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CARIBBEAN DEVELOPMENT BANK



**EVALUATION OF POLICY-BASED OPERATIONS – CASE STUDIES - PART II
(2006 – 2016)**

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**OFFICE OF INDEPENDENT EVALUATION
DECEMBER 2017**

CARIBBEAN DEVELOPMENT BANK



EVALUATION OF POLICY-BASED OPERATIONS (2006 – 2016) - PART II

**CASE STUDY REPORTS
FOR
BARBADOS
GRENADA
JAMAICA
ST. VINCENT AND THE GRENADINES**

DECEMBER 2017

APPENDIX C:
CASE STUDY 1:
BARBADOS 2010/2012 PBL

CARIBBEAN DEVELOPMENT BANK:
POLICY-BASED LENDING PROGRAM

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ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BBD	Barbados dollar
BMC	Borrowing member country
CALC	Country Assessment of Living Conditions
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CPA	Country performance assessment
CRA	Central Revenue Authority
CSP	Country strategy paper
DATC	Debt Advisory Technical Committee
DoF	Director of Finance and Economic Affairs
ECCB	Eastern Caribbean Central Bank
GDP	Gross domestic product
GOBD	Government of Barbados
HDI	Human Development Index
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MDB	Multilateral development bank
MoFITE	Ministry of Finance, Investment, Telecommunications and Energy (GOBD)
MTFS	Medium-Term Fiscal Strategy
MTDS	Medium-Term Development Strategy
NIS	National Insurance Scheme
OECS	Organisation of Eastern Caribbean States
OIE	Office of Independent Evaluation (CDB)
PBL	Policy-Based loan
PCR	Project Completion report
PCVR	Project Completion Validation Report
PFM	Public Finance Management
PSE	Public-sector enterprise
PSIA	Poverty Social Impact Assessment
PSR	Project Supervision Report
SDR	Special Drawing Rights (IMF)
USD	United States dollar
VAT	Value-added tax

PURPOSE OF THE CASE STUDY

This case study forms part of an overall evaluation of CDB Policy Based Lending over the period 2006 to 2016. As part of the methodology to test the theory of change for PBL lending (Appendix A), four country case studies were selected. Although experiences outlined in the individual cases may not be representative of that of all Borrowing Member Countries (BMCs), the sample was selected to cover two larger economies (Jamaica and Barbados), and two smaller ones (St. Vincent & The Grenadines, and Barbados). The willingness and availability of governmental officials to participate, and the number of loans held with the CDB also figured in the selection decisions.

Barbados had one PBL during the period of interest, in 2010. It was intended to be the first of two PBLs of USD25 million each, with the second to be disbursed 18 months after the first. Although these were not identified as programmatic PBLs, they fit the definition as set out in the 2013 framework paper on PBLs.¹ The PBL was approved in October 2010 and disbursed in mid-December. CDB considered prior actions to be substantially complete for the second PBL in 2012, but did not submit the appraisal report to the board as it would have exceeded CDB's PBL lending limit.

METHODOLOGY AND DATA COLLECTION

General Approach – Theory-based Evaluation

A Theory of Change was re-constructed by the evaluators after interviews with stakeholders in May 2017. It was intended to reflect the intent of CDB's policy-based lending, and to identify the assumptions inherent in the PBLs reviewed (see Appendix A of this report for the model, and Appendix A of the main report for full details). These assumptions were then tested to determine the extent to which they held, or not, in practice. Conclusions were drawn regarding programme effectiveness, as well as what improvements could be made to better achieve desired outcomes. The assumptions tested can be grouped into three categories:

¹ In multi-tranche PBLs, the loan or grant resources are disbursed over two or more periods based on the completion of agreed reform actions / conditionalities. The multi-tranche PBL consists of a series of tranches approved as a single operation, with the major reforms expected to be undertaken after loan effectiveness and prior to the disbursement for each tranche set out in the agreement with the BMC. Programmatic operations are a series of single-tranche operations designed to support policy and institutional reforms within a medium-term framework. This modality may be utilised where it is desirable to provide resources to a country over a number of periods, but where BOD approval for each disbursement (each being a separate loan contract) is sought. Disbursement follows execution of agreed prior actions (conditions precedent). In this type of operation, prior to submission of the first loan request for BOD approval, a programme for policy and institutional reforms would be agreed between the country and CDB. This programme would be expected to broadly guide successive single tranche PBLs over the programme period. (From Caribbean Development Bank, "Policy Paper: A Framework for Policy-Based Operations - Revised," Paper BD 72/05 Add. 5 (St. Michael, Barbados, 2013).)

Table 1: Theory of Change Assumptions Being Tested

Category	CDB-focussed Assumptions	Barbados-focussed Assumptions
Quality of loan preparation process	<ul style="list-style-type: none"> • Appropriate support is offered to GOBD • Instrument is harmonized • Prior actions negotiated • PBL aligns with local context • Assessment is appropriate 	<ul style="list-style-type: none"> • PBL complements local priorities • PBL is harmonized with other PBLs
Appropriateness of conditions	<ul style="list-style-type: none"> • Conditions of support are clear • Conditions of support are met (CDB carries out its responsibilities) 	<ul style="list-style-type: none"> • Access to technical support is appropriate • Prior actions are negotiated • Investments in capacity building are enabled • Appropriate risk mitigation strategies are deployed
Observable effects	<ul style="list-style-type: none"> • Funds are timely/Processing of contracts works well • Monitoring framework in place • CDB implementation conditions are appropriate 	<ul style="list-style-type: none"> • Prior actions and other conditions are met • Reforms are seen as useful and sustainable • Barbados maintains and builds on capacity

The evaluation considered the availability of evidence to identify short and medium-term effects arising from the PBLs, whether intended or not. In doing so, the model recognized the following external factors as having a known confounding influence on the PBL's efficacy:

- 2008 Global Financial Crisis
- Severe economic downturns affect local economies
- Demands to diversify local economies
- Persistent debt overhang
- Limited willingness to extend credit

The evaluation used both qualitative and quantitative data. Quantitative data was mainly macroeconomic in nature, from the Government of Barbados (GOBD), CDB, the World Bank, the International Monetary Fund (IMF), and other sources delineated in Appendix B. Qualitative data included a range of documentation and a large number of interviews. Unfortunately, much of the evidence that would have been needed to assess medium-term results did not exist or was inconsistent. Where possible, the evaluation team triangulated findings using both qualitative and quantitative data. Where there were inconsistencies across sources, those deemed most reliable and complete were used, with the remainder discounted.

Data Collection Strategy

The evaluation team undertook an extensive document review in two phases (extensive general comparative literature review, and targeted literature review per case); performed a significant number of semi-structured interviews over two phases; and assessed quantitative macroeconomic data. Data sources included:

- Semi-structured interviews with CDB directors, CDB development partners, board directors, GOBD officials (in particular, the Ministry of Finance, Investment, Telecommunications and Energy (MoFITE; now Ministry of Finance and Economic Affairs), and other Barbados stakeholders. See Table 2 below for details.

- Economic data from CDB, GOBD, IMF, and the World Bank;
- CDB appraisal reports, country strategy papers (CSPs), country performance assessments (CPAs), previous PBLs;
- CDB implementation documentation (e.g. project supervision reports (PSRs), project completion reports (PCRs), project completion report validations (PCVRs);
- GOBD documentation (e.g. reform plan, poverty assessment),
- Multilateral development bank (MDB) reports and papers, and
- Other documentation (including previous MDB PBLs).

Table 2: Interviews

Organisation	Position of respondent	# of interviews	Date of interview(s)	Subject of Interview
CDB	Directors of Board (&Alts)	23	Oct-15	All BMC PBLs
CDB	Economist/Analyst	3	Oct-15	Barbados PBL
CDB	Economist	1	May-17	Barbados PBL
CDB	Directors of Board	4	May-17	All BMC PBLs
CDB	Analyst	2	May-17	All BMC PBLs
ECCB	Governor	1	May-17	All BMC PBLs
GOBD MoFITE	Perm. Sec.	2	Oct-15	Barbados PBL
GOBD MoFITE	Director	2	Oct-15	Barbados PBL
GOBD MoFITE	Manager	1	Oct-15	Barbados PBL
GOBD MoFITE	Economist	3	Oct-15	Barbados PBL
GOBD MoFITE	Manager	1	May-17	Barbados PBL
GOBD MoFITE	Perm. Sec.	1	May-17	Barbados PBL
Dev Partners	Various	8	Oct-15	Barbados PBL

A table showing questions and data sources is available in Appendix B.

The first interviews were conducted in October 2015; a second round of validation interviews took place in May 2017. The interview and document review questions related to the evaluation of PBL instruments were focused on ownership, internal and external influences, flexibility, the conditions precedent to disbursement, the results framework, technical assistance (TA), and the role of MDBs. These were followed with questions related to the results achieved; their sustainability; unintended consequences or downstream effects of the conditions; and contextual factors that may have affected the results.

CONTEXT AND CONDITIONS

Country Profile

A small, densely populated Caribbean nation in the Lesser Antilles, Barbados lies in the Atlantic Ocean approximately 180 km east of the island of St. Vincent. It is composed of a single island with an area of 432 km². At the time of the 2010 PBL, the population was 276,300.² It lies just south of “hurricane alley,” a region with high hurricane activity, so is usually spared the worst effects of the region’s storms. It is infrequently subject to landslides and flooding during the rainy season.

² CDB, “Second PBL - Barbados (President’s Recommendation No. 862),” Paper BD 15/12 (St. Michael, Barbados, 2012), vii.

Barbados is a member of the Caribbean Community (CARICOM), CARICOM Single Market and Economy, and the Association of Caribbean States. In 2005, the Parliament of Barbados voted on a measure replacing the U.K.'s Judicial Committee of the Privy Council with the Caribbean Court of Justice based in Port of Spain, Trinidad and Tobago. It has its own currency, the Barbados dollar (BBD), which has been fixed at USD\$0.50 since 1975 – although an IMF assessment suggested the BBD to be 7-11% overvalued in 2011.³

Despite being a Small Island Developing State, Barbados has a high United Nations Development Programme Human Development Index (HDI) score – ranking 42nd in the world in 2011. This fell in subsequent years, to 54th in 2015. Literacy is almost universal (at 99.4%), and primary and secondary education are compulsory. Primary school enrolment was 95% and secondary school enrolment 84% in 2010.⁴ Tertiary education and health services are free. Barbados enjoys the highest life expectancy in the Caribbean, at 77.2 years.

Economic and Social Conditions since 1990

Barbados is an upper-middle income country, with a per capita GDP of USD14,050 in 2010 and USD15,879 in 2016.⁵ The poverty rate in 2010 was 19.3%, the second lowest in the Caribbean behind Antigua and Barbuda.⁶ This rate is higher than reported in 1997 (13.9%).⁷ Other indicators have also deteriorated: while Barbados' HDI rating is still high, at 54th place in 2015, it has slipped from 29th place in 2006. This reflects a relatively static score, which has enabled other countries to pass it. The Gini score, which was 0.39 in 1998 and 0.47 in 2010, also reflects this trend.⁸

The poverty increase in Barbados has been linked to a number of factors, including the severity of the global economic downturn, a lack of employment opportunities, a lack of qualifications or skills, and large families which strain their resources.⁹ The resulting decline in construction and tourism during the economic crisis particularly affected low-income workers.

Until the global economic crisis in 2008, the economy of Barbados was characterized by low and stable inflation, with real GDP growth averaging 1.9% from 1993-2009, falling unemployment (24.3% in 1993 and 7.4% in 2007), adequate levels of reserves, and sustainable current account deficits.¹⁰

³ International Monetary Fund (IMF), “Barbados: 2011 Article IV Consultation,” IMF Country Report No. 12/7 (Washington, D.C., 2011), 13.

⁴ CDB, “Second PBL - Barbados (President’s Recommendation No. 862),” vii.

⁵ IMF, “Barbados: 2011 Article IV Consultation,” 27; International Monetary Fund, “2016 Article IV Consultation — Press Release; Staff Report; and Statement By the Executive Director for Barbados,” IMF Country Report No. 16/279 (Washington, D.C., 2016), 26.

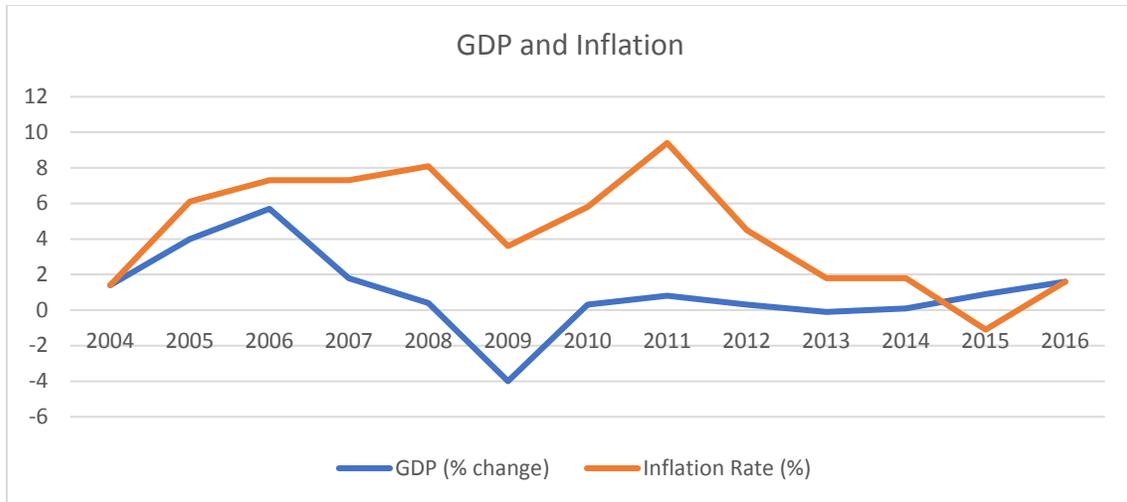
⁶ Sir Arthur Lewis Institute of Social and Economic Studies, “Barbados Country Assessment of Living Conditions 2010, Volume 1: Human Development Challenges in a Global Crisis: Addressing Growth and Social Inclusion” (Cave Hill, Barbados, 2012), 26.

⁷ IMF, “Barbados : 2005 Article IV Consultation — Staff Report; and Public Information Notice on the Executive Board Discussion,” IMF Country Report No. 05/297 [Month, (Washington, D.C., 2005), 5.

⁸ CDB, “Second Policy-Based Loan - Barbados (President’s Recommendation No. 862),” 2.

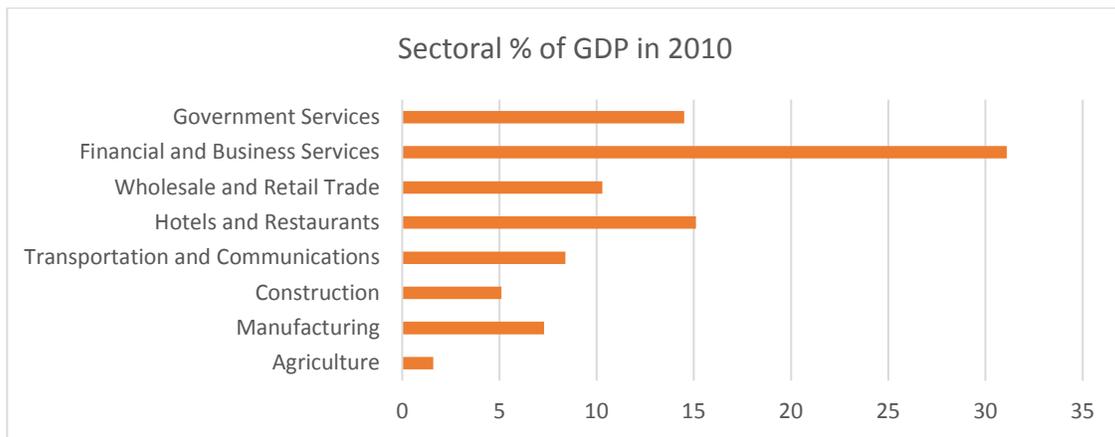
⁹ Sir Arthur Lewis Institute of Social and Economic Studies, “Barbados Country Assessment of Living Conditions 2010, Volume 1: Human Development Challenges in a Global Crisis: Addressing Growth and Social Inclusion,” 60–63.

¹⁰ CDB, “Country Strategy Paper 2010-13: Barbados,” Paper BD 72/10 (St. Michael, Barbados, 2010), 1–2.



(Source: IMF)

The economy, once based on sugarcane, is now based largely on tourism and financial and business services. Remittances represented an average of 2.9% of GDP between 2001 and 2016, with levels falling to 1.9% in 2010, 3.6% in 2009 and 3.3% in 2014.¹¹ Weather effects have been made worse by climate change, which has increased variability and severity of both storms and droughts. An IMF working paper estimated average damages at 0.2% of GDP per year since 1950.¹²



(Source: CDB)

Barbados had a debt-to-GDP ratio below 40% until 2000. The ratio jumped in the aftermath of the 9/11 attacks, which caused a significant drop in tourism. Between 2002 and 2008, however, the ratio remained fairly stable. The global economic crisis in 2008 precipitated an immediate increase in debt, with the ratio reaching 70% in 2010. Despite efforts, this continued to rise until 2015 – when gross Central Government debt, less National Insurance Scheme (NIS) holdings, reached 105%.¹³

¹¹ World Bank, “Personal Remittances, Received (% of GDP),” *International Development Association*, 2017, <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=VC>.

¹² Sebastian Acevedo, “Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean,” WP/16/199, 2016, 19.

¹³ IMF, “2016 Article IV Consultation — Press Release; Staff Report; and Statement By the Executive Director for Barbados,” 28.

Use of PBL-related Instruments

GOBD has not used PBLs or similar conditionality-based loans to the degree of some Caribbean nations, such as Jamaica, instead typically using loans to support specific projects or to provide emergency funding in periods of crisis. Only two were used between 1990 and 2010:

- A Stand-by Arrangement with the IMF in 1992, totalling SDR23,890 (of which only SDR14,670 was used). This concluded in 1993. Barbados exited the program early;¹⁴ and
- The Investment Sector Reform Program in 1995, an IDB USD\$35 million development policy loan with three tranches. The goal was to “increase the competitiveness and to improve the climate for private sector investment.”¹⁵

Barbados also receives other budget support from the European Commission. Past loans have targeted reforms such as public financial management reforms, human resources health system improvements, information and communication technology, and international business and financial services. One example is a sector budget support (SBS) loan of EUR14.8 million to support the Barbados Human Resources Development Programme in 2010.

Table 3: Conditions in selected previous PBL-like instruments

Year	Lender	Type	Conditions
1992	IMF	SBA*	Tax increases, spending cuts, reductions of public sector employment, wage restraints in both the public and private sector, competitiveness measures, and tight monetary policies aimed at reducing domestic demand.
1995	IDB	DPL**	Tax and trade reform, financial sector reforms, land use and private sector reforms, and the wind-up of the Barbados Development Bank.
2010	European Commission	SBS***	Institutional strengthening and capacity building in human resources development, development of a national qualifications framework, and updates to the Barbados Standard Occupational Classification system

- * SBA: Stand-by Arrangement **DPL: Development policy loan ***SBS: Sectoral budget support

GOBD has used loans for specific projects, particularly from the IDB and CDB. The more significant examples include:

- A 1992 USD21.2 mn CDB loan for road maintenance and improvement;
- Two HIV/AIDS initiatives totalling USD50 mn launched by CDB in 2001 and 2008. This loan was not limited to Barbados;
- An IDB loan for USD50 mn in 2009 for water and sanitation systems upgrades (intended to address the sustainability of island’s limited fresh water supplies); and
- Four IDB smart energy and sustainable energy loans between 2010 and 2012, totalling USD147 mn (intended to address the island’s dependence on fossil fuels for power).

Other significant loans targeted sustainable tourism, human resources, small and medium enterprises, agricultural health and food control, and administration of justice. Many smaller loans are also provided for TA.

