operational performance measures and progress in relation to the Paris Declaration and the Accra Agenda for Action.

^d *Accra Agenda for Action*, September 4, 2008.

4.1 The MfDR Agenda

4.07 During SDF 6, the Bank has worked with an MfDR or Results Agenda structured in terms of three pillars – MfDR at the country and regional level, MfDR at the institutional or corporate level, and MfDR through partnerships, harmonisation and alignment. This structure has been similar to that of other MDBs, but has reflected priorities specific to CDB and its BMCs.

4.08 The structure has worked well, and has been reflected in the Bank's strategic planning and performance framework, although *Contributors and the Bank recognised* that further progress needed to be made to embed a results culture into the operations of the Bank. The objective for SDF 7 is to continue and build on the three-pillar structure, with additions and sharpening of focus, particularly in results-orientation and incentives for management by results, and to ensure appropriate integration of work under the three pillars.

Pillar 1: Country and Regional Level

4.09 *Contributors agreed* that the Bank's results agenda at the country and regional level should continue to be focused on measures that support the efforts of BMCs to strengthen MfDR and accelerate progress towards the MDGs and the CMDG targets, and *BMC Contributors laid particular emphasis* on the importance of capacity-building technical assistance.

4.10 The Bank will continue to work with development partners in strengthening BMC capacities in key areas and supporting poverty reduction initiatives, including CPAs and national poverty reduction strategies (NPRS).

4.11 In addition, SDF operational programmes will respond to the priorities identified for environmental sustainability, disaster mitigation and climate change, education and training, regional cooperation and integration, and gender equality.

4.12 *Contributors also encouraged* the Bank to continue its work on the development of a community of practice on MfDR to assist in building results management capacity in BMCs, an approach that had worked well in other regions.

Pillar 2: Institutional and Operational Level

4.13 *Contributors recognised* that significant progress had been made in applying key elements of MfDR at the institutional level, including results-based strategic planning and the work programme and budget framework. The milestones in the SDF 6 Action Plan under Pillar 2 have been largely met or put in train. In a number of cases, however, the measures continue to be a work in progress. There are also additional improvements needed to build a results culture within the Bank.

4.14 The MfDR agenda for SDF 7 will consolidate and carry forward achievements to date at the institutional level. A principal aspect of this is to strengthen and accelerate the country strategy process as the principal means of targeting and focusing programme interventions. Country Strategy Papers (CSP) will emphasise partnership with development partners and stakeholders, and will include a country-level results framework. *Contributors underlined the critical importance* of results-based country strategies and ensuring that a results framework is incorporated in all country strategies and projects, and that project completion reports are prepared systematically and report on project-level results. The Bank indicated that it was committed to having CSPs in place for all BMCs, if at all possible by the end of 2009, with a reinforced emphasis on targeting country-level results.

4.15 Work is underway to ensure an integrated approach to MfDR throughout the project cycle, and to provide for systematic assessment of the quality of key documentation at each of the principal stages of the cycle. The objective is to strengthen project quality and overall results achievement. Other initiatives cover strategic planning and priority setting for the period beginning in 2010, continued application of the

performance-based resource allocation system for SDF, post-project and programme evaluation in support of institutional learning and knowledge management, and ongoing staff capacity development.

Pillar 3: Partnerships, Harmonisation and Alignment

4.16 The objective of Pillar 3 is to strengthen the Bank’s participation and, as appropriate, leadership in building development partnerships, with increased ownership of development programmes by BMCs, alignment of donor assistance with BMC strategies and systems, and greater harmonisation of the activities of donor agencies.

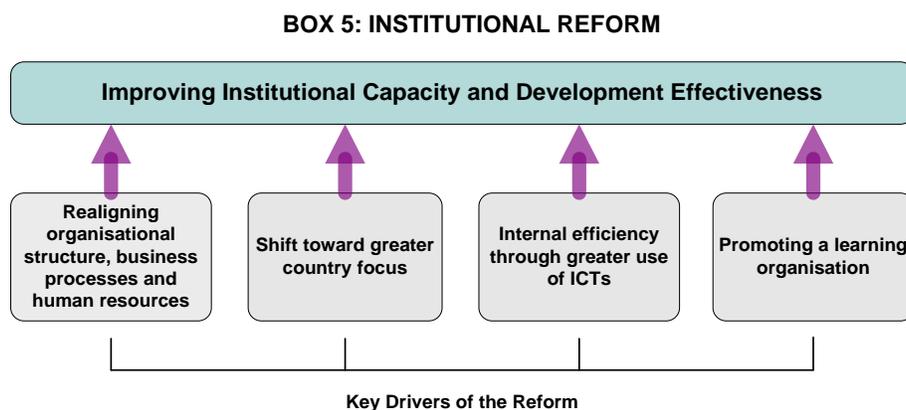
4.17 *Contributors supported* continued effort in this area, and *emphasised* that the Bank’s work in this respect would need to be further strengthened, particularly in areas identified in the Accra Agenda for Action from the Accra HLF as requiring additional attention. These include strengthening country ownership of operational poverty reduction and development strategies, identifying good practices on donor division of labour, further strengthening of country systems, applying lessons learned in capacity development, and assessing the experience of collaborative assistance strategies.

4.2 Reform Measures to Improve Institutional Capacity

4.18 *Contributors recognised* that the Bank had made considerable efforts to enhance its capacity and improve its effectiveness, and *noted that* substantial progress that had been made, including since the SDF 6 Mid-Term Review.

4.19 Since 2003, the Bank’s institutional reform agenda had focused on four areas:

- realignment of the Bank’s organisational structure and its business processes and human resources;
- promoting a shift toward greater client and country focus in its operations;
- greater use of information and communication technologies (ICTs) to drive internal efficiency; and
- promoting a learning organisation.



4.20 Progress has been made in each of these areas, with significant gains evident in terms of efficiency and capacity. Together with ongoing measures – such as implementation of the new human resources and recruitment strategies, completion of a new series of results-based country strategies, strengthened reporting on project performance and results, introduction of a comprehensive quality assurance system

for each stage of the project cycle, further strengthening of results-based management and a results culture within the Bank, implementation of the information technology business plan, improved systems to internalise lessons learned, and other measures to enhance the Bank as a learning organisation; the reform agenda was significantly strengthening the Bank's operational capacity and effectiveness.

4.21 *Contributors also noted* that the new recruitment and compensation policies had permitted a significant improvement in the Bank's professional staffing ratio, particularly in the operational departments, and that this had been a significant factor in the substantial improvement in programme implementation under SDF 6 since the Mid-Term Review. This provided a strong basis for undertaking the envisaged higher level of SDF operations under SDF 7.

4.22 In this respect, the Bank reported that all existing vacancies for operational personnel staff were expected to be filled by the third quarter of 2009, and that it had undertaken a systematic review of capacity issues in each operational area and identified the few remaining constraints, on which action had been or was being taken, such as in respect of an operational planning and coordination capacity for support for RCI, and the strengthening of capacity to support operations in Haiti and the envisaged increase in BNTF operations. *Contributors supported* these steps as necessary to complete the strengthening of capacity for SDF 7.

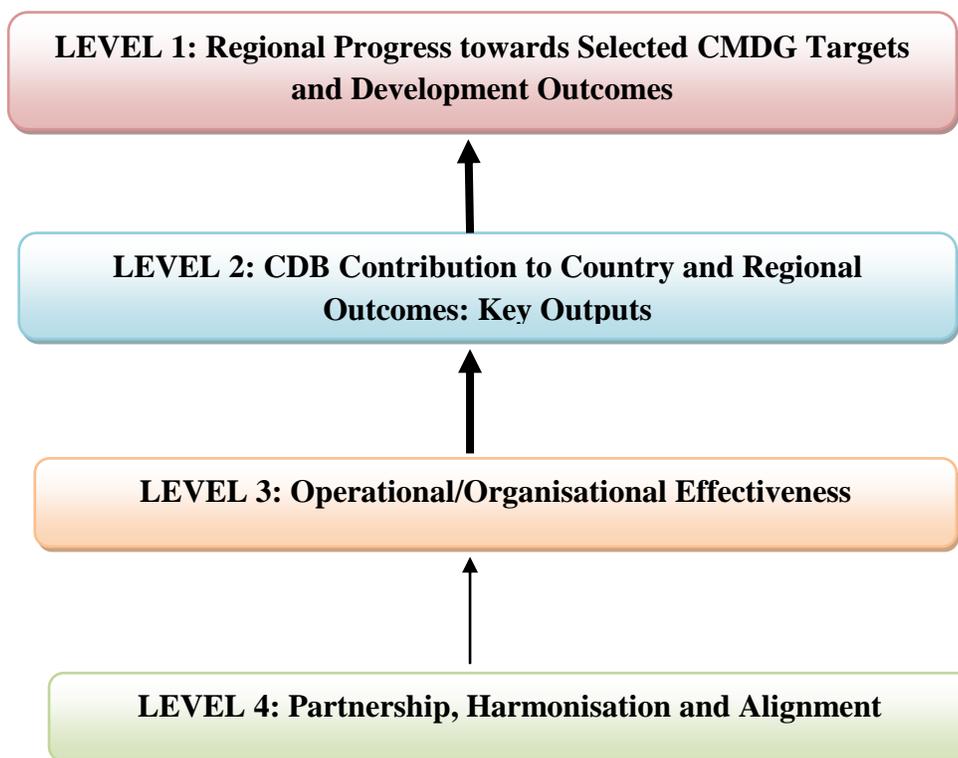
4.3 The SDF 7 Results Monitoring Framework

4.23 In the SDF 6 agreement, Contributors endorsed the use of a Caribbean MDG framework to assist in the development of results-based country strategies, the design of programmes and projects, and the monitoring of SDF operations.^e They also agreed that further work should be done on integration of the MDGs and Caribbean-specific targets as a framework for monitoring and assessment of SDF.

4.24 This further work on the CMDG targets and indicators has been undertaken during SDF 6, including support for strengthening statistical capacity in BMCs and a meeting of Caribbean statisticians in early 2008 to review the indicators used for tracking progress for the CMDGs. *Contributors and the Bank agreed* that the momentum of this work should be maintained and that the CMDGs should be used in an overall results monitoring framework for SDF 7 and in other elements of the Bank's monitoring, reporting and evaluation system. *Contributors agreed* that development of the Bank's Results Monitoring Framework (RMF) would continue in early 2009 for submission to Contributors for review and approval by March 2009. The RMF will consist of key indicators that are meaningful and useful for the Bank and SDF over the next four years, and will be reported as part of the mid-term review of SDF 7 and at the end of the replenishment cycle. The RMF indicators will be posted on the Bank's Intranet and will be used as an active tool of programme management by CDB staff, and as part of building a results culture within the Bank. While the RMF responds to the need for monitoring and reporting on the effectiveness of SDF 7, the indicators and targets are relevant to the whole of the Bank's operations and will assist in monitoring and management of performance under the new Strategic Plan to commence in 2010.

^e *Report of Contributors on SDF 6*, para. 2.05.

4.25 The RMF will assess results at four levels and these are set out as follows:



- The Bank’s RMF will be complemented by a separate, operationally-oriented results framework for each of the three programming themes for SDF 7. These are to be structured in terms of the relevant CMDG targets and will identify intended results for each programme area. They provide a basis for targeting, monitoring and assessing results at a structured operational programme level, and will attempt to identify results in terms of both outputs and, where possible, outcomes. Each thematic results framework will be further developed in the context of targeting individual country strategies.
- *Contributors welcomed* these different levels for the Bank’s results monitoring and reporting for SDF 7, and the intention that the results frameworks for the three operational themes would provide a selected set of indicators for overall Results Monitoring Framework (RMF). *Contributors emphasised* the importance of including in the RMF, where feasible, both baseline data and targets for intended results.

4.26 **Level 1: Progress toward CMDG Targets and Selected Development Outcomes:** The indicators for development outcomes at the country and regional level are related to a selected group of MDGs and CMDGs covering poverty levels, education and gender equality, environmental sustainability and the climate change agenda, and global and regional partnership for development. These outcomes, of course, cannot be attributed directly to the Bank’s interventions, but provide a framework for tracking the progress of countries in addressing the MDGs and CMDGs.

BOX 6:- LEVEL 1: REGIONAL PROGRESS TOWARDS SELECTED CMDG TARGETS AND DEVELOPMENT OUTCOMES

Indicators	Baseline Year	Baseline Value	Target (2015)
Poverty and Human Development			
1. Proportion of population below the poverty line (%). [‡]	2006	54	27
2. Proportion of population below the indigence line (%). [‡]	2006	35	17.5
3. Net enrolment in primary education (%).			
- Female	2006	94	95
- Male	2006	94	95
4. Net enrolment in secondary education (%).			
- Female	2006	73	80
- Male	2006	68	77
5. Ratio of girls to boys in:			
- Primary education	2006	1.0	1.0
- Secondary education	2006	1.06	1.02
6. Share of women in wage employment in the non-agricultural sector (%).	2005	85	n.y.a.
Environmental Sustainability and Climate Change			
7. Number of BMCs with National Environmental Strategies/Action Plans	2007	17	18
8. Number of BMCs with formalised Climate Change Response Strategies	2008	4	18
9. Proportion of population with access to a water source (%)			
- urban	2007	85	92.5
- rural		88	94
10. Proportion of population with access to sanitation, urban (%)			
- urban	2007	76	88
- rural		73	86.5
11. Proportion of alternative energy in total energy use (%)	2005	30	n.y.a.
Regional Cooperation and Integration			
12. Intra-regional trade as a percentage of total regional trade.	2006	11	13
13. Direct Investment of MDCs in LDCs (\$mn)	Avg. 1999-2003	66	100
14. Cross Listed Firms in relations to total firms on regional stock exchange (%)	2005	17	25

[‡]Values are averages weighted by population. Actual population data on which the averages are based may refer to different years between 1990 and 2006.

4.27 **Level 2: Contributions to Country and Regional Outcomes: Key Outputs:** The contributions that SDF and the Bank make to country and regional level outcomes are in the form of activities that lead to outputs, which in turn contribute to outcomes. The results matrix for each of the three operational themes provides a framework for identifying, targeting and monitoring both outputs and outcomes. A selection of some relevant indicators is also part of the overall RMF, as shown below.

BOX 7:- LEVEL 2: CDB/SDF CONTRIBUTIONS TO COUNTRY AND REGIONAL OUTCOMES: KEY OUTPUTS

Indicators	Outputs 2005- 2008	Programmed Outputs 2009-2012
1.Education and Training (at all levels)		
Class rooms built or upgraded (number)	1,026	868
Teachers Trained (number)	2,332	6,010
Students benefiting from above programme and support SLS, etc (number)	49,438	171,725
.....Persons benefiting from skills training activities(number)	16,670	33,580
2.Agriculture and Rural Development		
Land irrigated or improved through drainage, flood and irrigation works (hectares)	3,365	3,420
Area established using improved production technology (hectares)	4,356	0
Funds provided through specific agricultural & rural enterprise credit programmes (mn\$)	1.5	12.8
Beneficiaries of above programmes (number)	2,900	4,100
3.Social and Economic Infrastructure (not included in 1 & 2 above and 5 below)		
Primary roads built or upgraded (km)	128.4	82.5
Secondary and other roads built or upgraded (km)	1,402.6	362.5
Beneficiaries of road projects (number) †	81,298	51,500
Bridges Upgraded/ Constructed (Number)	13	6
Sea Defences/ Landslip Protection/ Urban Drainage (km)	8.2	34.5
Other Infrastructure (Air/Sea Port, Dock Facilities) – (Number)	2	3
Community infrastructure built/upgraded (number)	131	679
Beneficiaries of community infrastructure interventions (number)	118,745	342,000
Installed energy generation capacity(megawatts)	16.2	2.7
Number of beneficiaries of generation/distribution capacity	42,100	7,000
4.Private Sector Development		
Value of credit made available to the private sector (mn\$)	42	53
MSME's benefiting from credit (number)	283	325
.....Beneficiaries of mortgage programmes (number)	151	200
Number of CTCS and other TA interventions	338	350
Number of participants benefiting from CTCS and other TA interventions	2,660	2,750
5.Water and Sanitation†		
Installed water capacity (m ³)	110,771	33,270
Water supply lines installed or upgraded (km)	2,932	2,387
Households with access to water supply (number)	30,002	25,900
6.Disaster Risk Management (DRM)		
Interventions supporting DRM policies, strategies and action plans (number)	6	7
Interventions that contribute to DRM capacity building (number)	4	5
Community-based DRM interventions (number)	28	31
7.Climate Change Response (CCR)		
.....Interventions supporting policies, strategies and action plans for CCR (number)	2	5
.....Interventions supporting renewable energy initiatives (number)	0	4
Community-based climate change resilience building interventions (number)	0	4
Interventions supporting regional institutions in climate change monitoring and research (number)	1	3
8.Regional Public Goods		
Interventions supporting regional institutions (number)	18	23
Interventions supporting regional policy development (number)	16	20
9.Economic Management		
Value of resources approved for PBLs/PBGs (mn\$)	183	250
Interventions to support rigorous PSIP development (number)	11	13
10 Capacity Development		
Interventions to support public sector institutional strengthening (number)	15	21
Interventions supporting community-based management of the sustainable use of natural resources(number)	41	59