¹⁴ IDB, “Country Program Evaluation: Barbados 1989-2004,” RE-313 (Washington, D.C., 2006), 2.

¹⁵ Ibid., 19.

FINDINGS

I. PBL Design Process and Appropriateness

Rationale for Using CDB Instrument

Key Finding: *The evidence suggests that the rationale for the 2010 PBLs was primarily based on arresting deteriorating debt dynamics, although the PBL provided an opportunity to support the implementation of needed reforms. It was assumed that improving GOBD financial management and debt dynamics would have positive effects on growth and poverty reduction.*

In 2010, GOBD was facing rapidly growing debt with reserves falling. These had been stable to that point. The economic downturn had reduced revenues while expenditures increased due to counter-cyclical spending – in part, to maintain social safety nets and social programmes. Two ratings agencies downgraded Barbados’ credit rating in 2009.¹⁶ In order to address the deteriorating situation, GOBD initially requested a two-tranche PBL of USD\$50 million. However, CDB opted to provide two separate PBLs of USD\$25 million, with the second to be disbursed 18 months after the first and incorporating prior actions building on those of the first PBL.¹⁷



(Source: IMF)

CDB economists, with input from GOBD, designed the 2010 PBL with two objectives: (i) to provide much needed concessional financing to ease the fiscal strain; and (ii) to support GOBD in its efforts to undertake medium-term reforms to achieve fiscal and debt sustainability, while protecting hard-won social gains.”¹⁸ It also emphasised the importance of sustainable fiscal performance for growth and development. A key concern noted in the appraisal report and CDB’s 2010-14 CSP was the need to “minimise the risk of disorderly fiscal adjustment” in the short term.¹⁹ To that point, GOBD had financed much of its debt from internal sources, and was having difficulty obtaining external funds at favourable terms.

The letter formally requesting the PBL notes that Barbados had experienced severe stress in 2009 and 2010, with economic contraction and increased unemployment. The debt-to-GDP ratio had risen to almost 95% in 2009 and interest payments on debt were 19% of revenues. GOBD was acting aggressively, cutting expenditures in the first half of 2010 and taking other measures to improve public financial management

¹⁶ CDB, “Validation of PCR on PBL - Barbados (PRN 3575)” (St. Michael, Barbados, 2015), 1.

¹⁷ CDB, “Project Completion Report (PRN 3575)” (St. Michael, Barbados, 2013), 8.

¹⁸ CDB, “PBL - Barbados (President’s Recommendation No. 836),” Paper BD 79/10 (St. Michael, Barbados, 2010), 13.

¹⁹ Ibid., 27; CDB, “Country Strategy Paper 2010-13: Barbados,” 21.

(PFM), revenue administration, and implementing other aspects of its MTFS. It accordingly requested the two programmatic PBLs to facilitate its reforms while maintaining macroeconomic stability.²⁰

The PBL was designed to be backward looking – that is, based on prior actions that GOBD was already implementing or had already implemented – due to the urgent need for concessional financing. The amount of the PBL was guided by CDB’s assessment of the nature of the reforms that could have been feasibly completed by the time of Board consideration and by CDB’s ceiling in relation to PBL lending.²¹

The PCVR concluded that

The PBL was justified because: (i) the provision of concessional financing was important in an environment in which GOBD was finding it more difficult to access external funds on favourable terms, having previously financed its fiscal deficit largely through domestic sources, regional and international capital markets, as well as from regional and international financial institutions; and (ii) fiscal adjustment and consolidation were necessary to support sustainable economic growth and further progress in social and economic development.²²

Relevance of PBL Instrument

Key Finding: *The PBL was consistent with aspects of CDB’s CSP for Barbados and Barbados’ reform plans. The primary area of focus was debt and PFM. However, some stakeholders were concerned that not enough attention was paid to local conditions.*

The prior actions in the PBL were intended to contribute to improved expenditure management, enhanced revenue administration, and strengthened debt management systems. This was consistent with GOBD’s 2010 Medium-Term Financial Strategy (MTFS) and its overarching 2010 Medium-Term Development Strategy (MTDS), as well as CDB’s strategic goal of promoting good governance and its CSP objective of maintaining macroeconomic stability in Barbados (see PBL Expected Outcomes and Appendix C for a table correlating GOBDs development plan, CDB’s CSP for Barbados, and the objectives of the PBL). The relevant GOBD goals and objectives were:

- Preserving macroeconomic stability (MTDS and MTFS);
- Reduction of fiscal deficit (MTFS);
- Debt reduction and credit rating improvement (MTFS); and
- Alleviation of existing pockets of poverty while ensuring other social services are provided (MTDS).

Three respondents suggested that, while a PBL could not address all aspects in Barbados’ national strategy, the information in the PBL and the manner in which the agreement was made could have been more aligned with the spirit and overall objective of the MTDS. Moreover, they were concerned with potential unintended consequences of fiscal restraint on other aspects of GOBD’s domestic programmes. Two respondents criticized the program for focussing on restraint and fiscal issues to the exclusion of growth, and questioned the assumption that the reforms would lead to growth and poverty reduction. Both the PCR and the PCVR, however, concluded that the relevance was very high in 2010, and that only the cancellation of the second PBL diminished the rating to satisfactory.²³

²⁰ See Appendix 3.1 of CDB, “Policy-Based Loan - Barbados (President’s Recommendation No. 836).”

²¹ CDB, “Project Completion Report (PRN 3575),” 8.

²² CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” 3.

²³ Ibid., iii; CDB, “Project Completion Report (PRN 3575),” 13.

With respect to alignment with other lending institutions, the appraisal report noted that GOBD had recently undergone a PEFA assessment commissioned by the European Commission. The budget support programme that followed included a PFM reform programme. CDB proposed to assist Barbados in some of the same areas. In addition, IDB had approved assistance in 2007 to strengthen results-based management in Barbados. There is no documentary evidence of cooperation or collaboration with other MDBs in the development of this PBL, however, CDB respondents indicated that discussions had taken place and one GOBD respondent was concerned that the prior actions were more consistent with IMF recommendations than local priorities.

PBL Country Assessment Process

Key Finding: *The analysis for the PBL focussed primarily on macroeconomic data and Barbados' debt sustainability. The range of officials consulted was narrow, with some GOBD respondents expressing concern that not enough consideration was given to potential impacts on growth and the vulnerable.*

The appraisal report included a summary of the economic situation faced by Barbados, provided some social and macroeconomic context, and focussed on GOBD's fiscal gap and unsustainable debt trajectory. It also reviewed GOBD's reform program with respect to expenditure, revenue, and debt policy and administration, public enterprise reform, and social development. CDB concluded that although GOBD's program was commendable, its targets might not be achievable in the timelines envisioned. The appraisal report also briefly described links between the PBL and CDB's CSP for Barbados, set out likely scenarios for the reforms (including a social impact assessment), and described support by other MDBs (and CARTAC). The analysis included two scenarios: one with and one without reforms.

Two senior GOBD respondents expressed overall dissatisfaction with the analysis. Other respondent comments included:

- Three interviewees indicated that the design of the PBL was based on reforms that GOBD was already undertaking or had already been completed. This was confirmed in the PCR, which noted the PBL's backward-looking nature, and was attributed to the urgency of GOBD's situation.²⁴ The appraisal report and three interviewees confirm that CDB consulted with economists at the Central Bank of Barbados and with officials from MoFITE and the Ministry of Economic Affairs, Empowerment, Innovation, Trade, Industry and Commerce.²⁵
- Three interviewees expressed concern that there was not enough consultation at the working level or with other ministries, and that this deprived the analysis of information that could have been used to improve the design of the PBL – particularly with respect to possible impacts on growth and the vulnerable.
- Three respondents commented that they believed the approach of increasing fiscal efficiency and improving social targeting were contradictory, and noted that reduced expenditures would not alleviate poverty, increase employment, or stimulate growth.

The analysis included lessons learned from previous PBLs, including: (1) the importance of ownership, and dialogue with a cross section of high-level officials; (2) the need for time in implementing institutional change and strengthening; (3) the need for TA to increase capacity and thus chances of success; (4) the need to clearly define and place time limits on conditions and activities; (5) the need for constant dialogue with the BMC; and, (6) the importance of political stability and commitment to reform implementation.

²⁴ Ibid., 8.

²⁵ CDB, "Policy-Based Loan - Barbados (President's Recommendation No. 836)," 13.

These were not specific to Barbados, although the last reflects a lesson not included in the 2008 and 2009 PBLs in other BMCs.

PBL Applications, Negotiation and Review Process

Key Finding: *The application and review process was efficient and timely. The negotiation for the PBL occurred in conditions of urgency, due to debt distress, which may have led GOBD officials to accept prior conditions under some pressure.*

CDB's response to the request made by GOBD and the turnaround time was efficient. GOBD first approached CDB in May 2009, a formal request for a PBL was filed in March 2010, and a draft was circulated at CDB in September 2010. The CDB Board approved the PBL on 21 October 2010, conditions were considered fulfilled on 16 December 2010, and the funds disbursed the next day. The PCVR concluded that "The timeline between the initial request, negotiation, satisfaction of outstanding conditions precedent to the first disbursement and the disbursement was short and both GOBD and CDB were responsive,"²⁶ and considered the process to be "commendable."²⁷

One area of concern raised by GOBD respondents pertained to the decision to have two programmatic PBLs instead of a single, two-tranche PBL. One respondent suggested that it was important not to offend senior decision-makers and that agreeing to the split PBL was the only way to obtain approval from CDB's Board. Another noted that the two-tranche approach would have helped keep Barbados focussed on a short-term reform programme.

Despite delays in some reforms, CDB considered prior actions to be substantially complete for the second PBL in 2012. However, staff did not submit the appraisal report to the board as it would have exceeded CDB's PBL lending limit.²⁸

With respect to targets and prior actions, GOBD respondents raised several concerns:

- Two respondents indicated that they believed that GOBD agreed to several targets, such as the level of reductions in expenditures and the review of the tax system, in order to gain the approval of CDB decision-makers – and not necessarily because they believed the targets to be achievable.
- Three respondents noted that GOBD officials accepted conditionalities they considered unachievable due to the urgent need for funds.
- Four respondents were concerned that CDB focussed too exclusively on IMF-style reforms, to which GOBD agreed in order to improve the likelihood of CDB Board approval. One noted the need to "do what you are required to do to get the loan."

The effect of the narrow scope of consultation, two respondents noted, was a lower level of ownership of the programme in GOBD.

²⁶ CDB, "Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575)," 16.

²⁷ Ibid., 18.

²⁸ Ibid., 17.

PBL Expected Outcomes and Measurement Strategy

Key Finding: *The 2010 PBL appraisal report had a results framework matrix that included country level objectives (without indicators), PBL outcomes (with indicators), and identified risks. Outcomes were not consistent throughout the document and quantitative indicators generally could not be solely attributed to the PBLs.*

The 2010 PBL appraisal report included a results framework matrix and tables of conditions precedent to disbursement of the PBL (and the anticipated second programmatic PBL in 2012), but no logic model. The results framework matrix included country-level objectives, PBL outcomes, key areas of intervention (the prior actions of the PBL), and risks and mitigation measures. There were indicators for PBL outcomes but not for country-level objectives.

Country-level objectives included macroeconomic stability and enhanced social development, which can be interpreted as ultimate outcomes to which the reforms were expected to contribute. PBL-level outcomes were inconsistent with outcomes set out in the narrative and with the broad outcomes under which prior actions were organized in the table of conditions precedent to disbursement.

The PCRV noted some inconsistencies in the documentation between the stated outcomes in the narrative, the conditions for disbursement of the PBL, and the policy matrix.²⁹ The PCR used the results framework matrix outcomes in its assessment, and included “strengthened fiscal institutions and frameworks” under “improved expenditure management.” In the appraisal report, the “Project at a Glance” summary and the rationale for the PBL also include the provision of “much needed concessional financing to ease the current fiscal strain” as an objective.³⁰

²⁹ Ibid., 15.

³⁰ CDB, “PBL - Barbados (President’s Recommendation No. 836),” Paper BD 79/10 (St. Michael, Barbados, 2010), unnumbered page, 13.

Table 3: Comparison of Expected Outcomes in Narrative, Results Framework Matrix, and Indicative Policy Matrix for Disbursement

Expected Outcomes in Narrative ³¹	Results Framework Matrix Outcomes ³²	Indicative Policy Matrix Outcomes ³³
(a) enhanced revenue performance through targeted measures to broaden coverage and improve efficiency in collections	(b) Improved revenue management systems	• Improved revenue management systems
(b) better management and control in the growth of expenditures consistent with achieving fiscal stability	(a) Improved expenditure management	• Improved expenditure management • Other public financial management (PFM) reforms
(c) improved systems and processes for debt management with consequential reduction in debt service payments to more manageable levels	(c) Improved debt management systems	• Improved debt management systems
(d) strengthened fiscal institutions and frameworks to support fiscal consolidation		
	(d) Improved social protection programme targeting	

This evaluation will use the same approach as the PCR, and treat the following as medium-term outcomes:

- (a) Improved expenditure management;
- (b) Improved revenue management systems;
- (c) Improved debt management systems; and
- (d) Improved social protection programme targeting.

Short-term outcomes will be interpreted as incremental progress towards medium-term outcomes, and the impact of concessional financing on the debt dynamics of GOBD, as the latter outcome is emphasized to be of particular interest. This is consistent with the approach used in the PCVR, which used progress toward achieving the prior actions for the second PBL, as well as the 2011 and 2012 targets in the “with reform” scenario of the appraisal report.³⁴

The indicators in the results framework matrix included both qualitative and quantitative measures, with targets set for 2014. Quantitative indicators were high-level (e.g. reduction in debt-to-GDP ratio). One qualitative measure did not have an identifiable target (i.e. “information used to improve social protection programmes”). This evaluation also considered the input of CDB, GOBD, other stakeholders, and data available from other MDBs. It should be noted that the indicators were based on the assumption that the prior actions for both the 2010 and 2012 PBLs would be completed (and funds disbursed).

³¹ Caribbean Development Bank, “Policy-Based Loan - Barbados (President’s Recommendation No. 836),” 20.

³² Ibid., 21.

³³ Ibid., 16.

³⁴ Ibid., 12; see also Appendix 2.2.

Assumptions identified explicitly in the appraisal report included a continued global economic recovery. However, it also observed weak growth in Barbados (between zero and two percent in the medium-term), which would improve after 2012,³⁵ thereby promoting broad-based growth through reforms.³⁶ Implicit assumptions included the absence of major exogenous shocks, the absence of natural disasters, and continued political commitment to reform by GOBD. In addition, it was assumed that fiscal space produced by the reform measures and the improved debt dynamics would be invested in maintaining and improving social protection programmes.³⁷

Although there was no explicit theory of change or normative framework, four respondents noted the following normative assumptions:

- (a) open economies were expected to lead to increased economic growth;
- (b) an improved macroeconomic status was expected to enhance development;
- (c) increased fiscal restraint was expected to improve growth conditions; and,
- (d) a free market was the most appropriate system for development.

The evaluation found that these assumptions were unquestioned, and formed the basis of PBL prior actions and conditions development. Supporting this view, the appraisal report notes that “Higher investor confidence should spur investment and in turn, economic growth, with the accompanying benefits of deepening social development and reducing poverty.”³⁸

One respondent found that the country-level objectives were based on GOBD’s overall development plan, and were not appropriate for the PBL. However, if the goal was simply to inject liquidity, the respondent noted, the rationale was sound.

PBL Prior Actions

Key Finding: *There were 11 prior actions in the 2010 PBL. Most were considered realistic and achievable, although expenditure restraints were considered too ambitious in the circumstances.*³⁹

There were 11 prior actions for the 2010 PBL, all of which were completed at the time of PBL disbursement. The prior actions were intended to contribute to improved expenditure management, enhanced revenue administration, strengthened debt management systems, and better social protection programme targeting. An additional 13 were planned for the 2012 PBL. These built on the 2010 prior actions.

Two GOBD respondents indicated that the prior actions were selected from a list provided by GOBD, to conform with CDB’s CSP objectives for Barbados. One GOBD respondent indicated that most prior actions were realistic, with the exception of the reduction of GOBD expenditures – which would be difficult to meet at the time.

While several GOBD respondents noted that there was little flexibility regarding which prior actions were considered, there was some flexibility in their implementation. For example, even though GOBD fell short of its target for the first prior action (reduced expenditures), three GOBD respondents noted that CDB imposed no corrective action and allowed the PBL disbursement to proceed.

³⁵ Ibid., 6.

³⁶ Ibid., 13, 20.

³⁷ Ibid., 22.

³⁸ Ibid.

³⁹ See Appendix C for a list of prior actions.

PBL Risk Mitigation Strategies

Key Finding: *The PBL identified several general risks and mitigation strategies. These were not unique to Barbados and were used in other BMC PBLs.*

Some general risks and mitigation strategies were identified in the appraisal report, including:⁴⁰

- Adverse international developments. Mitigation strategy: “CDB will work closely with Barbados to monitor the situation and engage in policy discussion,” “Greater effort to correct fiscal imbalances,” or “Barbados will need to secure more financing.”
- Natural hazards. Mitigation strategy: “CDB will assist through its standard disaster response facilities,” including the provision of rapid response financing and rehabilitation assistance.
- [Inadequate] implementation capacity. Mitigation strategy: “The provision of resources by GOBD to hire consultants to assist with the implementation of the measures including studies and reviews,” and TA provided by CDB and development partners.

These same risks were identified across different PBLs for various BMCs. One respondent noted that a significant unidentified risk was that of economic stagnation, in which revenues remained low and expenditures high. In addition, although the appraisal report commented on the importance of political commitment, it was not explicitly identified as a risk. The mitigation strategy implied was “dialogue with a wide cross-section of country officials at the highest level.”⁴¹

PBL Technical Assistance

Key Finding: *The evaluation found that TA was offered by CDB, and was also provided by CARTAC, IDB and the European Commission. One respondent reported that CDB’s rates were higher than other providers.*

The appraisal report indicated that GOBD was to receive TA from CDB to assist with the preparation of the project oversight and management framework for the Public Sector Investment Programme, and set out TA that would be provided by development partners. These included

- IDB (public expenditure review, national procurement systems, and customs and VAT);
- CARTAC (strengthening debt management capability and a review of the domestic tax system); and
- The European Commission (PEFA assessments).⁴²

However, one respondent indicated that they considered CDB’s TA to be more expensive than other providers, and that GOBD officials were not fully informed of the cost competitiveness of CDB’s TA in advance. In addition, in a meeting held in April 2010, GOBD officials made it clear that if IDB was able to provide TA, then CDB’s TA would not be required.⁴³

⁴⁰ Ibid., 25–26.

⁴¹ Ibid., 14.

⁴² Ibid., 20.

⁴³ CDB, “Notes from a Meeting with Government Officials on an Expenditure Review for Barbados” (St. Michael, Barbados, 2010).

Harmonization of Processes with other Lending Institutions

Key Finding: *Although there were no other MDB PBLs at the time of the 2010 PBL, there is some evidence that it took account of investment programs of the IDB, and views of the IMF expressed through their Article IV consultation.*

There is evidence that CDB was working with other lending institutions and agencies in the development of its PBL. CDB respondents indicated that prior actions, where possible, were harmonized with the work of the IDB. Examples included work related to water, national procurement, reforms to the value-added tax (VAT), and PFM. In addition, talks were held with IMF personnel during the course of an Article IV consultation visit, in order to obtain feedback on conditions in Barbados and the potential form of the PBL.