† The beneficiaries identified refer only to BNTF and Agricultural Projects. Economic Infrastructure did not collect this information. It is intended to remedy this situation going forward. The explanation for the reduced number of beneficiaries in the programmed outputs reflects the changing focus of BNTF.

4.28 **Level 3: Operational and Organisational Effectiveness.** The monitoring of operational and organisational effectiveness will focus on six areas: operational quality and portfolio performance, resource allocation and mobilisation, strategic focus, capacity utilisation, use of administrative budget resources, and business processes and practices. The indicators will be subject to review as the Bank gains experience with use of the RMF.

4.29 Operational quality and portfolio performance includes indicators focused on monitoring project and portfolio performance during implementation. As experience is gained, the metrics may be expanded to include other project quality indicators. The resource mobilisation and allocation indicators include use of the performance-based resource allocation system, disbursement performance, and the level of concessional resources made available to BMCs.

4.30 Strategic focus indicators will monitor key aspects of strategic programming as well as track the use of resources in terms of strategic objectives. Progress on implementation of measures to strengthen institutional capacity and to ensure the relevance of the organisation to its client base will be monitored through indicators grouped under capacity utilisation, use of administrative budget resources, and business processes and practices.

BOX 8:- LEVEL 3: OPERATIONAL/ORGANISATIONAL EFFECTIVENESS

Indicators	Baseline Year	Baseline Value	Target (2012)
Operational Quality and Portfolio Performance			
1. Portfolio performance rating for implementation (% satisfactory)	2007	96	98
2. Percentage of projects completed in past two years with Project Completion Reports.	2006-2007	0	100
3. Percentage of projects with supervision reports on PPMS.	2007	61	100
Resource Allocation and Utilisation			
4. Percentage of concessional resources allocated according to performance-based allocation system.	2005	61	70
5. Disbursement rate.	2007	28	35
6. Disbursement efficiency ratio.	2007	93	98
Strategic Focus			
7. Number of approved country strategies in use with results framework.	2008	2	18
8. Number of new or updated country poverty assessments for BMCs in past 5 years.	2004-2008	8	10
9. Proportion of financing supporting environmental sustainability and climate change %	2007	10	15-20
10. Proportion of financing supporting regional cooperation and development.	2007	4	6-8
11. Proportion of financing supporting gender equality.	2007	0	n.y.a.
12. Proportion of financing supporting private sector development.	2007	10	15
13. Number of BMCs receiving support for direct poverty reduction programming.	2007	11	11
Capacity Utilisation			
14. Percentage of budgeted Bank professional staff in operations departments.	2008	62.4	70
15. Ratio of professional staff to support staff.	2008	1.1:1	1.2:1
16. Representation of women in professional staff.	2008	30.1	40
17. Representation of women in middle and senior management positions.	2008	38.1	45
Use of Administrative Budget Resources			
18. Administrative expenses per \$mn as a % of loan project approvals (3 year average).	2005 -2007	13	14
19. Administrative expenses per \$mn as a % of loan project disbursements (3 year average).	2005 -2007	15	16
20. Administrative expenses per \$mn as a % loan projects under implementation (3 year average).	2005 -2007	2	2
Business Processes and Practices			
21. Average time from loan approval to first disbursement in public sector operations (months).	2007	18	12
22. Average loan processing time (months from appraisal mission to project approval) in public sector operations.	2007	6.7	5

4.31 **Level 4: Partnership, Harmonisation and Alignment.** Level 3 indicators will monitor key elements in the Paris Declaration and Accra Agenda for Action, and reflect a further development from those used in SDF 6. They are targeted at measures to strengthen country capacities and ownership of the development agenda, alignment with country priorities and systems, and use of common arrangements and procedures such as programme-based approaches (PBAs), sector-wide approaches (SWAs), or joint operations with other agencies.

BOX 9:– LEVEL 4: PARTNERSHIP, HARMONISATION AND ALIGNMENT

Indicators	Baseline Year	Baseline Value	Target (2012)
Ownership			
1. Number of BMCs with national development strategies	2007	15	18
2. Number of BMCs with poverty reduction strategies.	2007	8	18
3. Number of BMCs with CPAs.	2007	17	18
Harmonisation			
4. Percentage of CDB country strategies with explicit consideration of other agencies' programming.	2007	100	100
5. Percentage of interventions using common arrangements or procedures.	2007	21	35
Alignment			
6. Percentage of capacity development support provided through coordinated programmes.	2005-2008	35	45
7. Percentage of financial support using BMC procurement systems that either (a) adhere to broadly accepted good practices, or (b) have a reform programme in place to achieve these.	2008	25	35
8. Number of joint monitoring missions	2008	7	8

4.32 *Contributors supported* the Bank's approach to the development of an overall results monitoring framework, *and emphasised the importance* of the RMF in reporting on progress and performance. *They also welcomed* the Bank's intention that the contribution of SDF projects and programmes to intended outcomes, and particularly country-level outcomes, would be reported together with the RMF. The RMF will be refined and completed in the coming weeks.

4.4 The Mid-Term Review

4.33 *Contributors agreed* that there would be a Mid-Term Review of SDF 7, and that this should take place in late 2010. The objective of the Mid-Term Review will be to assess progress on the implementation of SDF 7 and the results as reported by the overall SDF 7 RMF, as well as the results frameworks for the operational programme themes. *They indicated their expectation* that this would include an assessment of the contribution being made by SDF 7 to development outcomes at country and regional level, particularly in terms of the MDGs and the CMDG Targets for 2015.

4.34 *Contributors also agreed* that the Annual Meetings of SDF Contributors should be used for an interim review of progress to date and the RMF, so as to provide an opportunity for Contributors to maintain a closer relationship with SDF 7 implementation and provide for any appropriate mid-course adjustments.

4.35 *Contributors requested the Bank to report* to the Mid-Term Review meeting on progress with respect to the SDF 7 Implementation Plan and the strategic priorities on which Contributors and the Bank have agreed, including:

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- (a) progress with respect to supporting BMCs in accelerating progress toward the MDGs and CMDG targets, including poverty reduction and human development, environmental sustainability and the climate change agenda, and gender equality;
- (b) progress with respect to BNTF 6, as the flagship programme for targeted poverty reduction and inclusive social and economic development;
- (c) progress and challenges in operationalising a more strategic approach to support for RCI, and to capacity-building TA;
- (d) progress and challenges in respect of the operational programme for Haiti and its special needs as a LDC and a fragile state;
- (e) stocktaking of the Bank’s reform agenda, as an integral part of further strengthening institutional effectiveness, and other capacity-related issues;
- (f) progress in terms of the performance measures in the SDF 7 RMF and the results frameworks for the operational programming themes, including an assessment of the results reported;
- (g) resource availability and commitment authority for SDF 7 at mid-term, and the application of the SDF resource allocation system; and
- (h) such other relevant issues as may arise or be requested by Contributors through the Board of Directors, which is expected to play a role in preparing the agenda for the Mid-Term Review.