II. Appropriateness of the Conditions

CDB Expectations

Key Finding: *CDB's expectations were set out in the terms and conditions of the PBL, including a requirement for the submission of data on GOBD implementation of the MTFS.*

The PBL terms and conditions set out the conditions for disbursement of each tranche, terms of repayment, and other conditions, including CDB's right to suspend or cancel the loan should a part of the programme not be completed.⁴⁴ In addition, as the PCVR noted:

Under the loan agreement... commencing the quarter ending March 2011, and continuing for a period of five years, MoFITE was required to submit to CDB quarterly reports (within 90 days after the end of each quarter) on the progress of implementation of its MTFS. The reports were to include details related to fiscal performance, the level of debt, other macroeconomic performance indicators, as well as medium-term macroeconomic projections.⁴⁵

The details were to have been agreed upon and sufficient for CDB staff to evaluate performance. The evaluation was not able to find evidence of such an agreement having been reached.

Monitoring Prior Actions Implementation

Key Finding: *The monitoring of prior actions was in the form of one PSR. A PCR and a thorough PCVR were prepared in 2013 and 2015. There was little reporting of progress by GOBD and evidence of outcomes was limited.*

CDB officials maintained a schedule to follow up on the continued achievements of certain prior actions. One project supervision report (PSRs) was completed – in March 2011 – and it contained no information on outcomes. A PCR was prepared in 2013, and a validation of the PCR completed in 2015. The PCVR was thorough, considering all aspects of the PBL, and addressed shortcomings in the stipulated indicators and outcomes. For example, while no short-term outcomes were identified in the PBL appraisal report, the PCVR selected appropriate evidence that enabled some limited conclusions.

⁴⁴ CDB, "PBL - Barbados (President's Recommendation No. 836)," 28–29.

⁴⁵ CDB, "Validation of PCR on PBL - Barbados (PRN 3575)," 18.

There was some subsequent monitoring in preparation of the second PBL, as evidenced by minutes of the meeting between GOBD officials and CDB in October 2011. A status report in the form of a policy note was received from GOBD as preparations for the second PBL were underway.

Three respondents indicated that there was no monitoring of unintended consequences of the reforms. One GOBD respondent noted that follow-up was focussed on fiscal issues, with little completed on medium-term outcomes. On the other hand, as noted above, MoFITE was required to submit detailed quarterly reports to CDB on the progress of implementation of the MTFS. There is no evidence to suggest reports were submitted as stipulated.

Finally, the PCVR considered the monitoring to be “fairly satisfactory”⁴⁶ but noted that:

Monitoring could have been enhanced by leveraging deeper collaboration with the other external partners financing the reform programme. A benefit of supporting a reform programme supported by other partners is the exchange of information and analysis of progress on activities financed by the partners.⁴⁷

It also noted that the indicators and data used would need to be equivalent and consistent, as this was a problem with some indicators in the PBL.

PBL Technical Assistance Implementation

Key Finding: *TA was offered by CDB, but there is no evidence to suggest that it was requested.*

A range of TA from different agencies was identified in the appraisal report, but there is no evidence that GOBD requested it from CDB for the 2010 PBL prior actions. Some prior actions which were required for the planned second PBL in 2012 were delayed, but there is no evidence that TA was requested for those, either. Instead, where TA was provided, it was by CARTAC and other MDBs. Two respondents noted that GOBD was overwhelmed at the time, and another indicated that despite this shortfall in capacity, CDB’s TA was considered too expensive.

Addressing Adjustments to the Results Framework

Key Finding: *There were no changes to the 2010 PBL’s results framework, as all conditions were reported to have been met to CDB’s satisfaction.*

There were no adjustments to the results framework, even though one prior action could not be fully achieved. Two respondents noted that outcomes were beginning to look unachievable within a year of disbursement. Although the 2012 PBL was not implemented, the proposed PBL in 2012 (and another in 2015) showed some changes in results frameworks to reflect changes in circumstances.

Robustness of Risk Mitigation Strategies

Key Finding: *The risk mitigation strategies were considered to be inadequate by Barbados respondents due to the extended period of stagnation in Barbados.*

The risk mitigation strategies identified in appraisal report were not adequate to the challenges faced by Barbados in the period 2010 to 2014. Although there was no major economic shock, a slow recovery in source countries for visitors to Barbados affected tourism – primarily in reduced spending as opposed to

⁴⁶ Ibid.

⁴⁷ Ibid., iv.

reduced numbers of visitors – and contributed to very low levels of growth. One respondent indicated that political commitment had faltered, leading to an abandonment of the program, although the PCR and PCVR appeared to contradict this observation.⁴⁸ No other evidence could be found to support the claim.

III. Observable Effects Resulting from Implementation of Conditions

Degree of Success Achieving Prior Actions

Key Finding: *Ten of the 2010 PBL prior actions were reportedly accomplished, and one partially accomplished. The evidence suggests that the reforms were sustainable, and that most prior actions for the planned second PBL were also being implemented.*⁴⁹

All first tranche prior actions of the PBL were reported completed prior to disbursement, although the first prior action, pertaining to expenditure reductions, was only partially met. The appraisal report indicates that the prior action was completed, citing a letter provided by Director of Finance and Economic Affairs (DoF), MoFITE, and the PCVR indicates September 2010 as the completion date.⁵⁰ However, a review of the evidence suggests that the short term (2009-2010) expenditures on goods and services were reduced by 11.7% and transfers and subsidies by 1.8%, missing the targets of 13% and 5% respectively. In the medium-term (2009-2014) GOBD expenditures on goods and services decreased by 14.6% and transfers and subsidies increased by 2.8%.

The level of continued compliance with the reforms required in the PBL was observed to be high by CDB. One respondent noted that the prior actions for the 2010 PBL were realistic, with the exception of GOBD expenditure cuts. This, it was argued, would be very difficult to achieve during an economic downturn with accompanying increased social spending.

The PCVR concluded that the reforms appeared to be sustainable, given that GOBD was continuing with new measures (despite delays) and political commitment and ownership remained strong.⁵¹

Short-term Outcomes

Key Finding: *Data inconsistencies made some determinations difficult, as different sources provided conflicting information. Available evidence suggests that most short-term outcomes were met or partially met. GOBD was able to limit expenditure and increase revenue between 2010 and 2011, but this was not sustainable. Debt continued to increase and debt dynamics continued to deteriorate. Assessing the effects of improved social protection programme targeting was not possible due to a lack of indicators and evidence. However, the evidence suggests GOBD maintained its commitment and continued to make progress on all aspects of the PBL programme – implementing additional reforms and preparing for the 2012 PBL.*

Overall, the PCVR concluded that the PBL was efficient, and disbursed the necessary funds quickly.⁵² Assessing the achievement of some aspects of short-term outcomes was difficult as targets were not always clearly articulated, and, to an extent, depended on momentum towards a second PBL in 2012. The PCVR provided a summary of incremental progress towards outcome quantitative indicators.

⁴⁸ CDB, “PCR (PRN 3575),” 21; CDB, “Validation of PCR on PBL - Barbados (PRN 3575),” iv.

⁴⁹ See Appendix C for a list of the prior actions and conditions, and their status.

⁵⁰ CDB, “PBL - Barbados (President’s Recommendation No. 836),” 16; CDB, “Validation of Project Completion Report on PBL - Barbados (PRN 3575),” 8.

⁵¹ *Ibid.*, 17–18.

⁵² *Ibid.*, iii.

Table 4: Short-term Outcome Indicators – Targets vs. Actual⁵³

Outcome indicator	Baseline (2009)	Target (no reforms)		Target (reforms)		Actual	
		2011	2012	2011	2012	2011	2012
Total expenditure-to-GDP ratio not exceeding 33% by 2014	40.6	37.1	36.8	35.7	34.9	35.7	34
Total revenue-to-GDP ratio not less than 30% by 2014	37.1	28.9	28.8	28.9	28.8	28.4	28.8
Central Government gross debt-to-GDP ratio not exceeding 95% by 2014	94.6	101.6	103.9	N/A	N/A	98.2	100.3

Source: CDB

Other documented evidence includes:

- With respect to improved expenditure management, the PCVR assessed this as partially achieved.⁵⁴ Reductions in GOBD spending on goods and services was 11.7% between 2009 and 2010, and reductions in transfers and subsidies was 1.8% in the same period. The PCVR reported that the expenditure-to-GDP ratio was 34% in 2012, below the projected target of 34.9%, although the IMF set the figure at 35.6%.⁵⁵ In addition:
 - The PCVR noted that an expenditure review of ministries was started in 2012, which was slower progress than anticipated, and that there was not enough evidence to make a conclusion about the modernisation of the procurement system.⁵⁶
 - GOBD reported that it was implementing accrual accounting across ministries, but the PCVR found no supporting documentation after 2012.
 - There was no reporting on strengthened fiscal institutions and frameworks (PFM) to support fiscal consolidation and no outcome indicators to support this expected result.⁵⁷

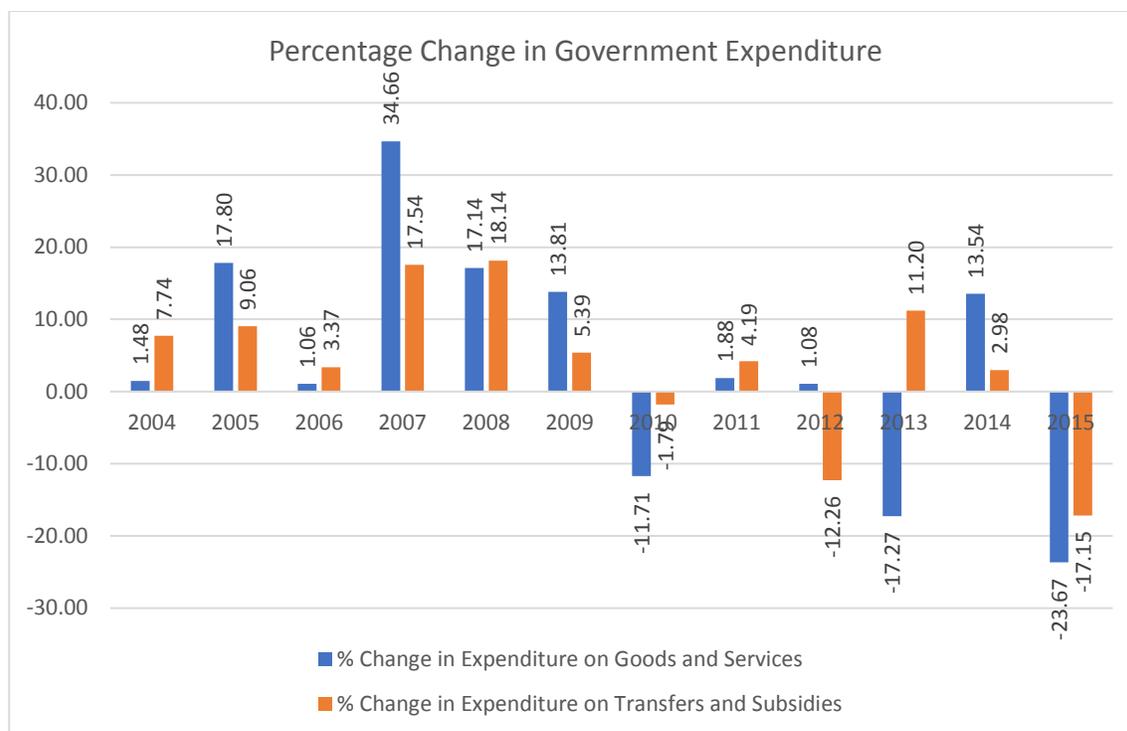
⁵³ Ibid., 14.

⁵⁴ Ibid., 11.

⁵⁵ See chart below. International Monetary Fund, “Barbados: 2013 Article IV Consultation,” IMF Country Report No. 14/52 (Washington, D.C., 2014), 38.

⁵⁶ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” 11.

⁵⁷ Ibid., 12.



(Source: OECD)

- With respect to improved revenue management systems, the PCVR rated this outcome as partially achieved and reported that the revenue-to-GDP ratio was 28.4% at end 2011, slightly above the ratio in 2010, and 28.8% in 2012.⁵⁸ This was partly associated with the 2.5% increase in VAT in December 2010. IMF figures differ, at 29.4% and 27.6% respectively.⁵⁹ In addition:
 - The PCVR noted that the Modernisation of Customs, Excise and VAT areas project was slow, and that “It is not clear from the reporting however what completion of Phase I means (as this was terminology was not used in the IDB loan proposal) and what if any activities may have been outstanding at the time of PCR preparation.”⁶⁰
 - Although the Central Revenue Authority (CRA) action plan was completed, implementation was slow. The plan was not costed and no launch date set. Furthermore, the PCVR noted that there was no funding in 2010 to establish the CRA. However, the CRA – named the Barbados Revenue Authority – was ultimately established in 2014.⁶¹
 - GOBD reported that changes to the VAT increased revenues by BBD204.1 million annually.⁶²

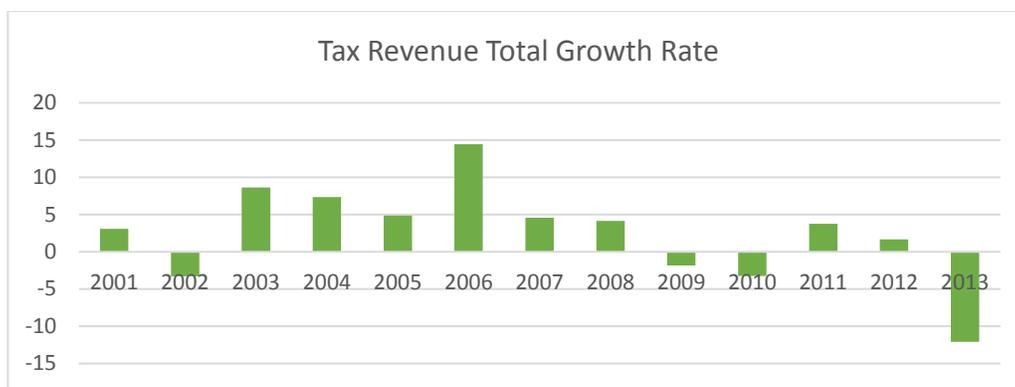
⁵⁸ See chart below. International Monetary Fund, “Barbados: 2013 Article IV Consultation,” 38.

⁵⁹ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” 9.

⁶⁰ Ibid., 10.

⁶¹ Ibid.

⁶² Ibid., 11.



(Source: OECD)

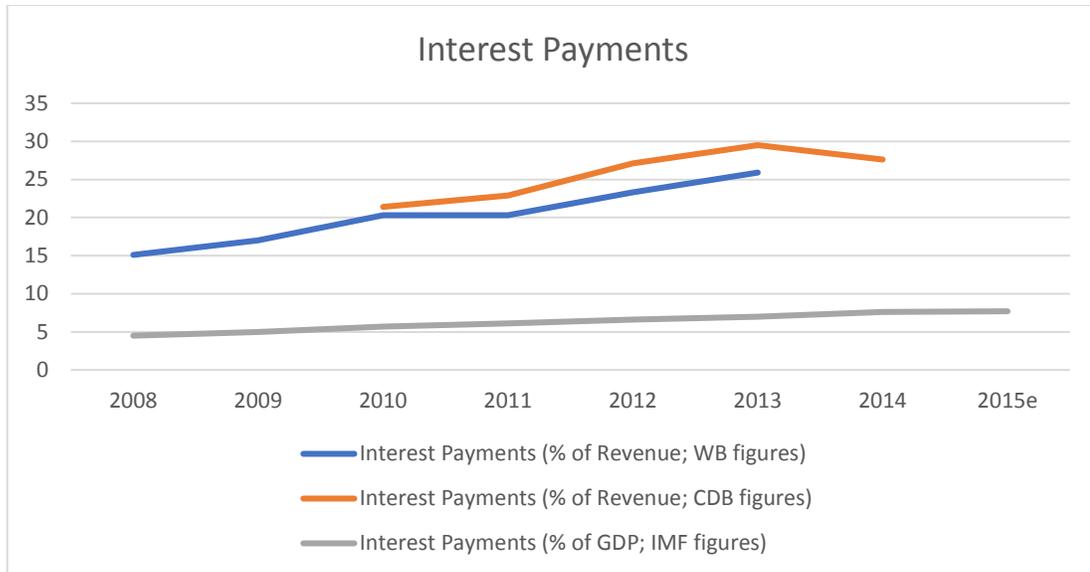
- With respect to improved debt management, assessing the degree to which targets were met or missed was difficult as there were inconsistencies in the data used in the appraisal report and CDB’s country assessment report. This is also noted by the PCVR, which clarifies that the debt figure to be considered is Central Government debt and not gross public debt. The PCVR concluded that GOBD appeared to be on track to meet its 2014 targets and the Debt Management Committee and Debt Management Unit appeared to be in place.⁶³ (However, as can be seen in the chart under the heading Medium-term Outcomes below, debt-to-GDP showed a steady increase.) Despite concerns about data and a lack of information about the debt management process, the PCVR rated this outcome as partially achieved.⁶⁴
- With respect to improved social protection programme targeting, the PCVR indicated that there was no information upon which to assess the outcome, but that it appeared to be delayed. The Country Assessment of Living Conditions (CALC), completion of which was required for the second PBL, was published in December 2012.⁶⁵
- With respect to the effect of concessional financing on the debt dynamics of GOBD, the PCVR observed that “The absence of the second PBL between 2011 and the present time begs the question as to the additionality it would have provided to incentivise the ongoing reform programme. In this case, the benefit of the PBL may have been more effective in providing liquidity support, rather than as an incentivising mechanism.”⁶⁶ However, available evidence suggests that concessional financing did have a short-term positive effect, but that this was not sustained, while GOBD continued with a reform programme. One respondent indicated that without the PBL disbursement, GOBD “would have gotten into more problems sooner.”

⁶³ Ibid., 15.

⁶⁴ Ibid., 13.

⁶⁵ Sir Arthur Lewis Institute of Social and Economic Studies, “Barbados Country Assessment of Living Conditions 2010, Volume 1: Human Development Challenges in a Global Crisis: Addressing Growth and Social Inclusion”; Sir Arthur Lewis Institute of Social and Economic Studies, “Barbados Country Assessment of Living Conditions 2010, Volume 2: A Macroeconomic and Social Assessment of Barbados 1995-2010” (Cave Hill, Barbados, 2012).

⁶⁶ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” iv.



Considering other possible indicators, the PCVR noted:

- Interest payments have increased from 4.8% of GDP in 2009 to 6.2% of GDP for 2012, which runs counter to the PBL outcome of “consequential reduction in debt service payments to more manageable levels.”⁶⁷
- The overall deficit was estimated to have narrowed to around 5.2% of GDP in 2012, relative to the deficit of 7.1% of GDP in 2011 and 8.3% in 2009.
- Debt repayments have increased in the face of declining deficits, suggesting GOBD has reduced expenditure to cover debt servicing costs.
- Owing to the weak fiscal profile, on July 17, 2012, Standard and Poor’s (S&P) downgraded Barbados’ foreign credit rating to BB+ from BBB-/A-3, with a stable outlook.⁶⁸

CDB officials indicated satisfaction with the achievement of short-term outcomes, while one respondent indicated that GOBD officials were “moderately” satisfied with the PBL. GOBD satisfaction was qualified with concerns about the decision to have two separate programmatic PBLs instead of a single, two-tranche PBL. Another respondent noted that it would have been “easier to sell harsh policies once to the population rather than twice.”