5. FINANCIAL RESOURCES AND PROGRAMME LEVELS

5.1 Programme Levels and Funding

5.01 *Contributors agreed to recommend* an overall programme level for SDF 7 of \$390.6 mn, to be financed from internally generated resources within SDF of \$103.9 mn, agreed contributions of \$242.2 mn, a transfer from the Bank’s OCR net income of \$15.0 mn, and an unallocated structural gap of \$29.5 mn. Contributions to the latter are expected from new Members and Contributors and, to the extent possible, by income from adjustments in encashment of demand notes or payment schedules.

5.02 The increase in SDF programme levels is needed to enable SDF and the Bank to address more adequately the strategic themes and objectives that Contributors have agreed on, and to provide a greater measure of leadership in selected core priority areas. *Contributors agreed* that the factors which justify a stronger role for SDF include:

BOX 10: SDF 7 PROGRAMME LEVEL AND FUNDING	
('000)	
OVERALL PROGRAMME LEVEL	390,600
Commitment authority carry over	16,900
Expected net income	25,800
Loan repayments	61,200
<i>Sub-total internally generated SDF resources</i>	<u>103,900</u>
Transfer from OCR Net Income	15,000
Pledged new contributions as of December 2008	[242,200]
<i>Sub-total available and committed resources</i>	<u>[361,100]</u>
Unallocated structural gap	[29,500]
	390,600

- The opportunity to build on the Bank’s work in helping BMCs to identify and target a Caribbean-relevant framework for the CMDGs, and the need to increase support for the BMCs in accelerating progress towards the CMDGs in the countdown to 2015.
- The leadership role that BMCs expect of the Bank in assisting them to meet critical challenges of economic and social adjustment, accentuated by the current global economic and financial crisis.
- The extent to which the Bank’s work in helping BMCs to assess and understand the special dimensions of poverty in the Caribbean has demonstrated the continued existence of unacceptable levels of poverty and vulnerability to poverty, and permitted an improved focus on the poverty reduction and human development MDGs.
- The doubling of the Bank’s client population, and the quadrupling of the number of the poor in its regional membership, which provide a major challenge for SDF in playing an appropriate partner role in the Bank’s newest and largest member.
- The need to strengthen support for regional solutions to development issues, including international competitiveness, the building of a regional single market and economy, and the increasingly critical problems of environmental degradation and climate change.
- The need for strengthening the role of the Bank, as the key Caribbean development institution and a joint instrument of the countries of the CARICOM and their external partners, in building partnerships and increasing harmonisation and regional ownership of development programmes.

5.2 Allocation of Resources

5.03 *Contributors agreed* that the SDF 7 programme should consist of the allocations shown in Box 11 (final column), subject to review as appropriate. As compared with the SDF 6 allocations, the SDF 7 allocations provide for:

- A significant increase in the level of country lending allocated through the performance-based resource allocation system, to assist BMCs in accelerating progress towards the Caribbean MDG targets in the SDF core priority sectors, with an emphasis on broad-based, inclusive economic growth;
- An expansion from the relatively low SDF 6 base in poverty-reduction-focused interventions in Haiti, the largest and poorest BMC and both an LDC and a fragile state, to be undertaken in close association with development partners, to take fuller advantage of the basic operational capacity for Haiti being put in place by the Bank;
- A scaling up of the Bank’s flagship direct poverty reduction programme - BNTF, taking advantage of the improvements that have been made to BNTF operational systems, including in-country capacities, allowing a more comprehensive BNTF strategy, and adding an additional BMC to BNTF recipients; and
- Strengthening support for gender equality, environmental sustainability and climate change, and well-targeted support for regional integration and RPGs.

5.04 The specific allocations will be reviewed by Contributors at the Mid-Term Review, or earlier if appropriate, in order to ensure the most effective use of available resources to achieve the objectives of the Replenishment and maximise outcomes within the timeframe of SDF 7 and the 2015 target dates for the MDGs^f.

BOX 11: PROGRAMME ALLOCATIONS SDF 6 AND SDF 7

	SDF 6	SDF 7
	('000)	
Core Country Loans		
Country loans using performance-based Resource Allocation System	115,500	175,000
Grant Funding		
Basic Needs Trust Fund	32,000	46,000
Technical Assistance	16,000	17,500
<i>of which: BMC Capacity Building</i>	10,000	8,000
<i>Project Management Training</i>	2,000	5,000
<i>CTCS (small scale private sector)</i>	4,000	4,500
Regional Integration and Regional Public Goods (grant portion)	10,000	10,000
Development Effectiveness, including MfDR	4,000	5,000
Immediate Disaster Response (grant portion)	8,000	6,100
Gender Equality (grant portion)	-	4,000
Environmental Sustainability and Climate Change (grant portion)	-	4,000
Other Lending		
Natural Disaster Mitigation and Rehabilitation)	45,000	30,000
BMCs in Fiscal Distress)		47,000
Allocation for New Members		
Haiti	27,000	46,000
SDF 7 PROGRAMME LEVEL	257,500[†]	390,600

[†] SDF 6 Report of Contributors, including funding from the structural gap. Allocations for Haiti are shown as a single number.

^f Contributors also discussed the possibility of SDF participation in the Bank’s Interest Subsidisation Fund (ISF) and agreed that this issue should be deferred pending an assessment in 2009 of the operations of the ISF.

5.3 Planning Framework for SDF 7 Operational Themes

5.05 Overall SDF 7 operations in respect of each of the operational themes will necessarily reflect country needs and capacity as well as the SDF 7 planning framework. This is particularly the case with respect to country lending operations. Planning projections as submitted by the Bank, however, are shown below, and provide an overall planning framework for SDF 7. The projections and actual operations will be reviewed annually by the Board of Directors, as well as by the SDF 7 Mid-Term Review.

BOX 12: PLANNING PROJECTIONS BY SDF 7 OPERATIONAL THEME				
(\$ million)				
SDF 7 THEME	Grants	Loans	Total	%
Poverty reduction and human development	100.5	187.0	287.5	73.6
Environmental sustainability and the climate change agenda	10.1	63.0	73.1	18.8
Regional cooperation and integration	10.0	2.0	12.0	3.0
Development effectiveness and capacity development	18.0	-	18.0	4.6
OVERALL TOTAL	138.6	252.00	390.6	100.0

5.4 Commitment Authority

5.06 SDF commitment authority for new financing, as in the case of other MDB concessional funds, is derived from new contributions and internally generated resources, including any carry over into the period and any exchange rate changes or other adjustments.

5.07 In addition, in the case of SDF 7, as a major departure from past policy related to the particular circumstances of the Bank and its credit rating, and in the interest of supporting the highest possible level of the SDF 7 Replenishment and SDF 7 operations, *the Bank has agreed, with the support of Contributors*, to recommend to the Board of Directors and the Board of Governors an allocation of \$15 mn from OCR Net Income that would otherwise be transferred to the Bank’s reserves in support of OCR lending.

5.08 New contributions normally become available in equal instalments or tranches over the period of the Replenishment, and in addition, the budgetary procedures of some Contributors require their initial Instruments of Contribution to be qualified as subject to the appropriation of funds by Parliament for the second and subsequent instalments.

5.09 The projected commitment authority for SDF 7 is, therefore, shown, as in the case of SDF 6, as a phased series of annual levels consistent with the flow of internally-generated resources and the equal instalments in which contributions are normally made. The use of specific allocations or ‘set-aside’ provisions for specific purposes such as BNTF provides an assurance of resources for such purposes without the need for a separate charge against commitment authority at the beginning of the cycle.

5.10 *Contributors welcomed* this presentation of SDF commitment authority (see Table 4 - Projected Commitment Authority for SDF 7) as consistent with the practice of other concessional funds. *They also, however, supported* the advance payment of instalments on new contributions where individual Contributors are able to make such payments, as a valuable contribution to increasing SDF income and thereby financing a part of the structural gap for SDF 7. *Contributors indicated their intention* that the Replenishment should become effective early in 2009, but *they noted* that in some cases Instruments of

Contribution, and therefore initial instalments, might take somewhat longer. *They urged* that every effort be made to complete the steps necessary for Instruments of Contribution to be deposited at as early a date as possible.