Medium-term Outcomes

Key Finding: *The medium-term outcome indicators of the PBL were too ambitious, given the economic circumstances of the time. After early improvements between 2010 and 2012, expenditures rose, revenues declined as a percentage of GDP, interest payments increased, and debt continued to climb steadily. This did not stabilise until fiscal year 2014/15, when a new wave of reforms and austerity measures were initiated and growth began to resume. Most 2010 PBL reforms were considered sustainable.*

Assessing the achievement of medium-term outcomes was complicated by the fact that indicators in the PBL assumed the implementation of a second wave of reforms in 2012. This was noted in the PCR and the PCVR. In addition, the PCVR concluded that, “Of the four outcomes, three were partially achieved and the

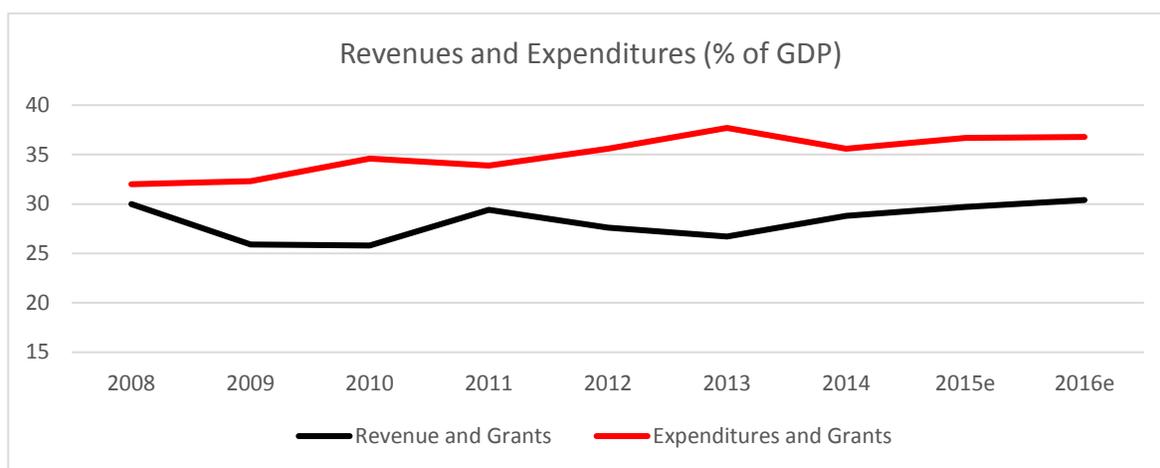
⁶⁷ Ibid., 15.

⁶⁸ Ibid.

fourth (social development) could not be objectively assessed.”⁶⁹ The PCVR rated the PBL as marginally unsatisfactory for effectiveness and satisfactory for efficiency.⁷⁰

Investigating each of the expected outcomes individually yielded some evidence:

- With respect to improved expenditure management, reductions in GOBD spending on goods and services were unsustainable. GOBD expenditures on goods and services decreased by only 3.28% and transfers and subsidies increased by 4.67% between 2010 and 2014. In the 2014/15 fiscal year, however, GOBD cut spending on goods and services by 26.2% and spending on transfers and subsidies by 13.3%. Overall, between 2009 and 2015, expenditures on goods and services fell by 34.8% and transfers and subsidies fell by 14.8%. The expenditure-to-GDP ratio increased from 2010 to 2014, but fell afterward, and has since stabilised at about 37% (although there is no way to determine whether this can be attributed to the PBL). Three respondents noted that the late effort was intended to meet conditions for a new PBL program.⁷¹
- With respect to improved revenue management systems, tax revenue fluctuated between 2010 and 2014, dipping in 2012 and 2013 before rising again in 2014. In absolute terms, tax revenue decreased by 7.2% between 2010 and 2013. One respondent noted that the added revenue from new taxes was delayed. More positively, initiatives to modernize the customs, excise, and VAT have progressed. Notably, GOBD introduced a number of changes to the VAT in 2012, 2013, and 2015.⁷² While the CRA action plan was completed, implementation was slow and not completed until 2014.



(Source: IMF)

- With respect to improved debt management, the debt-to-GDP ratio continued to climb. Exact figures were difficult for this evaluation to determine, as figures used in different reports do not agree. However, GOBD missed its target gross debt-to-GDP ratio of 95% or less by 2014. Gross Central Government debt excluding NIS holdings had dipped below 105% in 2016 (with debt including NIS holdings exceeded 140% of GDP).⁷³ The PCVR noted that “Although the deficit has

⁶⁹ Ibid., iii.

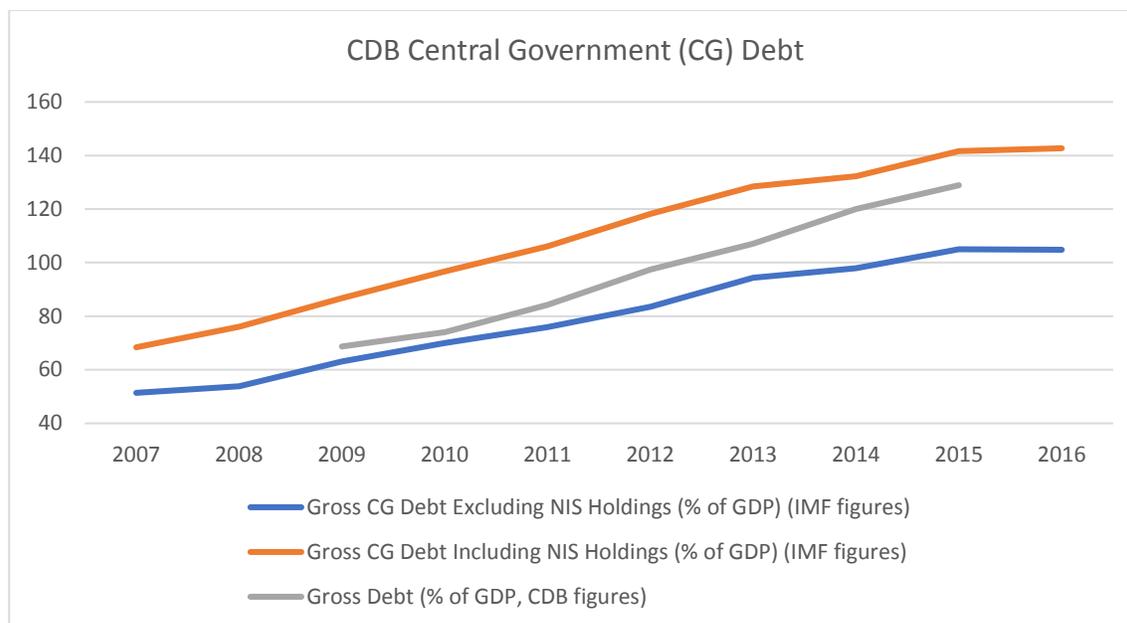
⁷⁰ Ibid.

⁷¹ See CDB, “Policy-Based Loan - Barbados (President’s Recommendation No. 912) [Draft; Not Submitted to BOD],” Paper BD 111/15 (St. Michael, Barbados, 2015).

⁷² Ibid., 13.

⁷³ IMF, “2016 Article IV Consultation — Press Release; Staff Report; and Statement By the Executive Director for Barbados,” 28.

declined, high public debt remains. Debt service costs have increased and the country’s credit rating has declined.”⁷⁴ Debt servicing costs increased by 58.3% between 2009 and 2014. Total debt servicing charges increased by 58.3% from 2009 to 2014.



- With respect to improved social protection programme targeting, no data was available on whether information from the PSIA was used to improve social protection programmes. More broadly, three respondents stated that the government’s austerity and reform program had negatively affected the majority of the population. However, the PCR noted that “Significant progress was made towards improving the delivery of social services. The Identification, Assessment, Stabilisation, Enhancement and Empowerment Project is under implementation.... Additionally, consultancy has started to assist in rationalising social agencies.”⁷⁵

Considering other macroeconomic effects of the PBL:

- Unemployment climbed from 10.7% to 12.2% between 2010 and 2014, but has since fallen to 9.7% in 2016.⁷⁶
- Tourism rebounded, but – as with many Caribbean states – tourists spent less as they stayed in all-inclusive resorts. Revenue generated from tourism was also lower than it could have been due to favourable tax rates. The IMF noted that “the most productive sector in the region may be benefitting from the lowest effective tax rates, implying a wealth transfer away from residents towards tourists and foreign tourism operators.”⁷⁷
- GDP growth remained very weak until 2016, when it reached 1.6%. Growth in 2017 is anticipated to fall below 1% again, however.⁷⁸ Two respondents argued that increasing the VAT from 15% to 17.5% worsened an already difficult situation, contributed to reduced consumption, and exacerbated business closures.

⁷⁴ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” iii.

⁷⁵ Caribbean Development Bank, “Project Completion Report (PRN 3575),” 12.

⁷⁶ World Bank, “Unemployment, Total (% of Total Labor Force) (National Estimate) | Data,” 2017, <https://data.worldbank.org/indicator/SL.UEM.TOTL.NE.ZS?locations=BB&view=chart>.

⁷⁷ International Monetary Fund, “Barbados: 2013 Article IV Consultation,” 19.

⁷⁸ International Monetary Fund, “IMF Staff Concludes Visit to Barbados,” 2017.

Four GOBD respondents noted that while the injection of funds had positive effects, they were less satisfied with the medium-term outcomes associated with the PBL. Two respondents also spoke of reform fatigue, with trade unions protesting and confidence in government falling.

The PCVR commented on the progress made toward the potential second PBL in 2012, indicating that progress was slower than expected – although it also noted that some reforms may have been too ambitious. The fact that CDB was willing to submit the proposal to the Board, it argued, suggested that CDB was satisfied with progress. The PCVR also judged the reforms to be sustainable, partly because of the ongoing nature of reforms, and partly because they were considered “home grown” with a high degree of ownership. Finally, it concluded that medium-term sustainability would have been boosted with the disbursement of the second PBL, and recommended that country assessment reports be used to follow up on PBL indicators relevant to MBDs for at least five years.⁷⁹

PBL Domestic Programme Effects

Key Finding: *Some stakeholders argued that effects on the poor and vulnerable should have been considered before implementation, and better monitored after disbursement. Social support programmes were required to spend more and growth was negatively affected.*

Three respondents indicated that the CDB decision to split the requested two-tranche PBL into two programmatic PBLs forced GOBD to turn to other, more expensive borrowing. Two respondents noted that cuts in expenditures affected a number of bodies, including the Queen Elizabeth Hospital, the Transport Board, the Barbados Agriculture and Development Marketing Corporation, and the University of West Indies. Cuts to the University required a tuition hike, which led to an increase in drop-outs. These cuts, increases in the VAT, and the water rate hike, the respondents argued, affected the vulnerable to a disproportionate degree and required increased spending on social support programs. Disposable income was also affected negatively affecting growth.

CONCLUSIONS

The evaluation of the 2010 Barbados PBL was made more challenging by several factors. First, the PBL was launched at the height of the global economic downturn, and the evidence suggests that while the prior actions were reportedly implemented, economic stagnation played a role in unachieved outcomes – particularly those pertaining to debt and debt dynamics. Given that GOBD was already on a downward growth trajectory before 2008, the reforms may not have been effective in the aftermath of the global economic crisis. Second, CDB’s decision to indefinitely defer the planned second PBL complicates the evaluation of the outcomes of the 2010 PBL as most indicators were predicated on the implementation of prior actions in the second PBL. Third, evidence in some instances was absent, and the quality poor – such as with inconsistencies in data. However, overall, the evidence suggests that while Barbados was unable to meet macroeconomic targets, it maintained a commitment to reform and made progress based on qualitative indicators, such as strengthened institutions and PFM.

PBL Design Process and Appropriateness

With respect to the design process for the PBLs, some CDB focused assumptions held, while others did not:

- Some appropriate support was offered to Barbados, but it may not have been adequate.
 - CDB recognized the severity of the economic downturn and the effects it was having on GOBD’s debt dynamics and social conditions and responded quickly to GOBD’s request

⁷⁹ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” iii–iv.

for a PBL. However, the splitting of the single two-tranche PBL into two programmatic PBLs – and the subsequent cancellation of the second PBL – may have denied GOBD concessionary financing it needed. TA was offered, although it appears that GOBD preferred assistance from CARTAC and other MDBs.

- The evidence indicates that CDB consulted other MDBs and used other programs as a guide in designing the 2010 PBL, but does not suggest that it was explicitly harmonised with lending from other MDBs. However, the reforms were consistent with the pattern of advice and lending from other MDBs since at least the early 1990s.
- The case for the 2010 PBL conditions was based on a results framework with some inconsistencies, and targets which may have been too ambitious and not entirely attributable to the actions in the PBL. In addition, no short-term outcomes were explicitly identified and the link to Barbados' reform program was a loose one. The evidence suggests that the negotiations process, in which GOBD representatives felt themselves to be in a weak position to negotiate, may have contributed. Despite this, the program was largely coherent and focussed on financial reforms and fiscal liquidity.
- The 2010 PBL appeared moderately aligned with local conditions, and it was consistent with the 2010 country strategy paper.
- The loan assessment was considered moderately appropriate by GOBD respondents. It included a thorough analysis of the macroeconomic conditions, but some assumptions were overly optimistic, capacity constraints were not adequately anticipated, and some risks were not identified. Some stakeholders criticized the appraisal report for a lack of broader consultation and an incomplete analysis of some factors such as poverty and capacity.

With respect to GOBD focussed assumptions:

- The 2010 PBL could have been better aligned with local priorities. It was more limited in scope than the GOBD reform plan, with ambitious timelines, and missed some local contextual factors such as the PBL's potential impacts on the vulnerable and the sustainability of steep expenditure reductions in a country with strong social programmes.
- Although Barbados has rarely used PBL-like instruments, the reforms of the PBL were consistent with lending initiatives by other MDBs, such as the European Commission and IDB. The two PBLs envisaged in 2010, while not labelled as programmatic, clearly fit the definition, as prior actions for the 2012 PBL were built on those of the 2010 PBL.

In sum, the evidence suggests the need for greater consultation and collaboration with GOBD local stakeholders, which would have contributed to improving the consistency, relevance, and achievability of outcomes and indicators. These weaknesses did not appear to substantially undermine GOBD ownership as progress toward conditions precedent to the second PBL continued. Measurement of some outcomes however was difficult.

Appropriateness of Conditions

With respect to the appropriateness of the conditions in the PBLs, some CDB assumptions held, while others did not:

- Behaviour expectations were clear. Prior actions and the terms of the PBL were clearly set out in the terms and conditions. Reporting by GOBD on its MTFs does not appear to have been stipulated clearly enough, and no evidence was found that it was provided.

- The evidence suggests that conditions of support were met for the 2010 PBL, but that more support may have been needed for the implementation of prior actions planned for the second PBL in 2012.

With respect to GOBD focussed assumptions:

- For the 2010 PBL, Barbados was able to access technical resources, although GOBD preferred to use technical support provided by CARTAC and other MDBs.
- GOBD reportedly met all but one of the conditions for the PBL. Progress on the exception was considered substantial enough to allow disbursement. There were delays on progress toward some of the conditions precedent for the planned 2012 PBL.
- Barbados appears willing to invest in capacity building and has continued with a program of home-grown reforms. However, it was noted that the reforms have strained GOBD's capacity, contributing to slippage and, in the medium term, reform fatigue.
- Risk mitigation strategies proved to be unequal to the challenges faced by GOBD during the prolonged economic downturn experienced during the 2010 PBL implementation period.

Weaknesses in the PBL design process, based on some flawed assumptions and the cancellation of the second PBL, contributed to shortcomings in the outcomes of the 2010 PBL. While the number of prior actions was not exceptional, and were reported to be appropriate, a number were not sustainable and the impacts did not meet expectations set out in the appraisal report. This suggests that some of the conditions were not appropriate, or perhaps not sufficient to achieve all of the desired outcomes. The cancellation of the second PBL may have played a role.

Observable Effects Resulting from Implementation of Conditions

With respect to the observable effects arising from the conditions, there was a dearth of evidence for some PBL outcomes. This made assessment difficult. In general, weaknesses in the design process and appropriateness of conditionalities affected PBL implementation, which led to weak monitoring and an inability to determine whether some reform outcomes had been achieved.

Specifically, for CDB:

- Funds were delivered in a timely fashion for the PBL, facilitating the temporary improvement of debt dynamics and providing some support for reforms.
- One PSR was prepared for the PBL and a PCR and a thorough PCVR were completed, although difficulties obtaining evidence were noted. There is no record of GOBD reporting on outcomes.

With respect to GOBD focussed assumptions:

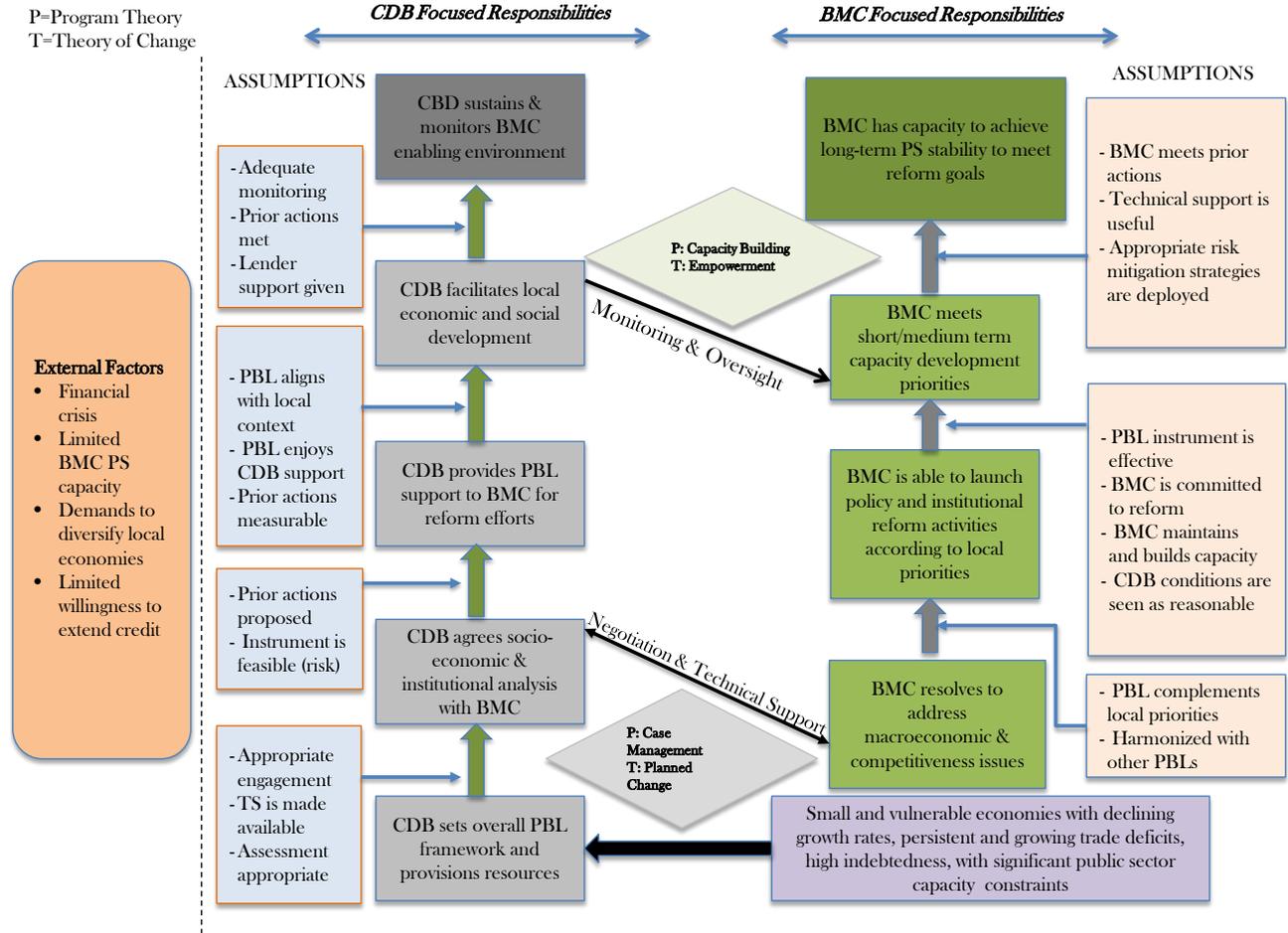
- Barbados was reported to meet all conditions required for the 2010 PBL. It also made progress on achieving the conditions for the second planned PBL.
- Some GOBD respondents questioned the narrow focus of the reforms, and whether they could be sustained in the absence of measures for growth. However, GOBD continued to implement reforms that could be considered to be building on those of the 2010 PBL. This is reflected in outcomes pertaining to expenditures and revenue, which seem to have stabilised after 2014. Debt and debt dynamics continue to be a challenge. GOBD appears committed to reform, although progress has been slower than was anticipated in 2010.
- There is no evidence to determine whether Barbados has maintained or built on capacity or expertise. CDB may want to investigate and address the reasons why GOBD and other BMCs prefer to seek TA from other institutions.

General Comments and Lessons

Shortcomings in the 2010 Barbados PBL appear to be the result of a number of factors. The evaluation suggests that while this PBL was an improvement over earlier ones, CDB was still learning to use the instrument, and GOBD had to contend with capacity constraints and the strains of the economic crisis of the time. Several patterns emerged from the evidence that could be used to inform future PBLs.

- The PBL was effective at temporarily relieving the financial pressures that GOBD faced in 2010.
- Contrary to the experience with some other PBLs, planning the implementation of two PBLs instead of a single, two-tranche PBL may not have been ideal as it denied GOBD the opportunity to obtain the second half of its requested funding. Several GOBD respondents indicated that a two-tranche PBL may have helped keep GOBD focused on a short-term reform programme and that the potential disbursement was a significant incentive.
- Although progress in some reforms was slower than planned, Barbados remained committed to a programme of reform. In addition, given that some reforms had been advised since at least the 1990s, with progress sporadic and slow, even the partial success in meeting conditions suggests that PBLs do serve as an incentive for reform by committing governments to action and offering and demonstrating benefits to elected officials and the public.
- When setting quantitative targets, PBLs may benefit from a more thorough consideration of local conditions, including institutional, political and cultural factors such as institutional readiness. In addition, while high-level macroeconomic targets may be attractive, PBLs may have limited effect and may only be loosely linked conceptually. In sum, setting targets that are too ambitious for the given timeframe or that are not significantly attributable to the PBL may lead to unrealistic expectations and conclusions about success or failure that are not warranted.
- Data in the appraisal reports and other reports should be consistent in order to facilitate measurement and evaluation. For example, the inconsistencies in figures on Central Government debt made it difficult to determine what aspect of debt was being considered. In addition, IMF and World Bank figures differed from CDB and GOBD figures. Harmonizing this data would be a benefit.
- TA should be included in planning, and be appropriate to the complexity and number of conditionalities faced by a BMC. In addition, TA can be structured dynamically during and after the life of the PBL to respond to exogenous circumstances.
- CDB should improve its monitoring during and after the life of the PBL, to better ascertain the achievement of short and medium-term outcomes and to inform future PBLs.

APPENDIX A: THEORY OF CHANGE



APPENDIX B: DATA SOURCES

Table B.1: Sources used for each question

#	Topic	#	Questions	Economic Data (from CDB, Barbados, WB, etc.)	CDB interviews	GOBD interviews	CDB PBL Proposal Documentation (e.g. appraisal reports, CSPs, CPA, prev. PBLs)	CDB PBL Implementation Documentation (e.g. PSRs,)	GOBD Documentation (e.g. reform plan, poverty assessment)	MDB Reports and Papers	Other documentation (e.g. previous MDB PBLs)
1	Design process	a	Was appropriate support offered to Barbados?	x	x	X	x		x	x	x
		b	Was instrument harmonized with CDB and other MDB PBLs?		x	X				x	x
		c	Were the prior conditions negotiated with GOBD?		x	X	x				
		d	Did the PBL align with the local context / complement local priorities?	x	x	X	x		x		
		e	Was the overall assessment appropriate?	x	x	X	x		x		x
2	Appropriateness of conditions	a	Were CDB's behaviour expectations clear?		x	X	x	x			
		b	Did CDB honour its promises of support / was GOBD able to access technical support?		x	X	x	x			
		c	Was GOBD able to meet prior actions?		x	X		x			
		d	Was GOBD willing to invest in capacity building?		x	X		x			
		e	Were appropriate risk mitigation strategies deployed?		x	X	x	x			
3	Observable effects resulting from implementation of conditionalities	a	Were the funds disbursed in a timely fashion?	x	x	X		x			
		b	Was a monitoring framework in place and utilized?	x	x	X	x	x			
		c	Did GOBD meet the prior actions and other conditionalities?		x	X	x	x			
		d	Did GOBD maintain and build on its expertise?		x	X		x		x	x
		e	Did GOBD see reforms as useful and sustainable?	x	x						
		f	Was there evidence of a short or medium-term impact arising from PBL?	x	x	X		x	x	x	x
		g	Were there unintended consequences of the PBL?	x	x	X		x			

APPENDIX C: 2010 PBL CONDITIONALITy Assessment

GOBD’s long-term vision, as set out in its MTDS, was to become “A Fully Developed and People-centered Society, through New Development Pathways.”⁸⁰ This broad growth and development agenda was premised on six main strategies. In addition, GOBD developed an MTFS, which focussed on fiscal aspects of development. There is loose overlap between the two documents, as can be seen below, and with CDB’s country strategy for Barbados. The PBL outcomes address fiscal and social/poverty aspects of the MTDS, MTFS, and CSP.

Table C.1: GOBD / CDB / PBL Outcomes

GOBD MTDS 2010-14	GOBD MTFS 2010-14 Goals ⁸¹	CDB Major CSP Objectives for Barbados	2010 PBL Objectives
Become a globally competitive and productive economy	Ensure strong growth through increased efficiency, productivity and competitiveness over the medium term	More competitive productive sectors	
Generate adequate levels of foreign exchange to help finance our development needs		Renewed and enhanced public physical and environmental infrastructure	
Keep the unemployment rates in single digits			
Preserve a stable macroeconomic environment	Maintain macroeconomic stability	Macroeconomic stability	
	Reduce the fiscal deficit and provide a stable fiscal framework that will allow the government the better serve the national goals and the objectives of its MTDS		Improved expenditure management
	Reduce the level of debt and improve the country’s credit ratings leading to reduced debt service costs		Improved revenue management systems
	Ensure that domestic and external confidence, in the ability of the Government to manage its resources in an efficient and balanced manner, is maintained		Improved debt management systems
Work towards the alleviate of existing pockets of poverty while ensuring that other social services are adequately provided.		Enhanced social development	Improved social protection programme targeting
Ensure environmental sustainability while seeking to address issues relating to climate change.			

GOBD’s obligations for the 2010 PBL were a comprehensive set of prior actions that were linked to these objectives. These are found in the following table as organized in the appraisal report’s “indicative policy matrix” for each tranche. Note that this does not mirror the organization of the results framework matrix or the logical framework summary matrix, so has been organized for better fit and flow in the table below.

⁸⁰ Government of Barbados, “Medium Term Development Strategy of Barbados 2010-2014” (St. Michael, Barbados, 2010), 4.

⁸¹ Government of Barbados, “Medium-Term Fiscal Strategy (MTFS) 2010-2014” (St. Michael, Barbados, 2010), 4.

Table C.2: Prior Actions Per Tranche Disbursements

Improved expenditure management
Reduce expenditure for the first nine months of 2010 compared with the corresponding period of 2009 as follows: <ul style="list-style-type: none"> • expenditure on goods and services cut by 13%; and • transfers and subsidies lowered by 5%.
Increase water rates by 60%.
The conduct of a Public Sector Institutional Assessment and Expenditure Review approved by Cabinet.
First consultancy related to improving procurement operations completed in relation to the “Modernisation of Barbados National Procurement System Project.”
Improved revenue management systems
Core activities listed in Table 3.4 related to the implementation of the “Modernisation of Customs, Excise and VAT Areas Programme” completed.
Action plan for the implementation of CRA completed.
Action plan for a comprehensive review of the domestic tax system completed.
Improved debt management systems
Formal high-level Debt Advisory Committee established.
The conduct of a review of the institutional framework for debt management completed.
Other public financial management reforms
Phase I of project – “Transition from Cash to Accrual Basis of Accounting”, completed and project plan for Phase II of “Transition from Cash to Accrual Basis of Accounting” completed.
Social development
Final draft of PSIA report completed.

The following table illustrates the status of completion for the above prior actions.

Table C.3: Prior Actions Status

<i>GOBD Dev. Obj.</i>	<i>Conditionality</i>	<i>Monitoring Status</i>	<i>Notes</i>
Improved expenditure management			
(MTFS) ⁸² Reduce the fiscal deficit and provide a stable fiscal framework that will allow the government the better serve the national goals and the objectives of its MTDS	Reduce expenditure for the first nine months of 2010 compared with the corresponding period of 2009 as follows: <ul style="list-style-type: none"> expenditure on goods and services cut by 13%; and transfers and subsidies lowered by 5%. 	Partially accomplished	Appraisal report cites letter provided by Director of Finance and Economic Affairs (DoF), MoFITE, providing supporting data; PCVR indicates September 2010 as completion. ⁸³ However, over the short-term (2009-2010) expenditures on goods and services were in fact reduced by 11.7% and transfers and subsidies by 1.8%. In the medium-term (2009-2014) GOBD expenditures on goods and services decreased by 14.6% and transfers and subsidies increased by 2.8%.
	Increase water rates by 60%.	Accomplished 2009	Appraisal report cites letter provided by DoF, MoFITE, indicating implementation. ⁸⁴
	The conduct of a Public Sector Institutional Assessment and Expenditure Review approved by Cabinet.	Accomplished 2010	Letter provided by DoF, MoFITE, confirming Cabinet decision on September 16, 2010. ⁸⁵
	First consultancy related to improving procurement operations completed in relation to the “Modernisation of Barbados National Procurement System Project.”	Accomplished 2010	Appraisal report cites letter provided by DoF, MoFITE, indicating completion. ⁸⁶
Improved revenue management systems			
(MTFS) Reduce the fiscal deficit and provide a stable fiscal framework that will allow the government the better serve	Core activities listed in Table 3.4 related to the implementation of the “Modernisation of Customs, Excise and VAT Areas Programme” completed.	Accomplished	Appraisal report cites letter provided by DoF, MoFITE, indicating completion; PCVR confirms completion but no date given. ⁸⁷

⁸² Indicates that this objective originates in the MTFS. Where MTDS is used, the objective is a broader MTDS goal without a corresponding MTFS objective.

⁸³ CDB, “PBL - Barbados (President’s Recommendation No. 836),” 16; CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” 8.

⁸⁴ Ibid

⁸⁵ Ibid

⁸⁶ Ibid

⁸⁷ Ibid

<i>GOBD Dev. Obj.</i>	<i>Conditionality</i>	<i>Monitoring Status</i>	<i>Notes</i>
the national goals and the objectives of its MTDS	Action plan for the implementation of CRA completed.	Accomplished 2010	Action plan submitted on September 28, 2010 and provided to CDB by DoF, MoFITE. ⁸⁸
	Action plan for a comprehensive review of the domestic tax system completed.	Accomplished 2010	Action plan completed and a copy provided by DoF, MoFITE in October 2010. ⁸⁹
Improved debt management systems			
(MTFS) Reduce the level of debt and improve the country's credit ratings leading to reduced debt service costs	Formal high-level Debt Advisory Committee established.	Accomplished 2010	Appraisal report cites letter provided by DoF, MoFITE, detailing structure, composition and function of committee. ⁹⁰ PCR cites completion in November 2010 while PCVR cites letter indicating that the first meeting was held September 17, 2010. ⁹¹
	The conduct of a review of the institutional framework for debt management completed.	Accomplished 201	Appraisal report cites letter provided by DoF, MoFITE, confirming completion; PCVR cites completion in October 2010. ⁹²
Other public financial management reforms			
(MTFS) Reduce the fiscal deficit and provide a stable fiscal framework that will allow the government the better serve the national goals and the objectives of its MTDS	Phase I of project – “Transition from Cash to Accrual Basis of Accounting”, completed and project plan for Phase II of “Transition from Cash to Accrual Basis of Accounting” completed.	Accomplished	Appraisal report cites letter provided by DoF, MoFITE, indicating completion of Phase I and providing project plan for Phase II; PCVR cites completion in October 2010. ⁹³
Social development			
(MTDS) Work towards the alleviate of existing pockets of poverty while ensuring that other social services are adequately provided	Final draft of PSIA report completed.	Accomplished	Appraisal report cites copy of PSIA report; no date given. ⁹⁴

⁸⁸ CDB, “PBL - Barbados (President’s Recommendation No. 836),” 16; CDB, “Validation of Project Completion Report on PBL - Barbados (PRN 3575),” 8.

⁸⁹ Ibid

⁹⁰ CDB, “Policy-Based Loan - Barbados (President’s Recommendation No. 836),” 16.

⁹¹ CDB, “Validation of Project Completion Report on Policy-Based Loan - Barbados (PRN 3575),” 8; CDB, “Project Completion Report (PRN 3575),” 11.

⁹² CDB, “PBL - Barbados (President’s Recommendation No. 836),” 16; CDB, “Validation of Project Completion Report on PBL - Barbados (PRN 3575),” 8.

⁹³ Ibid

⁹⁴ Ibid

APPENDIX D: SHORT AND MEDIUM-TERM OUTCOMES

Since the appraisal report does not discriminate between short and medium-term outcomes, although indicators suggest medium-term outcomes.

Medium-term outcomes include:

- a) Improved expenditure management, as indicated by total expenditure to GDP ratio (a reduction to 33% by 2014);
- b) Improved revenue management systems, as indicated by total revenue to GDP ratio (an increase to 30% by 2014);
- c) Improved debt management systems, as indicated by debt-to-GDP ratio (not to exceed 95% by 2014); and
- d) Improved social protection programme targeting, as indicated by “information from the Poverty Social Impact Assessment (PSIA) used to improve social programmes.”

Short-term outcomes are interpreted as incremental progress towards medium-term outcomes and the impact of concessional financing on the debt dynamics of GOBD, as the latter outcome is emphasized enough to be of particular interest. In addition, progress towards prior actions for the planned 2012 PBL are considered.

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APPENDIX D:

CASE STUDY 2:

GRENADA PBLs (2009 and 2014)

CARIBBEAN DEVELOPMENT BANK:

POLICY-BASED LENDING PROGRAM

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ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BMC	Borrowing member country
CARICRIF	Caribbean Catastrophe Risk Insurance Facility
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CPA	Country performance assessment
CSP	Country strategy paper
DMU	Debt Management Unit
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
ECF	Extended Credit Facility (IMF)
GDP	Gross domestic product
GOGR	Government of Grenada
GPRS	Growth and Poverty Reduction Strategy
GRE	Grenada
HRD	Human resource development
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MDB	Multilateral development bank
MEHR	Ministry of Education and Human Resources (GOGR)
MLA	Member of the Legislative Assembly
MOF	Ministry of Finance (GOGR)
MSDH	Ministry of Social Development and Housing (GOGR)
MOT	Ministry of Tourism (GOGR)
OECS	Organisation of Eastern Caribbean States
OIE	Office of Independent Evaluation (CDB)
PBL	Policy-based loan
PCR	Project completion report
PFM	Public finance management
PPP	Public-private enterprise
PSE	Public-sector enterprise
PSR	Project supervision report
SEED	Support for Education, Empowerment and Development
USD	United States dollars
VAT	Value-added tax
XCD	Eastern Caribbean dollar

PURPOSE OF THE CASE STUDY

This case study forms part of an overall evaluation of CDB Policy Based Lending over the period 2006 to 2016. As part of the methodology to test the theory of change for PBL lending (Appendix A), four country case studies were selected. Although experiences outlined in the individual cases may not be representative of that of all Borrowing Member Countries (BMCs), the sample was selected to cover two larger economies (Jamaica and Barbados), and two smaller ones (St. Vincent & The Grenadines, and Grenada). The willingness and availability of governmental officials to participate, and the number of loans held with the CDB also figured in the selection decisions.

Grenada had two PBLs during the period of interest: one in 2009 and a second in 2014. The latter followed a review of CDB's PBL policy and processes. Of interest is whether the 2014 PBL, which differed from the earlier PBL in being programmatic rather than in tranches, successfully incorporated lessons learned from earlier PBLs.⁹⁵ The first PBL of USD12.8 mn was approved in November 2009. It was to be disbursed in two equal tranches, the first in January 2010. However, a third tranche was added in late 2010 when it became clear that some prior conditions for the second tranche could not be achieved. The amount released for the revised second tranche was USD4 mn with the third to be USD2.4 mn. The second tranche was disbursed in February 2011. The second PBL of USD10 mn was approved in August 2014 and the funds fully disbursed in September 2014. This PBL was part of a programmatic series in which prior conditions were set in 2014 for three PBLs to be implemented in 2014, 2015, and 2016. Although only the 2014 PBL is within the scope of this study, some data from the 2015 and 2016 was used, where relevant (see Questions and Data section below for details).

METHODOLOGY AND DATA COLLECTION

General Approach – Theory-based Evaluation

A Theory of Change was re-constructed by the evaluators after interviews with stakeholders in May 2017. It was intended to reflect the intent of CDB's policy-based lending, and to identify the assumptions inherent in the PBLs reviewed (see Appendix A of this report for the model, and Appendix A of the main report for full details). These assumptions were then tested to determine the extent to which they held, or not, in practice. Conclusions were drawn regarding programme effectiveness, as well as what improvements could be made to better achieve desired outcomes. The assumptions tested can be grouped into three categories:

⁹⁵ In multi-tranche PBLs, the loan or grant resources are disbursed over two or more periods based on the completion of agreed reform actions / conditionalities. The multi-tranche PBL consists of a series of tranches approved as a single operation, with the major reforms expected to be undertaken after loan effectiveness and prior to the disbursement for each tranche set out in the agreement with the BMC. Programmatic operations are a series of single-tranche operations designed to support policy and institutional reforms within a medium-term framework. This modality may be utilised where it is desirable to provide resources to a country over a number of periods, but where BOD approval for each disbursement (each being a separate loan contract) is sought. Disbursement follows execution of agreed prior actions (conditions precedent). In this type of operation, prior to submission of the first loan request for BOD approval, a programme for policy and institutional reforms would be agreed between the country and CDB. This programme would be expected to broadly guide successive single tranche PBLs over the programme period. (From Caribbean Development Bank, "Policy Paper: A Framework for Policy-Based Operations - Revised," Paper BD 72/05 Add. 5 (St. Michael, Barbados, 2013).)

Table 1: Theory of Change Assumptions Being Tested

Category	CDB-focussed Assumptions	Grenada-focussed Assumptions
Quality of loan preparation process	<ul style="list-style-type: none"> • Appropriate support is offered to Grenada • Instrument is harmonized • Prior actions negotiated • PBL aligns with local context • Assessment is appropriate 	<ul style="list-style-type: none"> • PBL complements local priorities • PBL is harmonized with other PBLs
Appropriateness of conditions	<ul style="list-style-type: none"> • Conditions of support are clear • Conditions of support are met (CDB carries out its responsibilities) 	<ul style="list-style-type: none"> • Access to technical support is appropriate • Prior actions are negotiated • Investments in capacity building are enabled • Appropriate risk mitigation strategies are deployed
Observable effects	<ul style="list-style-type: none"> • Funds are timely/Processing of contracts works well • Monitoring framework in place • CDB implementation conditions are appropriate 	<ul style="list-style-type: none"> • Prior actions and other conditions are met • Reforms are seen as useful and sustainable • Grenada maintains and builds on capacity

Furthermore, the evaluation considered the availability of evidence to identify short and medium-term effects arising from the PBLs, whether intended or not. In doing so, the model recognized the following external factors as having a known confounding influence on the PBL's efficacy:

- 2008 Global Financial Crisis
- Severe economic downturns affect local economies
- Demands to diversify local economies
- Persistent debt overhang
- Limited willingness to extend credit

The evaluation used both qualitative and quantitative data. Quantitative data was mainly macroeconomic in nature, from the Government of Grenada (GOGR), CDB, the World Bank, the International Monetary Fund (IMF), and other sources delineated in Appendix B. Qualitative data included a range of documentation and a large number of interviews. Unfortunately, much of the evidence that would have been needed to assess medium-term results did not exist or was inconsistent. Where possible, the evaluation team triangulated findings using both qualitative data and quantitative data. Where there were inconsistencies across sources, those deemed most reliable and complete were used, with the remainder discounted.