TABLE 4: PROJECTED COMMITMENT AUTHORITY FOR SDF 7
(\$ '000)

	2009	2010	2011	2012	2009-12
Commitment authority at beginning of the period	16,900	34,075	42,050	1,025	16,900
<i>Plus:</i> Net Income	5,200	6,000	7,000	7,600	25,800
<i>Plus:</i> Repayments	15,300	15,300	15,300	15,300	61,200
Commitment authority from new contributions	67,925	67,925	67,925	67,925	271,700
Transfer from OCR	3,750	3,750	3,750	3,750	15,000
<i>Less:</i> Approvals for SDF loans	55,000	65,000	65,000	67,000	252,000
<i>Less:</i> Approvals for SDF grant financing ^g	20,000	20,000	49,000	49,600	138,600
Commitment authority at end of the period	34,075	42,050	1,025	—	—

5.11 To ensure that the momentum of SDF operations can be maintained pending the deposit of Instruments of Contribution, *Contributors authorised* the Bank to use Instruments of Contribution as these are deposited, as well as any advance payments of instalments, as commitment authority during 2009.

5.5 Country Groups and Financing Terms

5.12 *Contributors approved* the continued use of country groupings for setting terms and conditions for SDF lending and providing a basis for the blending of SDF and OCR funding at the country level, with the most concessional terms and the ‘softest’ overall blend for Group 4. Individual country allocations for SDF loans would be determined for Groups 2, 3 and 4, other than for new members, using

TABLE 6: TERMS OF SDF LENDING

Country Group	Interest Rate (%)	Maximum Grace Period (years)	Maximum Overall Maturity (years)	Maximum Grant Element (%)
1	5.0	5	10	30.8
2	4.0	5	25	46.6
3	2.5	10	30	66.3
4	2.0	10	30	70.7
Regional	2.5	7	25	61.3

the SDF performance-based resource allocation strategy.

5.13 While no BMC is ineligible for SDF lending, countries in Group 1 will not receive a country allocation. They will benefit from regional projects and support for RPGs, and are eligible for highly

TABLE 5: COUNTRY GROUPS FOR SDF 7

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

[†] In the case of Barbados, the same terms as for Group 1 would continue to apply, as in the past. Montserrat would continue to receive the same terms as for Group 3 in recognition of the impact of natural disasters.

^g Including the commitment to BNTF 7 country programmes, projected for 2011 and 2012. Contributors agreed that, as a departure from previous practice, the allocation of funds for BNTF by Contributors (see Box 11) would provide sufficient authority for the conclusion of country programme agreements for BNTF 7.

poverty-focused projects, such as a CPA or preparing a national poverty reduction strategy, TA for good governance, and for humanitarian assistance in the event of a natural disaster. The amounts will not normally be larger than their own contributions to SDF 7, except for humanitarian assistance.

5.14 The country groups will remain based, as in SDF 6, on per capita income, with the separation between groups according to broad bands in which per capita incomes are similar. The groupings were reviewed on the basis of per capita incomes for 2006. The results are as shown in Table 5 – Country Groups for SDF 7 - above, with certain adjustments because of special factors, as Contributors decided in SDF 6. Contributors agreed, however, that the basis for setting the country groups should be reviewed and the results of the review submitted to Contributors for further consideration.

5.15 As in previous SDF cycles, the terms for SDF lending will vary according to country group. Terms to be applied in SDF 7 remain unchanged from SDF 6, and are shown in Table 6: Terms of SDF Lending.

5.6 Grant Financing

5.16 *Contributors noted* that a review of the issues associated with grant financing, including the extent to which grants reduce SDF income and future reflows and, therefore, the contribution of internally-generated resources to future replenishments, had been undertaken for SDF 6. *They also noted* that the share of grants, as a percentage of new contributions, had risen sharply in recent SDF cycles. SDF, however, had traditionally included grants, as particularly appropriate for certain types of activity, such as BNTF and TA. *They agreed* that grants continued to be important for these purposes, as reflected in the programme allocations. *They underlined*, however, the need to maintain an appropriate balance between non-reimbursable grants and reimbursable funding. *They noted* that the share of grant funding in the overall programme level for SDF 7 was planned to rise be no higher than 35%, which was the same limit set for SDF 6. They agreed, however, to review at a later date the appropriate limit for grant financing as a proportion of SDF 7.

5.7 Contribution Procedures

5.17 *Contributors agreed* to continue past practice with respect to contribution procedures, as set out further in the Draft Replenishment Resolution. Each Contributor is expected to deposit with the Bank an Instrument of Contribution in respect of that Contributor's agreed contribution as set out in Table 7, with the final date for such deposit set as June 30, 2009, or such later date as the Bank and the Contributory may agree. Each Instrument of Contribution will become effective on the date of deposit with the Bank.

5.18 *Contributors also agreed* that this Report of Contributions, setting out commitments and procedures, would be finalised in March 2009, as discussed in section 4.3.

5.8 Contributions to the Replenishment

5.19 The framework for contributions to SDF 7 and the agreed contributions are set out in Table 7. Where a Contributor has indicated that its obligation will be denominated in a currency other than the US dollar, the exchange rate used to determine the amount in the unit of obligation is the average daily exchange rate for the six-month period ending June 30, 2008.

5.9 Additional Contributions

5.20 *Contributors underlined the importance* of continuing efforts to ensure additional contributions to SDF from new members and others. Such funding would make it possible to increase the resources and programme levels for SDF 7 and contribute to the funding of subsequent replenishments. *Contributors welcomed* the approval for membership of Brazil in the Bank and as a Contributor to SDF, and also the interest expressed in possible membership by India, Ireland and Spain. *They expressed the hope* that where feasible these efforts could be concluded successfully during 2009.

5.21 *Contributors noted* that the *Rules for the Special Development Fund* provided for procurement of goods and services for projects financed from SDF resources should be opened to Member Countries and Substantial Contributors. This provides for the possibility of additional Contributors who may not at the time be members. *Contributors also recommended* that the past practice in this regard of inviting a Contributor to participate in discussion on the use of SDF resources as an Observer at Meetings of the Board of Directors and other meetings dealing with these matters be continued in the event of such contributions. Contributors agreed to give further consideration to the definition of a substantial contributor.

5.10 Financing of the Structural Gap

5.22 *Contributors agreed* to assign a high priority to financing of the structural gap at as early a date as possible. *They invited* potential new or additional Contributors to assist in bridging the structural gap.

5.23 *Contributors welcomed* the indication that some Contributors might be in a position to agree with the Bank on the early encashment of Notes, and thereby contribute to increased income by the investment of such funds for the period before they are needed to meet disbursements on outstanding commitments. *Contributors also agreed* that, where possible, they would endeavour to accelerate payments under SDF 7 and to make payments in cash rather than Notes, so as to contribute further to increased income and a reduction in the structural financing gap.

5.24 *Contributors agreed* to advise the Bank, if possible, by March 31, 2009 of the extent to which they expected to be able to contribute to financing of the structural gap in these various ways, and requested the Bank to report to the Board of Directors on progress with respect to closing the structural gap.

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TABLE 7: CONTRIBUTIONS TO SDF 7

	Relative Share*	Contributions	Unit of Obligation	Amount in Unit of Obligation
	%	(US\$ '000)		('000)
Regional Members				
Anguilla	0.21	605	USD	605
Antigua and Barbuda	0.21	† [605]	USD	† [605]
The Bahamas, Commonwealth of	1.98	5,665	USD	5,665
Barbados	1.98	5,665	USD	5,665
Belize	0.49	1,394	USD	1,394
British Virgin Islands	0.21	605	USD	605
Cayman Islands	0.21	† [605]	USD	† [605]
Dominica, Commonwealth of	0.49	1,394	USD	1,394
Grenada	0.21	605	USD	605
Guyana	1.98	5,665	USD	5,665
Haiti	0.32	910	USD	910
Jamaica	3.55	10,184	USD	10,184
Montserrat	0.21	605	USD	605
St. Kitts and Nevis	0.49	1,394	USD	1,394
St. Lucia	0.49	1,394	USD	1,394
St. Vincent and the Grenadines	0.49	1,394	USD	1,394
Trinidad and Tobago	3.55	10,184	USD	10,184
Turks and Caicos Islands	0.21	605	USD	605
Sub-total		49,478		
Colombia	1.26	±3,600	USD	±3,600
Mexico	1.05	±3,000	USD	±3,000
Venezuela	1.26	±3,600	USD	±3,600
Sub-total		10,200		
Non-Regional Members				
Canada	24.35	69,830	Canadian \$	70,340 ^h
China, People's Republic of	2.82	8,098	USD	8,098
Germany	6.57	††18,834	Euro	12,300 ⁱ
Italy	2.47	±7,084	Euro	±4,626 [†]
United Kingdom	24.35	69,830	Pound Sterling	35,357 ^j
Sub-total		173,676		
Non Members				
Brazil	1.74	±5,000	USD	±5,000
Spain	1.34	†† [3,828]	Euro	2,500 [†]
Agreed Contributions	84.46	242,182		
Transfer from OCR	5.23	15,000		
Agreed Add'l Resources for SDF 7	89.69	257,182		
Structural Financing Gap	10.31	29,553		
Total	100.0	286,735		

[†] Subject to confirmation.