Data Collection Strategy

The evaluation team undertook an extensive document review in two phases (extensive general comparative literature review, and targeted literature review per case); performed a significant number of semi-structured interviews over two phases; and assessed quantitative macroeconomic data. Data sources included:

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- Semi-structured interviews with CDB directors, CDB development partners, board directors, GOGGR officials, and other Grenada stakeholders. See Table 2 below for details.
- Economic data from CDB, GOGGR, IMF, and the World Bank;
- CDB appraisal reports, country strategy papers (CSPs), country performance assessments (CPAs), previous PBLs;
- CDB implementation documentation (e.g. project supervision reports (PSRs), project completion reports (PCRs), project completion report validations (PCVRs);
- GOGGR documentation (e.g. reform plan, poverty assessment),
- Multilateral development bank (MDB) reports and papers, and
- Other documentation (including previous MDB PBLs).

Table 2: Interviews

Organisation	Position of respondent	# of interviews	Date of interview(s)	Subject of Interview
CDB	Directors of Board (&Alts)	23	Oct-15	All BMC PBLs
CDB	Analyst	2	May-17	Grenada PBLs
GOGGR	Director/Deputy	2	May-17	Grenada PBLs
CDB	Directors of Board	4	May-17	All BMC PBLs
CDB	Analyst	2	May-17	All BMC PBLs
ECCB	Governor	1	May-17	All BMC PBLs
MoF	Perm. Sec. / Deputy	2	Aug-15	Grenada PBLs
MoF	Senior Executive	12	Aug-15	Grenada PBLs
MoF	Analyst/Programme Officer	4	Aug-15	Grenada PBLs
MoF	Accountant General	1	Aug-15	Grenada PBLs
MLA	Attorney General	1	Aug-15	Grenada PBLs
MSDH	Perm. Sec. / Deputy	1	Aug-15	Grenada PBLs
MEHR	Perm. Sec. / Deputy	1	Aug-15	Grenada PBLs
MEHR	Manager	1	Aug-15	Grenada PBLs
Private Sector	Manager	1	Aug-15	Grenada PBLs

A table showing questions and data sources is available in Appendix B.

The first interviews were conducted in August/September 2015; a second round of validation interviews took place in May 2017. The interview and document review questions related to the evaluation of PBL instruments were focused on ownership, internal and external influences, flexibility, the conditions precedent to disbursement, the results framework, TA, and the role of and the role of MDBs. These were followed with questions related to the results achieved; their sustainability; unintended consequences or downstream effects of the conditions; and contextual factors that could have affected the results.

Note that with respect to the 2014 PBL, documentation from subsequent PBLs in the programmatic series was used where available and when it provided evidence relevant to the 2014 PBL. Some of this is available in the appraisal report for the 2014 PBL,⁹⁶ while other sources included appraisal reports and PSRs for the 2015 and 2016 PBLs. The Project Completion Report for the 2014 PBL is not yet available as it was the

⁹⁶ See Caribbean Development Bank, “First Growth and Resiliency Building Policy-Based Loan: Grenada (President’s Recommendation No. 886),” Paper BD 49/14 (St. Michael, Barbados, 2014).

intention of CDB and GOCR that a final report be prepared in 2107 for all three PBLs in the programmatic series.

CONTEXT AND CONDITIONS

Country Profile

Grenada is a small Caribbean nation in the southern part of the Windward Islands of the Lesser Antilles. It is composed of a main island and six smaller islands. At the time of the 2009 PBL, the population was 110,400.⁹⁷ Approximately 93% lives on the island of Grenada, with the remainder on the islands of Curacao and Petite Martinique.

The total land area of the country is 344 km², of which Grenada is 306 km². It lies on the southern edge of “hurricane alley,” a region with high hurricane activity, and is also vulnerable to other natural disasters such as earthquakes, landslides, tsunamis and the effects of climate change. It was struck by category 5 hurricanes in 2004 and 2005.

Grenada is a member of the Organisation of Eastern Caribbean States (OECS), an “inter-governmental organisation dedicated to economic harmonisation and integration, protection of human and legal rights, and the encouragement of good governance between countries and dependencies in the Eastern Caribbean.”⁹⁸ It is also a member of the Eastern Caribbean Currency Union (ECCU), which has existed since 1965 and uses the Eastern Caribbean dollar (XCD) as a common currency, valued at XCD2.70 per USD since 1976.

Life expectancy is 73 years and literacy is almost universal (96%). Primary education is universal, and secondary school completion was about 91% in the 2008-09 school year. Grenada was ranked by the United Nations Development Programme’s Human Development Index (HDI 2008) at 86th out of 179 countries in 2009 and 79th in 2016.⁹⁹

Economic and Social Conditions since 1990

Grenada is an upper-middle income country, with a 2009 per capita GDP of 18,858 East Caribbean dollars (XCD) (USD6,905). The poverty rate in Grenada increased between 1998 and 2007/2008, from 32.1% to 37.7%, although the indigence rate fell from 12.9% to 2.3%. An additional 14.6% of the population was close to the poverty line, and unemployment rates are high (approximately 25% in 2013).¹⁰⁰ Inequality, measured using the GINI coefficient, fell from 0.45 to 0.37 between 1998 and 2008.¹⁰¹ The persistence of poverty in Grenada is linked to a number of historical and economic factors, including two devastating hurricanes in 2004 and 2005, the resulting decline in agriculture and tourism that particularly affected low income workers, and the lingering effects of the global economic crisis beginning in 2008, which resulted in debt default in 2013.¹⁰²

⁹⁷ Ibid.

⁹⁸ OECS, “About the OECS,” 2017, <http://www.oecs.org/homepage/about-us>.

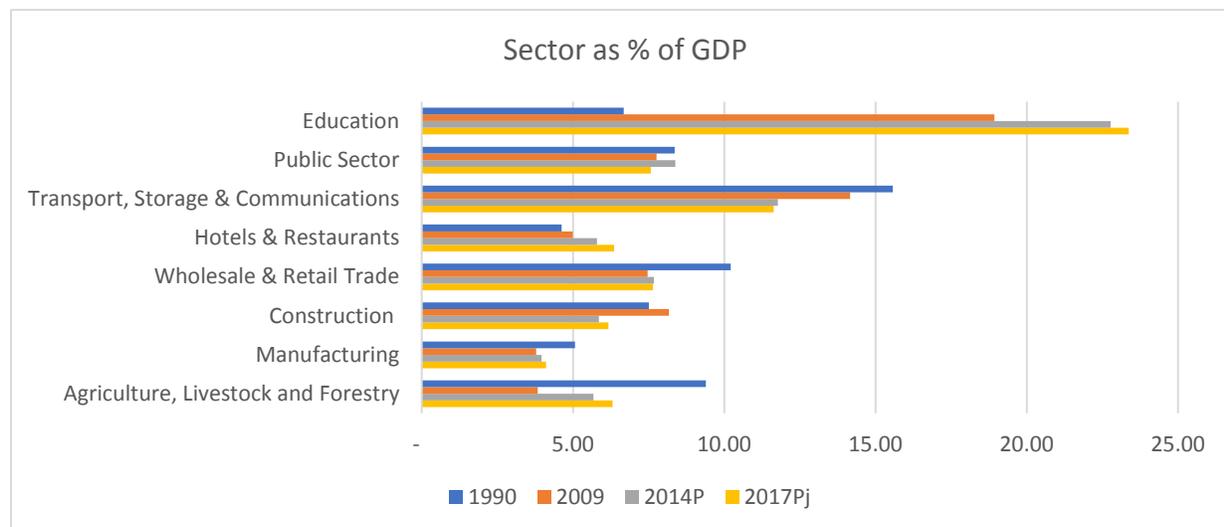
⁹⁹ CDB, “Country Strategy Paper: Grenada,” Paper BD 44/14 (St. Michael, Barbados, 2014); United Nations Development Programme, “Human Development Reports: Grenada,” 2016, <http://hdr.undp.org/en/countries/profiles/GRD>.

¹⁰⁰ Kairi Consultants Ltd., “Country Poverty Assessment: Grenada, Carriacou, Petite Martinique Volume 1 - Main Report” (St. Michael, Barbados, 2008).

¹⁰¹ CDB, “First Growth and Resiliency Building Policy-Based Loan: Grenada (President’s Recommendation No. 886),” 4.

¹⁰² CDB, “First Growth and Resiliency Building Policy-Based Loan: Grenada (President’s Recommendation No. 886).”

Like most Caribbean countries, Grenada is a small, open island economy. It has shifted from dependence on agriculture to greater diversification, with a focus on tourism and remittances as key sources of foreign exchange inflow. Remittances represented 3.6% of GDP in 2009 and 3.3% in 2014.¹⁰³ In 2004 and 2005, hurricanes Ivan and Emily caused damage equal to about 200% of GDP. Agriculture slowly recovered thereafter, but to date not fully. Similarly, tourism suffered during the global financial crisis, and although it has also recovered, market share has been lost. Weather effects have been made worse by climate change, which has increased variability and severity of both storms and droughts. The IMF estimated Grenada's average damage per year from natural disasters at 6.9% of GDP between 1980 and 2014,¹⁰⁴ while another IMF working paper estimated average damages at 15.6% of GDP per year.¹⁰⁵



(Source: CDB)

Economic performance has fluctuated considerably, being generally positive absent the devastation of the 2004 and 2005 hurricanes and exogenous economic shocks. Annual GDP growth averaged 5.5% in the 1980s, 3.4% in the 1990s, and approximately 3.5% from 2000 to the start of the global financial crisis in 2007. The country fell into recession during the crisis, contracting by 6.6% in 2009 before returning to consistent growth in 2014.¹⁰⁶ CDB's 2009 Country Strategy Paper (CSP) noted that growth in Grenada is constrained by several factors, including small size, limited capacity, and a relatively high per capita cost for providing basic services.¹⁰⁷

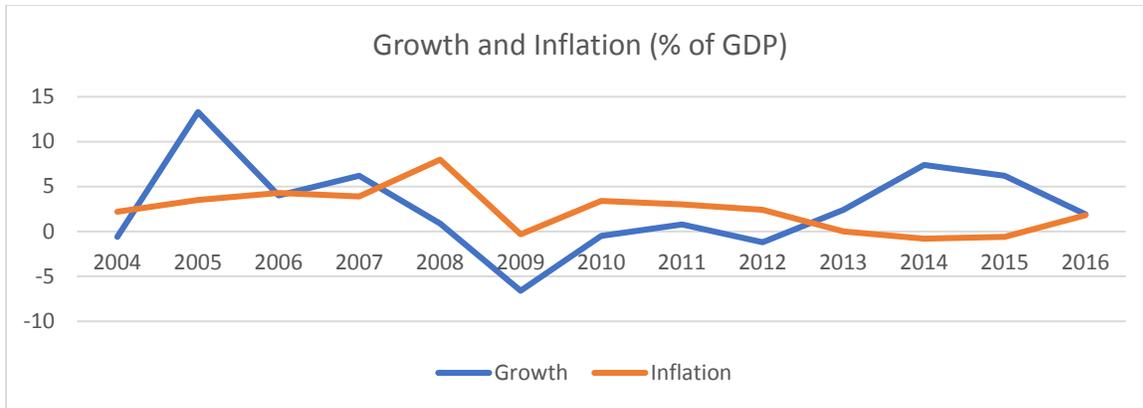
¹⁰³ World Bank, "Personal Remittances, Received (% of GDP)," *International Development Association*, 2017, <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=VC>.

¹⁰⁴ International Monetary Fund, "Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion," (Washington, DC, 2016).

¹⁰⁵ Sebastian Acevedo, "Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean," WP/16/199, 2016, 19.

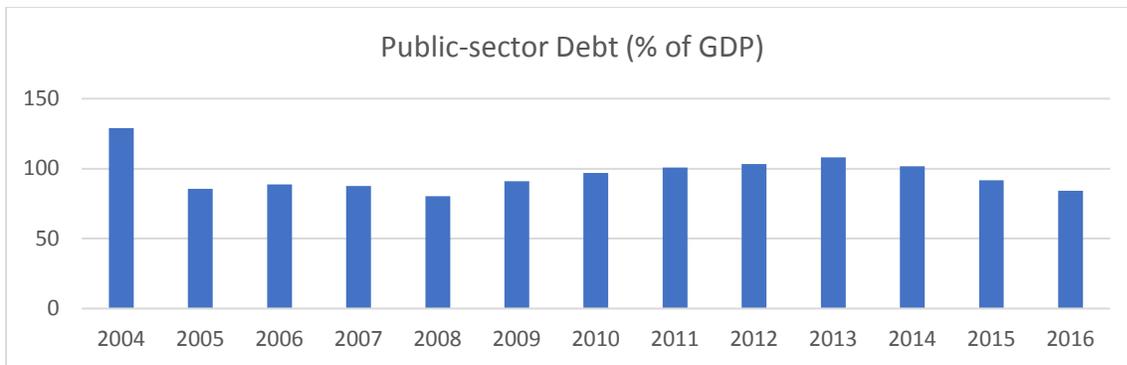
¹⁰⁶ World Bank, "Data: Grenada," 2017, <http://data.worldbank.org/country/Grenada>; International Monetary Fund, "Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion, ."

¹⁰⁷ Caribbean Development Bank, "Country Strategy Paper: Grenada."



(Source: World Bank)

Grenada saw rising debt-to-GDP ratios after 2000 until it reached an unsustainable level in 2013, which caused default. After restructuring, the ratio began to decline again. The worsening ratio was largely due to the 2004 and 2005 hurricanes and the 2008 global economic downturn, which caused social safety net costs to rise and tax revenues to fall at a time when interest rates were increasing. GOCR’s disbursed and outstanding public-sector debt, which spiked in the aftermath of the hurricanes, was restructured in 2005 and declined to 91% of GDP in 2009, before rising to a high of 108% of GDP in 2013, when it defaulted.



(Source: Caribbean Development Bank, IMF)

This has been attributed to the global economic downturn, lower than expected growth and tax revenues (partly because of exemptions) and political instability in 2013 in the run-up to the 2013 elections. Following the restructuring and consolidation of the debt, the ratio has fallen to about 90% in 2016 and is expected to fall to below 80% in 2017.¹⁰⁸ Debt service payments remained skewed towards the external debt. The ratio of debt service to recurrent revenue declined from 18.4% in 2004 to 6.8% in 2008 before rising again to 16.5% in 2012.¹⁰⁹

¹⁰⁸ IMF, “Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion,,” 34; Caribbean Development Bank, “First Growth and Resiliency Building Policy-Based Loan: Grenada (President’s Recommendation No. 886),” 3–4.

¹⁰⁹ International Monetary Fund, “Grenada : 2009 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Modification of Performance Criterion, and Financing Assurances Review-Staff Report; Public Information Not,” IMF Country Report No. 10/14 (Washington, DC, 2010); International Monetary Fund, “Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion, .”

Use of PBL-related Instruments

GOCR has not used PBLs or similar conditionality-based loans to the degree of some Caribbean nations, such as Jamaica, instead typically using loans to support specific projects or to provide emergency funding following natural disasters. However, it has made use of several of PBL and PBL-like instruments since 2000. These include lending from the IMF and World Bank. Conditions in these instruments show several themes, calling for:

- Improvements in revenue collection, such as the elimination of exemptions, the introduction of a value added tax (VAT), improved customs and excise laws and regulations, and implementation of the Automated System for Customs Data (ASYCUDA) in ports.
- Measures to improve public finance management (PFM) and debt management, such as the creation of a debt management unit, greater use of public-private partnerships (PPPs), improved procurement practices, implementation of improved budget cycles with greater transparency, improvements to human resource management in the public-sector
- Social safety net improvements, such as the development of a long-term plan, improved targeting, and consolidation and rationalization of different programmes.
- Measures to better regulate and stabilize banks and non-banking financial institutions (such as insurance companies).
- Measures to increase resilience to natural disasters, such as improved construction standards and professional standards for the building sector (e.g. engineers and architects).

A review of IMF documentation suggests that some of these reforms have been advised, with GOCR expressing commitment to them, since at least the mid-1990s. Progress was sporadic and slow until PBLs began. Examples include the VAT, improved human resources management in the public-sector, and improvements to the regulation of the banking sector.¹¹⁰

Table 3: Conditions in previous PBLs

Year	Lender	Type	Conditions
2006	IMF	PGRF*	Changes to <i>Income Tax Act</i> , action plan to improve business climate, new planning regulations, measures to reform customs, new VAT and excise laws
2010	IMF	ECF**	New <i>Insurance Act</i> , measures to improve PFM, budget restraint, implementation of VAT, implement ASYCUDA at main port
2010	World Bank	PBL	Implementation of VAT, PFM improvements, social safety net assessment, reforms to financial sector
2014	World Bank	PBL	As per CDB 2014 PBL (see Appendix D)
2014	IMF	ECF	As per 2014 CDB PBL (see Appendix D), and other conditions in 2015 and 2016 CDB PBLs

* PRGF: Poverty Reduction and Growth Facility **ECF: Extended Credit Facility

¹¹⁰ See, for example, International Monetary Fund, “Grenada : Recent Economic Developments,” Country Report No. 97/117 (Washington, DC, 1997); International Monetary Fund, “Grenada: Staff Report for the 2000 Article IV Consultation,” Country Report No. 00/85 (Washington, DC, 2000).

FINDINGS

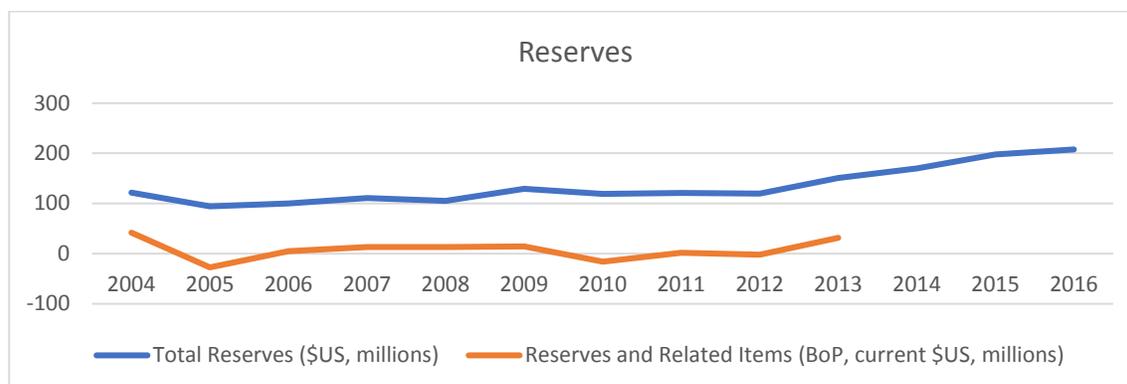
IV. PBL Design Process and Appropriateness

Rationale for Using CDB Instrument

Key Finding: *The evidence shows the rationale for both PBLs was primarily based on arresting deteriorating debt dynamics, although the PBLs provided an opportunity to support the implementation of needed reforms. The reforms were consistent with CDB objectives for Grenada. Both PBLs assumed that improving GOCR financial management and debt dynamics would have positive effects for growth and poverty reduction.*

2009 PBL

In 2009, following an initial discussion between GOCR and CDB officials, CDB economists, with input from GOCR, the World Bank and the IMF, designed a PBL “aimed at supporting reforms to improve macroeconomic management systems; and, more broadly, the overall macroeconomic and investment climate.”¹¹¹ The appraisal report indicated that it was intended to support fiscal reforms that were aimed at “enhancing public-sector operational efficiencies, improving the tax system, and mitigating any adverse impacts that the current global crisis is likely to have on debt dynamics.”¹¹²



(Source: World Bank)

GOCR was facing an unsustainable loan servicing programme with reserves – which had been stable – suddenly dropping, ultimately requiring emergency lending at high rates to cover spending. The reforms arising from the PBL were intended to lower the effective interest rate on GOCR’s debt by allowing it to access resources at 3.2% interest instead of 6.7% on the Regional Government Securities Market, and the 11% it was paying on its overdraft. GOCR was using its overdraft protection to finance its current operations budget. The appraisal report notes that, “To maintain priority spending, avoid too sharp a fiscal contraction, while coping with increased macroeconomic uncertainty, GOCR will need immediate recourse to financial resources from multilateral development banks in order to sustain a capital programme... close its financing gap and liquidate its arrears.”¹¹³ The medium-term goal was to reduce the debt-to-GDP ratio to 83.9% in 2014.