^{††} Contribution subject to parliamentary approval and entry into force of 2009 budget law; and subject to relative share not exceeding 6.61%.

[‡] Approved for Membership, legal formalities being completed.

^{††} Contribution may be dependent on Spain being deemed a substantial Contributor.

^{*} Contribution subject to parliamentary approval.

^h USD1= Cdn\$1.0073. Average daily exchange rate for 6-month period ending June 30, 2008

ⁱ Euro \$1= US\$ 1.5312. Average daily exchange rate for 6-month period ending June 30, 2008

^j GBP\$1= US\$ 1.975. Average daily exchange rate for 6-month period ending June 30, 2008

6. IMPLEMENTATION OF SDF 7

6.1 Implementing the Replenishment

6.01 *Contributors and the Bank* have laid great emphasis on the primary objective of assisting the BMCs to accelerate progress towards the MDGs and the CMDG Targets in the countdown to 2015, and on the successful implementation of an increased level of well-focused SDF operations during SDF 7 as a major contribution to this objective. *Contributors also view SDF 7* as an opportunity for the Bank to make a strategic input to the objective of furthering RCI, including implementation of the CSME and transition for the BMCs to an open and competitive global economy.

6.02 The challenges and the risks for the Bank and the Contributors are considerable, and will require careful and well-managed implementation of the SDF 7 Agreement, including a sense of urgency, the establishment of priorities for the use of limited resources, and a strong emphasis on identifying, targeting, monitoring and reporting on intended results and expected outcomes. *The Contributors are committed* to monitoring and assisting with implementation of this Agreement, and *the Bank is committed* to a scaled up level of effort and full implementation of the agreed priorities.

6.03 The outline of an agreed SDF 7 Implementation Plan is an essential first step. But it will need to be implemented not only with commitment but with reasonable flexibility to meet changing circumstances and apply lessons learned, consistent with the primary priorities for the Replenishment.

6.2 Implementation Plan

6.04 The Implementation Plan for SDF 7 is structured in terms of three sets of action, in each case with monitoring parameters and a target date:

- A. Strategic Priorities and Programme Focus;**
- B. Development Results; and**
- C. Institutional Capacity and Reform.**

6.05 Under *Strategic Priorities and Programme Focus*, the Implementation Plan targets a small number of key issues: aligning the operational programme with strategic themes and core priorities within available resources and capacity; ensuring that country programme planning is based on performance as well as needs and on results-based country partnership strategies; and that TA operations are increasingly targeted at strategic priorities and results.

6.06 *Development Results* is a primary focus of the Replenishment. The implementation steps are the MfDR agenda and a clear priority for identification and monitoring of intended results, in terms not only of outputs but also outcomes or contributions to outcomes, and further strengthening of the Bank's results orientation in project and programme design, implementation and reporting, including identification of lessons learned.

6.07 *Institutional Capacity and Reform* has received much attention by the Bank as well as by Contributors. The focus in SDF 7 needs to be on continued implementation of the institutional reform programme, and the redeployment and reinforcing of resources to critical areas essential to the success of the Replenishment.

6.08 The steps in the SDF 7 Implementation Plan are shown below.

BOX 13: SDF 7 IMPLEMENTATION PLAN

OBJECTIVE	PROPOSED ACTIONS	MONITORING PARAMETERS	TARGET DATE
A. STRATEGIC PRIORITIES AND PROGRAMME FOCUS			
1. SDF 7 operational programme aligned with strategic themes and objectives within available resources and capacity.	1.1 SDF 7 programme will target the strategic operational themes of poverty reduction and human development, environmental sustainability and adaptation to climate change, regional cooperation and integration, and the related strategic objectives.	<ul style="list-style-type: none"> • Annual Work Programme and Budget • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • Annually • Annually • 2010/2011
	1.2 SDF 7 programme will mainstream gender equality as a cross-cutting priority and support capacity building and good governance.	<ul style="list-style-type: none"> • Completion of country gender assessments • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • 2009-2012 • Annually • 2010/2011
	1.3 Programme development for CMDG Target 20 will include attention to special needs of LDCs and fragile states.	<ul style="list-style-type: none"> • Country Strategy Paper for Haiti • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • 2008 or early 2009 • 2010/2011
2. Country programme planning (other than SDF 7 set-aside allocations) based on SDF resource allocation strategy (RAS), taking into account both needs and performance, and on country partnership strategies.	2.1 RAS to be applied at start of SDF 7 and reviewed annually, with application of approved improvements to RAS.	<ul style="list-style-type: none"> • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • Annually • 2010/2011
	2.2 Country strategy papers with increased results orientation to be prepared according to timetable, with all BMCs to be covered by CSPs by end-2009 or early 2010.	<ul style="list-style-type: none"> • Submission of CSPs to Board of Directors 	<ul style="list-style-type: none"> • Per CSP timetable
3. TA operations to reflect TA strategic priorities.	3.1 Strategic priorities to be developed for TA operations supporting capacity strengthening and good governance, the Bank's poverty reduction and regional strategies, and the MfDR agenda.	<ul style="list-style-type: none"> • Annual Work Programme and Budget • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • Annually • Annually • 2010/2011
B. DEVELOPMENT RESULTS			
4. Implementation of MfDR Agenda and strengthening of results monitoring.	4.1 Implementation of the three pillars of the MfDR Agenda.	<ul style="list-style-type: none"> • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • Annually • 2010/2011
	4.2 Further development of and reporting on the overall Results Monitoring Framework (RMF), covering country and regional outcomes at CMDG level, CDB operational and organisational effectiveness and partnership, harmonisation and alignment, and including baseline data and targets.	<ul style="list-style-type: none"> • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • 2010/2011
	4.3 Inclusion in the RMF of selected indicators for CDB/SDF contributions to country level outcomes.	<ul style="list-style-type: none"> • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • 2010/2011
5. Increased results orientation in project and programme design, implementation and reporting.	5.1 Further development of the operational results framework for each of the three strategic operational themes, including expected outputs and intended outcomes or contributions to outcomes.	<ul style="list-style-type: none"> • SDF Annual Reports • SDF 7 Mid-Term Review 	<ul style="list-style-type: none"> • Annually • 2010/2011