¹¹¹ CDB, “PBL - Grenada (President’s Recommendation No. 820),” Paper BD 80/09 (St. Michael, Barbados, 2009), 12.

¹¹² Ibid., 13.

¹¹³ Ibid., 3.

From the perspective of CDB, the appraisal report and two respondents noted that the PBL would support implementation of reforms that were consistent with CDB's 2009 Country Strategy Paper (CSP). In particular, it was intended to address improvements to macroeconomic management systems and the investment climate, fostering fiscal sustainability and improving debt dynamics. This would allow GOCR to dedicate more funds to growth and poverty reduction.¹¹⁴

The 2010 revision in scope was based on much the same logic, although with more urgency. It was noted that delaying the second tranche could lead to GOCR "breaching its fiscal targets", resulting in higher borrowing costs. It was also noted that the efficacy of the PBL would not be undermined by the revision.¹¹⁵

2014 PBL

In 2014, GOCR was facing an urgent need for liquidity and had already reached an agreement with the IMF for USD21.7 mn in financing support under a three-year Extended Credit Facility (ECF) arrangement. The aim of the ECF was to correct the fiscal imbalance and achieve debt sustainability. The World Bank also supported the reforms with a Development Policy Loan (DPL) worth USD35 mn.

The CDB appraisal report for the 2014 PBL noted that GOCR authorities requested the PBL on the basis of "restricted access to credit markets and an immediate need for additional financing support."¹¹⁶ The CDB staff proposal to the Board stated that it was consistent with CDB's strategic objectives of inclusive growth and development and promoting good governance and was intended to support "strategic elements of Grenada's programme of structural reforms to enhance competitiveness, promote more diverse growth and advance its social development agenda" (p 12). To achieve this, the PBL established conditions or prior actions that were focused on "enhancing public-sector operational efficiencies, improving the tax system, and mitigating any adverse impacts that the current global crisis is likely to have on debt dynamics" (p 13). This would allow GOCR to dedicate more funds to growth and poverty reduction¹¹⁷. In addition, the PBL was justified on the basis of CDB's mandate to assist borrowing member counties (BMCs) in need.

In his letter requesting the PBL, the Prime Minister of Grenada set out his country's rationale: the PBL would support measures to improve conditions for private investment, enhance financial consolidation, enhance preparedness against natural disasters, and improve debt sustainability.¹¹⁸ Two GOCR respondents noted that the initial consultation by GOCR with stakeholders was much broader in the 2014 PBL than the

2009 PBL

Two GOCR respondents argued that the PBL provided an incentive to make reforms and stabilize the dire fiscal situation, which would in turn lend enough credibility to the programme of reforms to ensure their sustainability. One respondent stated that the 2014 PBL was "critical to maintain gains" on debt servicing.

Relevance of PBL Instrument

Key Finding: *There is evidence that both PBLs were loosely based on CDB's country strategy papers and Grenada's reform plans. The primary area of focus was debt and PFM. However, some stakeholders were*

¹¹⁴ Ibid., 12.

¹¹⁵ CDB, "PBL - Grenada: Revision in Scope," Paper BD 80/09 Add. 1 (St. Michael, Barbados, 2010), 12.

¹¹⁶ CDB, "First Growth and Resiliency Building PBL: Grenada (President's Recommendation No. 886)," 1.

¹¹⁷ Ibid., 13.

¹¹⁸ see p. 3, Appendix 1.1 of CDB, "First Growth and Resiliency Building PBL: Grenada (President's Recommendation No. 886)."

concerned that not enough attention was paid to local conditions. The 2014 PBL involved considerable coordination with other development lenders who had shared objectives.

2009 PBL

The 2009 PBL was consistent with both the CDB country strategy for Grenada and GOCR's growth and development agenda. GOCR developed a National Strategic Development Plan (NSDP) in 2007, which set out 12 development goals. The first is very broad, encompassing almost all of CDB's objectives, as well as the 2009 PBL strategic objectives set out in the results matrix. See Appendix C for a table correlating GOCR's development plan, CDB's CSP for Grenada, and the objectives of the PBL.

Four respondents expressed concern, however, that GOCR's reform plan was designed to be aligned with the ideology and objectives of the various Multilateral Development Banks (MDBs) and the IMF. Another respondent noted that it was only "sometimes" that GOCR would put forward what it wanted to work on. As such, even though both CDB and GOCR representatives referred to the PBL as part of GOCR's "home grown" programme, at least three respondents thought the level of ownership in GOCR was weak.

With respect to alignment with other lending institutions, the appraisal report notes that GOCR had requested or obtained lending from the IMF, European Union and the World Bank.¹¹⁹ The intent of these loans was to provide budget support and reduce poverty. The appraisal report also notes that by the World Bank, the Organisation for Economic Development (OECD), and the Caribbean Regional Technical Assistance Centre (CARTAC). It makes links to OECS, Eastern Caribbean Central Bank, and Canadian Development Agency initiatives in tax reform and debt management systems. It does not identify all aspects of the NSDP, as the PBL is focussed on objectives primarily relating to improved revenue, debt, expenditure management, and, to a small degree, poverty reduction. For GOCR, these fall under the rubric of "an economically transformed country and people-centred government", for CDB, "improved macroeconomic management." Two respondents indicated that the omissions reflect the fact that an early and incomplete version of the NSDP was used.

Some GOCR respondents criticized the relevance of the PBL on several grounds. One argued that the PBL's problem statement was too broad and had little in the form of policy intent. Two others noted that the focus seemed to be on bridging the revenue gap by quickly disbursing funds rather than on providing an overarching policy approach. This is consistent with comments from one CDB official, who noted that the goal of some early PBLs was "very much to get the money out the door" and that the most important issue was to reduce debt and debt servicing charges, and that "everything else is secondary."

2014 PBL

The reform programme was developed in consultation with the World Bank and IMF, with the PSR for the second programmatic PBL describing the project as a "multi-donor effort."¹²⁰ The appraisal report sets out the alignment of the PBL with CDB's 2014-2018 CSP and Grenada's Growth and Poverty Reduction Plan (GPRS) 2014-2018. Appendix D provides a table correlating GOCR's development plan, CDB's CSP for Grenada, and the objectives of the PBL. It can be seen that the PBL is loosely consistent with some aspects of GOCR's reform programme.

The stated objective of the PBL was to support the implementation of institutional and policy reforms to restore macroeconomic stability and resume sustainable private sector-led growth and development by:

¹¹⁹ Caribbean Development Bank, "Policy-Based Loan - Grenada (President's Recommendation No. 820)," 4.

¹²⁰ CDB, "Project Supervision Report 2016-03-22 PRN: 3865 (Period 2015-11-01 to 2016-02-29)" (St. Michael, Barbados, 2016), 1.

- creating the conditions for private investment in a sustainable manner,
- supporting improved public-sector management and better targeting of social safety net programmes,
- enhancing resilience against natural disasters, and
- facilitating debt portfolio restructuring and enhanced debt management.¹²¹

However, the primary intent of the PBL, as demonstrated by the focus in the analysis and by GOCR, CDB Board minutes, and five CDB respondent (speaking to Grenada’s PBLs, and others), appears to have been improving GOCR’s debt dynamics.

Four GOCR respondents noted that the programme was more consistent with the reform objectives of the World Bank and IMF than Grenada’s reform plan. In addition, eight GOCR respondents stated that the reform plan was developed between the Debt Management Unit (DMU) in the Ministry of Finance, the Permanent Secretary of Finance and the IMF. Eight GOCR respondents expressed the view that although line ministries were consulted, a “top-down” approach was taken in setting objectives. Finally, one CDB respondent described this PBL as sectoral, contrasting it with the 2009 PBL, although an analysis (see Appendix D) suggests that this perception may be inaccurate as the PBL covers a range of prior actions.

PBL Country Assessment Process

Key Finding: *The analysis for both PBLs focussed primarily on macroeconomic data, and included some social context, while also addressing effects on poverty. The 2014 PBL involved considerably more consultation with stakeholders, and was developed in conjunction with the IMF and World Bank. The evidence suggests that “lessons learned” from the 2009 PBL are reflected in the 2014 PBL, particularly with respect to political and senior bureaucratic commitment to reform.*

2009 PBL

The appraisal report included an analysis of the macroeconomic situation faced by Grenada, including the deteriorating state of its balance sheet following hurricanes Ivan and Emily. It also examined governance issues related to revenue and expenditure management, debt management, public-sector enterprise management, the investment climate, and poverty reduction. Some socio-economic data was included, although there were no measures of inequality. The analysis included two scenarios: one with and one without reforms.

However, two respondents noted that non-political and technical staff within GOCR were mostly not involved in the design of the prior actions and the PBL in general, resulting in a top-down approach. The involvement of the non-political and technical staff was limited to the identification of the measures that needed to be taken to achieve the already agreed-upon prior actions within the established timelines. There was also no contribution to the analysis by civil society organizations and non-governmental agencies who were active in the various areas that were targeted by the PBL. One respondent noted that this resulted in a lack of buy-in at the technical level and that the absence of an overall guiding policy led GOCR to overlook the knowledge and expertise of its staff in the various departments.

The analysis included lessons learned from previous PBLs, including (1) the importance of ownership, and dialogue with a cross section of high-level officials, (2) the need for time in implementing institutional change and strengthening, (3) the need for TA to increase capacity and thus chances of success, (4) the need to clearly define and place time bounds on conditions and activities, and (5) the need for constant dialogue with the BMC. These were not specific to Grenada.

¹²¹ CDB, “First Growth and Resiliency Building PBL: Grenada (President’s Recommendation No. 886),” ii.

2014 PBL

The analysis for the 2014 PBL focused on the challenges that Grenada had faced following the series of crises from 2004 until its default in 2013. The data was primarily macroeconomic in nature. It included a description of consultation with, and aid provided by, the World Bank and IMF. It also includes an analysis of Grenada's reform programme. Consultation with other stakeholders is not mentioned in the appraisal report, and at least one respondent expressed concern that not enough such consultation was done. One example provided was the commercialization of government estates, in which the unions were not consulted even though the union was included in the committee that was expected to oversee the anticipated commercialization. One GOCR respondent praised the process, however, indicating that there was "quite a bit" of consultation, contrasting this with the 2009 PBL.

Potential benefits of the PBL were contingent on the completion of the entire series of programmatic PBLs. This is illustrated by the use of results which were intended to be measured in 2016, after the disbursement of the third PBL. Unlike IMF and World Bank analyses, alternate scenarios were not developed. In addition, one GOCR respondent suggested that income inequality data should have been included, as well as potential adverse effects on the vulnerable, and that the assumption that business growth would translate into better outcomes for the vulnerable did not reflect experience (which the respondent argued was the case in the 2009 PBL).

The analysis included lessons learned from previous PBLs, including (1) that a programmatic PBL is usually the best approach, (2) the need for PBL objectives to be aligned with country capacity to implement, (3) the results framework should accurately align engagement, outcomes and impact of the programme, (4) political stability and ownership are important to sustainability of reforms (5) development support should focus on priority reforms, and (6) development partners should work together to focus on common priorities supported by TA, and joint monitoring and evaluation. These were not specific to Grenada, although they do reflect experience from the 2009 PBL – in particular, the importance of political stability and senior bureaucratic commitment and ownership.

PBL Applications, Negotiation and Review Process

Key Finding: *The applications and review process were efficient and timely for both the 2009 and 2014 PBLs. The negotiations for both PBLs occurred in conditions of urgency, due to debt distress, which may have led to GOCR accepting too many prior conditions in 2009 and, conversely, to carefully selecting easily achievable prior actions for the 2014 PBL. The 2014 PBL showed evidence of greater top-down direction by GOCR officials than the 2009 PBL.*

2009 PBL

CDB's response to the request made by GOCR and the turnaround time was efficient. The 2009 PBL was presented to CDB's Board in October 2009, and the funds for the first tranche disbursed three months and three days later. There was no lag time between meeting the conditions precedent for the first tranche and receiving the funds. The disbursement for the second tranche was one month and eight days after the original expected date due to difficulties completing the PBL conditions.

2014 PBL

CDB's response to the request made by GOCR and the turnaround time was efficient. GOCR formally requested the PBL in May 2014. The proposal was put before CDB's Board in July 2014, and the funds were disbursed in September 2014. One GOCR respondent noted that CDB was effective and efficient in its disbursements, funds transfers and issue resolution.

Six respondents argued that the prior actions were chosen because line ministries were given little time to consider options and were asked to choose actions that could be accomplished in a short period of time. At the same time, seven respondents (some the same as for the previous point) stated they believed that the negotiation process for the objectives, prior actions, and targets was dominated by “high level technocrats” at Granada’s MOF, while six (GOGR and CDB respondents) stated that prior action targets and deadlines were ones that were deemed to be acceptable to the consortium of funders, and not based on what GOGR deemed necessary following an in-depth analysis of the Grenadian situation. In sum, a number GOGR respondents believed that the process followed a top-down approach.

PBL Expected Outcomes and Measurement Strategy

Key Finding: *The 2009 PBL appraisal report included a logic model with assumptions and a results matrix with indicators upon which the prior actions were based, but lacked clarity of outcomes, logical coherence, and appropriate indicators upon which progress could be measured. There were a large number of prior actions – 33. The 2014 PBL contained a “policy and results matrix,” but no logic model, and had 7 prior actions. The results matrix was coherent, with strong links between prior actions for each of the programmatic PBLs, but the “pillars” of the programme were only loosely related. Quantitative indicators generally could not be solely attributed to the PBLs.*

2009 PBL

The 2009 PBL appraisal report included a logic model with indicators, targets assumptions, and a results matrix with indicators upon which the prior actions were based. However, the organization of the prior actions in the indicative policy matrix for each tranche¹²² did not mirror either the results matrix or the logic matrix, although it was broadly consistent with the results matrix. The logical framework matrix includes the goals of macroeconomic and social stability, which can be interpreted as ultimate outcomes to which the PBL is intended to contribute. It also contains “outputs”, which mirror the objectives of the policy matrix and the objectives of the PBL set out in the introduction to the appraisal report. To further complicate matters, the cover letter for the appraisal report and the summary of the PBL also contain lists of reform themes. None are entirely consistent.

¹²² See Appendix 3.1 and 3.2 of CDB, “Policy-Based Loan - Grenada (President’s Recommendation No. 820).”

Table 3: Comparison of Results Framework, Logical Framework and Indicative Policy Matrix for Disbursement

Results Framework Outcome Themes	Matrix	Logical Framework Outputs	Summary Matrix	Indicative Policy Matrix Themes
A. Public Management	Financial	Capacity building for management of CG operations and social policy framework		Institutional Framework for Economic Management Public Financial Management
B. Public-sector Management	Enterprise	Upgraded legislative framework for public sector enterprises (PSEs)		
C. Revenue Administration	Policy and	Upgraded IT in support of efficiency of tax administration and revenue collection operations		Revenue Enhancement
D. Public Debt Management				
E. Expenditure Management (prior actions associated with social development and poverty)	Policy and	Improved institutional structures for management of CG operations and social policy framework		Social Development
F. Enhancing the Investment Climate	Investment			Enhancing Investment Climate

Given the lack of coherence between the various outcomes and outputs identified in different sections of the appraisal report, the evaluation developed a best-fit set of outcomes.

- Strengthened institutional framework for economic management;
- Strengthened PFM in the public sector;
- Improved PSE management;
- Improved revenue systems;
- Improved public debt management;
- Improved investment climate; and
- Enhanced social protections and poverty reduction.

Since there is no discrimination between short and medium-term outcomes, short-term outcomes are assessed by the accomplishment of short-term indicators such as prior actions and short-term economic indicators, while medium-term outcomes are assessed using medium-term economic data and the input of CDB, other stakeholders and data available from other MDBs. The results matrix and the logic matrix provided a range of quantitative and qualitative indicators. Some quantitative indicators were high level (e.g. reduction in debt-to-GDP ratio), and some qualitative indicators were prior actions.

The logic model assumptions included an absence of major internal shocks, continued strong investor confidence in Grenada, diversification of the economic base, adequate political and public commitment to the reforms, adherence to the output of newly implemented systems and institutional arrangements, timely implementation of the reforms, and availability of adequate financial and other resources (such as TA). The text of the appraisal report¹²³ contains several other assumptions within the analysis, some of which are explicit and others that are implied. These include a volatile global economy, which created uncertainty in estimating GOCR financing needs, continued low or negative growth in the short-term with improving growth after 2011 when reforms were implemented, low inflation, and that savings and growth would be invested in social and poverty reduction programmes.¹²⁴

¹²³ Ibid.

¹²⁴ Ibid., 18–20.

Although there was no explicit theory of change or normative framework, one respondent noted the following normative assumptions: (a) open economies were expected to lead to increased economic growth, (b) an improved macroeconomic status was expected to enhance development, (c) increased fiscal restraint was expected to improve growth conditions, and (d) a free market was the most appropriate system for development. The evaluation found that these assumptions were unquestioned, and formed the basis of PBL prior actions and conditions development.

Two respondents suggested that the lack of linkage between prior actions and medium-term outcomes was weak, which would affect sustainability. However, if the goal was simply to inject liquidity, the respondents noted, the rationale was sound.

2014 PBL

The 2014 PBL had a policy and results matrix, developed with the World Bank, but did not include a logic model. Furthermore, the policy and results matrix did not identify outcomes, instead containing pillars under which prior actions were grouped, and referring to expected results. These results were indicators, identifying targets such as an increase in tourist receipts by 8% from 2013 to 2016. The programme pillars, however, suggest intended short-term outcomes (as all use indicators measuring change between 2013 and 2016), and have been adopted by this evaluation as such:¹²⁵

- Improved and sustainable conditions for private investment;
- Improved public sector management and better targeting of social safety net programmes;
- Enhancing resiliency against natural disasters; and
- Facilitating debt portfolio restructuring and enhancing debt management (for PBLs 2 and 3 only, as no prior actions in the 2014 PBL are associated with this outcome)

Medium-term outcomes are not identified, although this evaluation will attempt to comment on sustainability of reforms. Indicators were mainly quantitative, and were contingent on the completion of the entire three-year PBL programme.

One respondent described the results framework as disjointed, with targets based on reforms already underway as part of GOCR's broader reform programme, and not part of a targeted strategy. Another GOCR respondent also noted that the fact that the Results and Policy Matrix was based on a World Bank document should have been made explicit in the appraisal report.

Although there was no explicit theory of change or normative framework, one GOCR respondent noted the following normative assumptions: (a) open economies were expected to lead to increased economic growth, (b) an improved macroeconomic status was expected to enhance development, (c) increased fiscal restraint was expected to improve growth conditions, and (d) a free market was the most appropriate system for development.

PBL Prior Actions

Key Finding: *There is evidence that the 2014 PBL prior actions were a considerable improvement over the 2009 PBL in their quality, quantity, and achievability. There remained room for improvement. See Appendices C and D for lists of prior actions.*

¹²⁵ See pp. 14-20 of Caribbean Development Bank, "First Growth and Resiliency Building Policy-Based Loan: Grenada (President's Recommendation No. 886)."