OBJECTIVE	PROPOSED ACTIONS	MONITORING PARAMETERS	TARGET DATE
	5.2 Implementation of quality assurance standards for each stage of the project cycle from country partnership strategies to project completion reports.	• SDF 7 Mid-Term Review	• 2010/2011
	5.3 Upgrading of Project Performance Management System to improve project information from processing stage to post-evaluation.	• Board of Directors and SDF 7 Mid-Term Review	• 2009 • 2010/2011
	5.3 Reporting on relevant operational performance indicators in RMF.	• SDF 7 Mid-Term Review	• 2010/2011
	5.4 Undertaking of selected sector and country programme evaluations.	• Education sector evaluation. • Poverty strategy evaluation (tentative). • Transportation sector evaluation. • Selected country programme evaluation(s).	• 2009 • 2009 • 2010 • 2011ff.
	5.5 Evaluative reporting on quality of project portfolio.	• Annual portfolio review covering quality and results.	• Annually
C. INSTITUTIONAL CAPACITY AND REFORM			
6. Continued institutional reform to further enhance capacity and development effectiveness.	6.1 Implementation of further steps in reform programme covering realignment of organisational structure, business processes and human resource; further strengthening of client and country-focus; and greater use of ICTs to drive internal efficiency.	• Board of Directors and SDF 7 Mid-Term Review	• 2008/2009 • 2010/2011
	6.2 Introduction of new knowledge management strategy and implementation plan	• Board of Directors	• 2009
	6.3 Implementation of new corporate website	• Board of Directors	• 2009
7. Reinforce capacity in selected operational areas.	7.1 Establish focal point for regional programme design and coordination.	• Board of Directors and Mid-Term Review.	• 2009 • 2010/2011
	7.2 Strengthen operational policy capacity for selected priorities, including environment, climate change and disaster mitigation and adaptation.	• Board of Directors and Mid-Term Review	• 2009 • 2010/2011
	7.3 Strengthen capacity for operations in Haiti.	• Board of Directors and Mid-Term Review.	• 2009 • 2010/2011
	7.4 Strengthen capacity for increased level of BNTF operations.	• Board of Directors and Mid-Term Review.	• 2009 • 2010/2011
8. New Strategic Plan effective 2010	8.1 Preparation, consultation and approval for Strategic Plan 2010-2020.	• Board of Directors and Board of Governors	• 2009

APPENDICES

DOCUMENTS REVIEWED BY CONTRIBUTORS

- SDF 6 Mid-Term Review and Management's Response – SDF 7/1 PM-2
- SDF 7 Process: Themes, Issues and Road Map – SDF 7/1 PM-3
- Evaluation of Technical Assistance Operations – SDF 7/1 PM-4
- SDF 7 Process: Themes, Issues and Road Map Rev. 1 – SDF 7/1 PM-3 Rev. 1
- Status Report on the Implementation of the SDF 6 Action Plan – SDF 7/1 NM-2
- Poverty Reduction Strategy: Progress Report – SDF 7/1 NM-3
- Corporate Human Resources Report – SDF 7/1 NM-4
- CDB Institutional Strengthening – SDF 7/1 NM-5
- Basic Needs Trust Fund 5 Mid-Term Evaluation – SDF 7/1 NM-6
- Revision of the Status Report on the Special Development Fund – SDF 7/2 NM-2
- A Strategic Framework for SDF 7 – Discussion Outline – SDF 7/2 NM-3
- Revised Operational Strategy for the Caribbean Development Bank's Operations in Haiti – SDF 7/2 NM-4
- Draft Environmental and Social Review Procedures – SDF 7/2 NM-5
- SDF Performance and Results Analysis and Implications for SDF 7 – SDF 7/3 NM-2
- Poverty Reduction and Human Development in the Caribbean – Addressing the Millennium Development Goals – SDF 7/3 NM-3
- Environmental Sustainability and the Climate Change Agenda – SDF 7/3 NM-4
- Development Effectiveness and Managing for Results – SDF 7/3 NM-5
- SDF 7: A Strategic Perspective – SDF 7/3 NM-6
- Draft Gender Equality Policy and Operational Strategy – SDF 7/3 NM-7
- Discussion Paper on Resource Requirements for SDF 7 – SDF 7/3 NM-8
- A Partnership for the Millennium Development Goals in the Caribbean – Draft Outline for Report of Contributors on SDF 7 – SDF 7/3 NM-9
- Basic Needs Trust Fund Sixth Programme – SDF 7/3 NM-10
- Multi-cycle Evaluation of SDF 4 and V – SDF 7/4-NM-2
- The Focus of SDF 7: Poverty, Human Development, Environmental Sustainability and Regional Integration – SDF 7/4 NM-3
- Supporting Regional Cooperation and Integration – SDF 7/4 NM-4
- Development Effectiveness and Managing for Results Add. 1 – SDF 7/4 NM-5
- SDF 7 Financing Framework – SDF 7/4 NM-6
- Unified Special Development Fund Resources Requirement and Level of Replenishment (Seventh Cycle) – SDF 7/4 NM-7
- Draft Report of Contributors – Initial Review Draft – SDF 7/4 NM-8
- Revised Level of Replenishment and Commitment Authority - (SDF 7/5-NM-2)
- Revised Draft Report of Contributors to the Special Development Fund (Seventh Cycle) - (SDF 7/5- NM-3)
- Draft Resolution and Report of Contributors to the Special Development Fund (Seventh Cycle) - (SDF 7/5 NM-4)
- Matrix of Programmes of the Development Agencies Operating in the Region (SDF 7/5-NM-5)

THE CARIBBEAN MDG FRAMEWORK[†]

GOAL 1	ERADICATE EXTREME POVERTY AND HUNGER
Target 1	Halve, between 1990 and 2015, the proportion of people who fall below the poverty line.
Target 2	Halve, between 1990 and 2015, the proportion of people who suffer from hunger.
Target 3	Halve, between 1990 and 2015, the proportion of persons without access to basic services.
Target 4	Halve, between 1990 and 2015, the proportion of persons living in inadequate housing.
GOAL 2	ACHIEVE UNIVERSAL PRIMARY EDUCATION
Target 5	Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary and secondary schooling, up to Grade 12. [‡]
GOAL 3	PROMOTE GENDER EQUALITY AND EMPOWER WOMEN
Target 6	Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015.
Target 7	Eliminate gender disparities in income and occupational opportunities at all levels and sectors, no later than 2015.
Target 8	Reduce by 60% the incidence of physical acts of gender-based violence.
Target 9	Reduce, by 2015, all forms of gender-based violence.
GOAL 4	REDUCE CHILD MORTALITY
Target 10	Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate.
GOAL 5	IMPROVE MATERNAL HEALTH
Target 11	Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio.
Target 12	Universal access to reproductive and sexual health services through the primary health care system by 2015.
GOAL 6	COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES
Target 13	Have halted by 2015 and begun to reverse the spread of HIV/AIDS.
Target 14	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases.
GOAL 7	ENSURE ENVIRONMENTAL SUSTAINABILITY
Target 15	Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.
Target 16	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and proper sanitation.
Target 17	Achieve by 2020, a significant improvement in the lives of at least 70% of persons living in poor communities.
Target 18	Construct and implement a vulnerability index for the Caribbean within the next five years, which is sensitive to economic, social and environmental threats.
GOAL 8	DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT
Target 19	Develop further an open, rule-based, predictable, non-discriminatory trading and financial system.
Target 20	Address the special needs of the least developed countries (LDCs).
Target 21	Address the special needs of landlocked countries and small island developing states (SIDS).
Target 22	Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.
Target 23	Develop and implement strategies for decent and productive work for youth, women and especially vulnerable groups.
Target 24	In cooperation with pharmaceutical companies, provide access to affordable, internationally approved essential drugs in developing countries.
Target 25	In cooperation with the private sector, make available the benefits of new technologies, especially information and communications.

[†] As reviewed and adjusted at the MDGs Regional Workshop held at CDB Headquarters, November 2005.

[‡] In the Caribbean context, the reduction of high levels of poverty and high vulnerability to poverty requires a basic education that extends from primary through at least secondary education.

NATURAL HAZARDS IMPACTING BMCs, 1988-2008

Hazard	Year	Magnitude	Estimated Cost	Countries Affected
Hurricane Gilbert	1988	Category 5	USD1.1 bn, 65% of GDP	Jamaica
Hurricane Hugo	1989	Category 5	USD \$3.6 bn, 200% of GDP for Montserrat	Antigua and Barbuda, St. Kitts and Nevis, Montserrat, British Virgin Islands
Tropical Storm Debby	1994	n.a.	USD79 mn, 18% of GDP	St. Lucia
Hurricanes Iris/ Marilyn/Luis	1995	Iris (cat. 3/4) Marilyn (cat. 1) Luis (cat. 3)	USD700 mn	Anguilla, Antigua and Barbuda, Dominica, Montserrat, St. Kitts and Nevis
Hurricane Georges	1998	Category 3	USD450 mn (not including Dominica)	Antigua and Barbuda, Dominica, St. Kitts and Nevis
Hurricane Floyd	1999	Category 4	n.a.	Bahamas
Hurricane Lenny	1999	Category 4/5	USD274 mn	Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Tropical Storm Lili	2002	n.a.	XCD21 mn XCD26 mn	Grenada St. Vincent and the Grenadines
Tropical Storm Earl	2004	n.a.	n.a.	St. Vincent and the Grenadines, Grenada
Hurricanes Charley/ Frances/ Ivan/ Jeanne	2004	Charley/ Frances (cat. 4) Ivan (cat. 5) Jeanne (cat. 4)	USD150 mn	The Bahamas, Cayman Islands, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago
Hurricane Emily	2005	Category 5	USD75.5 mn	Grenada
Hurricane Dean	2007	Category 5	USD90 mn (initial estimate of damage to infrastructure for Dominica and Belize)	Belize, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines
Tropical Storm Alma/Arthur	2008	n.a.	USD26.12 mn (preliminary estimate)	Belize
Tropical Storm Fay, Tropical Storm/Hurricane Gustav, Tropical Storm/Hurricane Hanna, Hurricane Ike	2008	Gustav (cat.1) Hanna (cat. 1) Ike (cat. 4)	USD 211 million (estimate for Jamaica only)	Bahamas, Cayman Islands, Haiti, Jamaica, Turks and Caicos Islands
OTHER EVENTS				
Volcano	1995 to present	-	1995 negative growth -7.61%, 1996 negative growth -20.15%	Montserrat
Landslides	2002	-	USD116 mn	Jamaica
Floods	2005	-	USD\$2.6 bn	Guyana

Source: Caribbean Disaster Emergency Response Agency (CDERA)

RESULTS FRAMEWORKS FOR STRATEGIC OPERATIONAL THEMES^k
THEME 1: POVERTY REDUCTION AND HUMAN DEVELOPMENT

PROGRAMME AREA	MODALITIES	EXPECTED OUTPUTS	Baseline	Target	INTENDED OUTCOMES
CMDG 1: ERADICATE POVERTY AND HUNGER					
CMDG Target 1: Halve the proportion of people who fall below the poverty line by 2015					
CMDG Target 2: Halve the proportion of people who suffer from hunger by 2015.					
CMDG Target 3: Halve the proportion of people without access to basic services by 2015.					
CMDG Target 4: Halve the proportion of persons living in inadequate housing by 2015.					
CMDG Target 19 (MDG 8: Partnership for Development): Address the special needs of the least developed countries.					
Broad-Based Economic Growth	Economic and Social Infrastructure:				
	Roads	Km of Primary and Secondary Roads			Reduction in VOCs; Reduced travel time; Increase in economic activity
	Social Policy Development:				
	Basic Needs Trust Fund	No. of Jobs created; No. of schools built/rehab.; No. of skills training workshops.			Reduction in no. of persons falling below poverty line.
	Low Income Housing	No. of houses build/rehab.			Reduction in no. of persons living in inadequate housing
Catalyzing Private Investment	Targeted Technical Assistance				
	Enhanced CTCS	No. of TA Projects No. of Jobs created			Increase in MSE activity
CMDG 2: BASIC EDUCATION					
CMDG Target 5: Ensure that by 2015 children everywhere (boys and girls alike) are able to complete a full course of primary and secondary schooling up to Grade 12.					
Support HRD	Improve Primary, Secondary and Tertiary Education				
	Secondary Education	Enrolment rates Completion rates			Increased equitable access Improvement in efficiency and effectiveness
CMDG 3: GENDER EQUALITY					
CMDG Target 6: Eliminate gender disparity in primary and secondary education by 2005 and in all levels of education no later than 2015.					
CMDG Target 7: Eliminate gender disparity in income and occupational opportunities at all levels and in all sectors no later than 2015.					
CMDG Target 8: Reduce by 60% all forms of gender based violence by 2015					
Catalyzing Private Investment	Targeted Technical Assistance	No. of Skills training workshops			Improvement in Income earning skills among women.

^k The thematic results frameworks will be further developed in the context of targeting individual country strategies.

THEME 2: ENVIRONMENTAL SUSTAINABILITY AND CLIMATE CHANGE

PROGRAMME AREA	MODALITIES	EXPECTED OUTPUTS	Baseline	Target	INTENDED OUTCOMES
<p>CMDG 7: ENSURE ENVIRONMENTAL SUSTAINABILITY CMDG Target 14: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources CMDG Target 15: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and improved sanitation. CMDG Target 16: Have achieved, by 2020, significant improvements in the lives of at least 70% of persons living in poor communities. Additional Target: Achieve by 2015 a significant contribution to sustainable land management and biodiversity protection. CMDG Target 17: Construct and implement a vulnerability index for the Caribbean within 5 years, which is sensitive to economic, social and environmental threats.</p>					
Water and Sanitation	Support Improvements in Water and Sanitation Infrastructure Water infrastructure	No. of connections Volume of unaccounted for water			Increased coverage levels Improved sector management
Disaster Risk Reduction and Management	Infrastructure mitigation Investments Coastal zone protection	Km of protection infrastructure			Reduction in erosion; reduction in cost of rehabilitation after disaster.
<p>CLIMATE CHANGE Additional Target: Make a significant contribution by 2015 to climate change mitigation and adaptation in the BMCs.</p>					
Climate Change Mitigation and Adaptation	Mainstream climate change adaptation measures	No. of BMCs integrating adaptation measures in sectoral policies			Improvement in the LT effectiveness of NPRSs and development plans

THEME 3 – REGIONAL COOPERATION AND INTEGRATION RESULTS FRAMEWORK

PROGRAMME AREA	MODALITIES	EXPECTED OUTPUTS	Baseline	Target	INTENDED OUTCOMES
CMDG 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT CMDG Target 18: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system. CMDG Targets 19 and 20: Address the special needs of the least developed countries and small island developing states. Add'l Target: Contribute to more effective coordination and increased availability of resources for support of regional cooperation and integration in the Caribbean.					
Regional Public Goods	TA support to the CDF	No. of Interventions in LDCs			CDF effective in supporting CSME
Transnational Public Goods	Renewable Energy	Collaborative renewable energy initiatives in 5 BMCs			10-20% reduction in dependence on imported fossil fuels.
National/Sub-Regional Public Goods	Regional Air Transportation	Regional air transport policy			Improved efficiency and reduced air transport costs.

¹ *Multi-cycle Evaluation of the Unified Special Development Fund (1996-2004), Volume I Draft Report* (Universalia, August 2008).

² G20 Declaration by world leaders, November 15, 2008.

³ Resolution adopted by the General Assembly 55/1, *United Nations Millennium Declaration* (A/55/L.2).

⁴ Report of Contributors on SDF 5, p. (2), para. 7.

⁵ The economic vulnerability index (EVI) is a composite of several indicators of vulnerability, such as energy dependence, export concentration, market concentration, dependence on external finance, etc. The higher value of the EVI between 0 and 1, the more vulnerable a country is to external shocks.

⁶ This substantial cost advantage has been demonstrated in studies of comparative indicators for CDB and comparator MDBs such as the World Bank, IDB and the AsDB. See for, example, the *Performance Review* of SDF 4, Section 8: “Corporate Performance Measures” (International Development Management Advisory Group, August 2000).

⁷ “Aid architecture” is a term used to refer to the set of rules and institutions governing aid flows to developing countries (*Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows*, World Bank Group, updated May 2008).

⁸ The *Issues Paper* for Roundtable 9 of the Accra HLM refers to “triangular cooperation” as cooperation between a financing partner such as a DAC member and a provider of technical assistance or training in a middle-income or low-income countries in support of a recipient third country, but the term can also be used to apply to “third country” assistance such as that channeled through a regional agency such as CDB.

⁹ This is consistent with the analysis undertaken for Roundtable 9 of the Accra HLM on “The Changing Aid Architecture: Implications on Aid Effectiveness” (*Issues Paper* for Roundtable 9).

¹⁰ A paper on aid architecture prepared for the Accra HLM associated “proliferation” with the number of aid channels providing assistance to a given country, and “fragmentation” with the number of donor-funded activities, as well as their average value (*Aid Architecture: An Overview of the Main Trends in Official Development Assistance Flows*, May 2008).