2009 PBL

There were a large number of prior actions: 15 prior actions for the first tranche and 18 for the second (later revised to 13, with five for the third tranche), of which 14 were related to legislative acts. In addition, some prior actions were not consistent with indicators in the results framework matrix: six prior actions had no indicator associated with them, three indicators had no prior action, and one prior action was not consistent with its indicator.

Four respondents expressed the view that the number was too great to achieve given the existing situation within the country, including limited capacity and a short timeframe. Moreover, many of the prior actions required significant action or change. According to one respondent, some of the reforms required significant capacity that GOGR did not have – a fact which CDB officials were aware of yet did not provide advice as to how to proceed. Despite this, four GOGR respondents note, the urgent need for liquidity led to GOGR's agreement to the prior actions.

There was some flexibility introduced into the PBL at a later stage when the disbursement structure was adjusted to reflect the above challenges. Five out of the 18 second tranche prior actions were not met and had to be deferred to a third tranche through a revision of scope that was approved by CDB's Board of Directors. A request to remove the first condition of the second tranche (a primary balance of -6% of GDP) was submitted and accepted by CDB's Board of Directors given the deteriorating conditions in the international economy. The prior action requiring the adoption of a new procurement act (condition six for the second tranche) caused significant delays in the release of the third tranche. This allowed GOGR to receive money for the prior actions that were completed, removed one prior action, and deferred five others to a third tranche. However, one respondent notes that this was approved with reluctance by CDB's Board, resulting in a delay in disbursement. Four GOGR respondents note that this forced GOGR to sell assets and borrow from the international market at a high interest rate, something that undermined the objective of the PBL.

2014 PBL

In contrast to the 2009 PBL, the 2014 PBL included only seven prior actions. These were then built upon by further prior actions in the programmatic PBLs of 2015 and 2016. There were four legislative actions, as compared to 13 required enactments of law or regulation in the 2009 PBL. The programmatic nature of the PBL allowed greater flexibility and the gradual phasing in of reforms (for example, some prior actions in the 2015 PBL were renegotiated and added to the 2016 PBL; all were ultimately achieved).

The prior actions that were associated with the expected results/outcomes were organized under four pillars:

- Pillar 1: Creating conditions for private investment in a sustainable manner
- Pillar 2: Supporting improved public-sector management, better targeting of social safety net programmes
- Pillar 3: Enhancing resilience against natural disasters
- Pillar 4: Facilitating debt portfolio restructuring and enhancing debt management

Some prior actions overlapped the 2009 PBL, such as the ASYCUDA implementation, debt management, and social safety net improvements. Specific targets were set for each cluster of associated prior actions of the three programmatic PBLs, to be measured at the end of the third PBL in 2016.

PBL Risk Mitigation Strategies

Key Finding: *Both PBLs contained general and specific risks and mitigation strategies. The 2009 PBL relied heavily on TA as a mitigation, while the 2014 PBL relied on a narrow focus for the PBL and harmonization with development partners.*

2009 PBL

Some general risks and mitigation strategies were identified in the appraisal report, including:¹²⁶

- Natural hazards. Mitigation strategy: “pursuing several policy initiatives” and participation in the Caribbean Catastrophe Risk Insurance Facility (CARICRIF).
- Adverse international developments. Mitigation strategy: Reforms supported by the PBL and “strengthening organisational capacity and macroeconomic reliance.”
- [Inadequate] implementation capacity. Mitigation strategy: technical assistance and strong ownership of PBL reforms.

These same risks were identified across different PBLs for different BMCs. PBL-specific risks were also identified in the results framework matrix. These followed several themes:

- Policy reform burden and slippage in the implementation of key reforms. Mitigation: technical assistance and “strong commitment to policy reforms.”
- Limited fiscal resources impacting hiring/training of staff with appropriate qualifications. Mitigation: TA.
- Organizational resistance to change. Mitigation: Technical assistance and “clearly established guidelines.”
- Prolonged or deepened recession. Mitigation: None.

2014 PBL

As in the case of the 2009 PBL, several risks and mitigation strategies were identified:¹²⁷

- Natural hazards and a deterioration of global economic conditions. Mitigation strategy: Increased insurance through the CARICRIF. In addition, “GOCR is focusing its policy actions on reducing vulnerabilities and fiscal prudence” by creating “fiscal space so as to regain buffers for potential shocks.”
- Weakening of political commitment. Mitigation strategy: Focussing on select “urgently needed reforms for which a consensus already exists.”
- Inadequate capacity to implement reforms: A reform programme coordinated with the World Bank and IMF, the provision of technical assistance.
- Maintaining a “D” credit rating, with associated charges. Mitigation strategies: The phasing in of the programmatic PBL was expected to “smooth out and minimise the impact on CDB” while disbursements will “coincide with improvements in Grenada’s macro-economic fundamentals” which was expected to reduce charges.¹²⁸

Four GOCR respondents noted that there was no consideration of risk on the poor.

¹²⁶ CDB, “Policy-Based Loan - Grenada (President’s Recommendation No. 820),” 22–23.

¹²⁷ CDB, “First Growth and Resiliency Building Policy-Based Loan: Grenada (President’s Recommendation No. 886),” 22.

¹²⁸ CDB, “Project Supervision Report 2015-01-01 PRN: 3502 (Period 2014-01-01 to 2014-12-31)” (St. Michael, Barbados, 2015).

PBL Technical Assistance

Key Finding: *The evaluation found that technical assistance was considered in both PBLs. Given the large number of complex prior actions and capacity constraints in the 2009 PBL, it was not however adequate. Technical assistance was more adequately provided in the 2014 PBL.*

2009 PBL

The appraisal report indicated that GOCR was to receive technical assistance from CDB to help decrease fraudulent activity, develop its poverty reduction policy, improve its statistics, improve its tax system, and enhancing its accounting system and practices. In addition, technical assistance from other bodies was described:

- CARTAC was to assist with improved customs and tax administration,
- ECCB was to help with improved debt management,
- The United Nations Conference on Trade and Development (UNCTAD) was to help with the implementation of the Automated System for Customs Data (ASYCUDA),
- The OECD was assisting with improvement of the procurement processes, and
- The World Bank was assisting to improve investment climate as well as debt and tax management.

However, three respondents from GOCR indicated that the technical assistance that was offered was not enough for its reform programme. It needed a wider range of assistance to deal with issues of governance and other areas, in addition to the economic advice and assistance it received.

2014 PBL

Technical assistance was identified in the appraisal report. Of note was technical assistance from:

- The IMF, CARTAC, and Supporting Economic Management in the Caribbean, for PFM reform,
- The World Bank, for PPP arrangement, and
- CDB, for implementation of human resources modernization.

Harmonization of Processes with other Lending Institutions

Key Finding: *The evaluation found evidence of coordination between lending institutions in the PBL appraisal reports for both PBLs, but the evidence was much stronger for the 2014 PBL, in which the results framework was developed by the World Bank. In addition, the IMF and the Inter-American Development Bank (IDB) played a role in the 2014 PBL.*

2009 PBL

There is evidence that GOCR was working with other lending institutions and agencies to implement aspects of the PBL. For example, the implementation of the second tranche prior action for the implementation of the ASYCUDA World pilot at the main port was undertaken in coordination with the World Bank, although this did not proceed as smoothly as hoped. This resulted in delays beyond the control of GOCR.¹²⁹ In addition, the World Bank and a UN-funded consultancy reviewed Grenada's social safety nets. IMF lending included a number of similar measures, such as the implementation of the value-added tax (VAT) and piloting ASYCUDA in the main port, and public procurement reforms. These were

¹²⁹ Caribbean Development Bank, "Policy-Based Loan - Grenada: Revision in Scope," 8.

monitored by the IMF and World Bank, and although the conditions were harmonized, there is no evidence that reviews and country visits were harmonized or coordinated.

2014 PBL

The 2014 PBL was harmonized with other development partners, most notably the IMF and World Bank. In addition, the Inter-American Development Bank financed part of the PBL.¹³⁰ CDB's PBL objectives were a reproduction of many of those found in the World Bank's Development Policy Loan. Moreover, CDB's reform matrix, which includes the prior actions, was harmonized with that of the World Bank.

Two respondents noted that the high level of harmonization, and the presence of an IMF programme increased the comfort level of CDB's decision-makers. However, a CDB respondent suggested that, while this harmonization helped to decrease an otherwise heavy burden of prior actions, it also added significant risks associated with potential slippage since any slippage would imply a delay from all lenders. Four GOCR respondents expressed concern regarding the limited options that they were offered, given that all lenders were harmonizing along the same set of solutions. This suggested that the lenders were providing principal direction on the conditions, not Grenada officials.

V. Appropriateness of the Conditions

CDB Expectations

Key Finding: *CDB's expectations were set out in the terms and conditions of both PBLs. However, disbursement of 2009 PBL funds even though some conditions were not yet achieved was observed.*

2009 PBL

The 2009 PBL terms and conditions set out the conditions for disbursement of each tranche, terms of repayment, and other conditions, including CDB's right to suspend or cancel the loan should a part of the programme not be carried out.¹³¹ A CDB Director of the Board commented in a meeting (#244) considering the revision in scope that disbursing funds when prior conditions had not been accomplished undermined the intent of the instrument and might create a moral hazard.¹³²

2014 PBL

The 2014 PBL terms and conditions set out the conditions for disbursement of funds, terms of repayment, and other conditions, including CDB's right to suspend or cancel the loan should a part of the programme not be carried out.

Monitoring Prior Actions Implementation

Key Finding: *The monitoring of prior actions was intermittent, with gaps in the project supervision reports for the 2009 PBL and one PSR for the 2014 PBL. However, despite the reporting gaps, CDB analysts appeared aware of the status of conditions.*

¹³⁰ CDB, "Project Supervision Report 2015-03-17 PRN: 3782 (Period 2014-12-01 to 2014-12-31)" (St. Michael, Barbados, 2015); Caribbean Development Bank, "First Growth and Resiliency Building Policy-Based Loan: Grenada (President's Recommendation No. 886)."

¹³¹ CDB, "Policy-Based Loan - Grenada: Revision in Scope," 12.

¹³² CDB, "Excerpts from Minutes of Meetings of CDB's Board of Directors Re: Discussions Surrounding CDB's Policy Based Operations" (St. Michael, Barbados, n.d.).

2009 PBL

CDB officials maintained a schedule to follow up on the continued achievements of certain prior actions. There were six project supervision reports (PSRs) between November 2009 and January 2015, although there were no reports in 2010. There were two field visits, taking place in September 2010 and February 2012. Four CDB respondents noted that the follow-up focused on the unmet conditions and the overall macroeconomic health of the country with little follow-up on the medium, intermediate, and long-term effects of the PBL. There was no project completion report (PCR).

2014 PBL

There was one PSR written for the 2014 PBL. CDB officials responsible for the 2014 PBL visited Grenada once in 2016, conducted two desk reviews for the programmatic series, and continued to monitor macroeconomic data and review reports that were received from GOCR. The PSR for the 2016 PBL indicated that there had been “good surveillance” throughout the programmatic series. Only one PCR will be completed for the series; the 2017 PSR indicated that it was in progress,¹³³

PBL Technical Assistance Implementation

Key Finding: *Technical assistance was offered in both the 2009 and 2014 PBL to assist in the completion of several conditions. The technical assistance for the 2009 PBL was considered inadequate, while the assistance in the 2014 PBL received only minor criticism.*

2009 PBL

A range of technical assistance from different agencies was identified in the appraisal report, but this did not prove to be enough to prevent delays in some conditions. A 2012 PSR noted that “human resource constraints, and in particular, Government’s inability to attract and maintain sufficient legal expertise within the Attorney General’s office to expeditiously deal with an existing large volume of legal drafting required.”¹³⁴

2014 PBL

Technical assistance was provided during the life of the project, and is stated in the PSR for the second and third programmatic PBLs the programmatic series.¹³⁵ One respondent noted that while more technical assistance was offered in the 2014 PBL than in the 2009 PBL, it was still not enough to meet GOCR’s needs. The respondent believed that there was a reluctance on the part of CDB to offer technical assistance even after GOCR requested it.

Addressing Adjustments to the Results Framework

Key Finding: *There were no changes to the 2009 PBL’s results framework, despite the fact that conditions could not be met. No adjustments were required for the 2014 PBL.*

¹³³ CDB, “Project Supervision Report 2012-02-20 PRN: 3502 (Period 2011-07-01 to 2011-12-31)” (St. Michael, Barbados, 2012), 5.

¹³⁴ CDB, “Project Supervision Report 2016-03-31 PRN: 3948 (Period 2016-01-01 to 2016-12-31)” (St. Michael, Barbados, 2017); CDB, “Project Supervision Report 2016-03-22 PRN: 3865 (Period 2015-11-01 to 2016-02-29).”

¹³⁵ Caribbean Development Bank, “Policy-Based Loan - Grenada (President’s Recommendation No. 820),” i–ii.

2009 PBL

There were no adjustments to the results framework, even though one prior action was removed and five others were delayed. Moreover, despite the adverse changes in the international market, and the significant negative impact that it had on Grenada, CDB and GOCR did not adjust the framework and the targets. PSRs maintained that the programme was the appropriate one for GOCR, while acknowledging the economic difficulties and political uncertainty GOCR faced. However, the revision in scope maintained confidence that changes to delivery dates and the addition of the third tranche would not affect the achievement of the PBL's development objectives.¹³⁶

2014 PBL

There were no adjustments to the results framework as all prior actions were reported to be accomplished as planned.

Robustness of Risk Mitigation Strategies

Key Finding: *Both PBLs identified risks and mitigation strategies, although in 2009 these were not specific to Grenada. The 2014 PBL incorporated some lessons learned from previous PBLs and Grenada's recent default.*

2009 PBL

The general risks and mitigation strategies that were identified in the appraisal report proved to be inadequate, given the severity of the economic downturn and its effects on Grenada. This resulted in delays in the achievement of several prior actions. Of note, the risk of public and political resistance to PBL measures was not accounted for. The PBL PSRs highlighted the effect of political turmoil in 2012 and 2013 in the delay of legislation, and the fact that aspects of the PBL came to a halt until a new government with a commitment to reform took power.

2014 PBL

The risk mitigation strategies that were identified in the appraisal report proved to be appropriate to the challenges faced. Several risks, such as natural hazards and a weakening of political commitment, did not materialize.

VI. Observable Effects Resulting from Implementation of Conditions

Degree of Success Achieving Prior Actions

Key Finding: *All 33 of the 2009 PBL prior actions were completed, but the second tranche was split in order to accommodate substantial delays in the achievement of some prior actions. The 2014 PBL completed all prior actions.*¹³⁷

¹³⁶ CDB, "Project Supervision Report 2016-03-31 PRN: 3948 (Period 2016-01-01 to 2016-12-31)."

¹³⁷ See Appendices C and D for a list of the prior actions and conditions, and their status, for both the 2009 and 2014 PBLs.

2009 PBL

All first tranche prior actions of the 2009 PBL were reported completed prior to disbursement. Of the second tranche prior conditions, five were delayed. This resulted in a revision in scope to allow a partial disbursement of the second tranche, and the addition of a third tranche for the remaining prior actions. Four prior actions were delayed by one year and an additional prior action was delayed by four years. The delayed prior actions include:

- Adoption of regulations in relation to the *Contracts and Procurement Act*. Delayed and added to third tranche. January 2015 PSR identifies this as incomplete but suggests completion in 2015.¹³⁸ Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. In addition, political difficulties in passing the *Procurement and Contracts Act* (upon which the regulations were based) led to the extended delay. (Note that this prior action is not listed as an outcome indicator in the results framework.)
- Adoption of Government Asset Management Regulations. Delayed and added to third tranche. January 2015 PSR identifies this as incomplete but suggests it would be completed in 2015.¹³⁹ Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. In addition, problems in the regulations were identified and revisions took longer than expected, partly as a result of political uncertainty. (Note that this prior action is not listed as an outcome indicator in the results framework.)
- Implement ASYCUDA World pilot at the main port. Delayed and added to third tranche. Identified as completed in July 2011 PSR.¹⁴⁰ Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. (Note that this prior action is not listed as an outcome indicator in the results framework.)
- Finalise Debt Management Strategy. Delayed and added to third tranche. Identified as completed in July 2011 PSR.¹⁴¹ Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses.
- Preparation of Poverty Reduction Strategy and action plan. Delayed and added to third tranche. Identified as completed in July 2011 PSR.¹⁴² Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses.

The level of continued compliance with the reforms required in the PBL was high, although there were two respondents who associated the large number of reforms from CDB and other lending institutions, and their “hodge podge” nature, with delays and difficulties. One noted that legal personnel could also create delays by being inflexible. New laws were identified by four (GOGR and CDB) respondents as positive, replacing less effective and obsolete existing legislation, with one commenting that the reforms “tighten the way GOGR does business” and another noting that PBLs serve as a “lubricant for key reforms.”

Highlighted by three respondents were capacity constraints. One noted that CDB does not have institutional assessments of capacity gaps in BMCs, while another noted that time and capacity limitations caused errors to be made, requiring more effort to correct. Reviews of other lending institutions’ PBLs indicate that they

¹³⁸ CDB, “Project Supervision Report 2015-01-01 PRN: 3502 (Period 2014-01-01 to 2014-12-31).”

¹³⁹ CDB, “Project Supervision Report 2012-02-20 PRN: 3502 (Period 2011-07-01 to 2011-12-31).”

¹⁴⁰ CDB, “Project Supervision Report 2011-07-04 PRN: 3502 (Period 2011-01-01 to 2011-06-30)” (St. Michael, Barbados, 2011).

¹⁴¹ Ibid.

¹⁴² for example, World Bank, “Grenada - Economic and Social Development Policy Loan (Report ICRR13872)” (Washington, DC, 2012).

also found this to be an issue.¹⁴³ This, in turn, led respondents to suggest greater flexibility in meeting targets.

2014 PBL

All prior actions of the 2014 PBL were met in advance of disbursement and have been maintained. Due to the programmatic nature of the PBL, in which prior actions in this first PBL were linked to later prior actions, CDB and GOCR actively monitored the achievement and maintenance of the prior actions.

Short-term Outcomes

Key Finding: *Short-term outcomes were not identified for either PBL, and PCRs have not been completed. There was a lack of direct evidence for the achievement of most 2009 PBL short-term outcomes, aside from immediate but short-lived debt relief. Other outcomes were either not met, met only to regress later, or only partially met. For the 2014 PBL, there is as yet little evidence. Available evidence suggests that fiscal measures have stabilized debt dynamics, but that social safety net reforms are slow. Economic fundamentals have improved dramatically since 2013.*¹⁴⁴

2009 PBL

Assessing the achievement of short-term outcomes was difficult due to a general lack of evidence (besides prior actions achievement). However, some data and evidence was available:

- With respect to strengthening the institutional framework for economic management, GOCR achieved a primary balance before grants of -7.0% of GDP in 2008, missing the target of -6%. This was attributed to increased social spending as a result of the severity of the economic downturn. In addition, this improved to -3% the following year, and continued to improve in subsequent years. The NEC was approved by Cabinet and established.
- With respect to strengthened PFM in the public sector, the regulatory changes were largely delayed, but were ultimately enacted and implemented. In absolute terms, the deficit increased as a result of increased social spending necessitated by the severe economic downturn (from 1.5% of GDP in 2009 to 2.5% in 2013).¹⁴⁵
- With respect to improving PSE management, the *PFMA Act* and *Audit Act* were implemented in 2009.
- With respect to improving revenue systems, the introduction of the VAT did lead to higher revenues, but, one GOCR respondent noted, contributed to a drop in disposable income. In the context of the global financial crisis and the election cycle in Grenada, GOCR responded by creating more exemptions to the VAT, limiting the increase of new revenue earned to just 1.5%. This list of exemptions was later reduced. The implementation of ASYCUDA was delayed.
- With respect to improved debt management, the PBL provided GOCR with liquidity during the global financial crisis. However, the ratio of debt-to-GDP continued to rise until the 2013 default

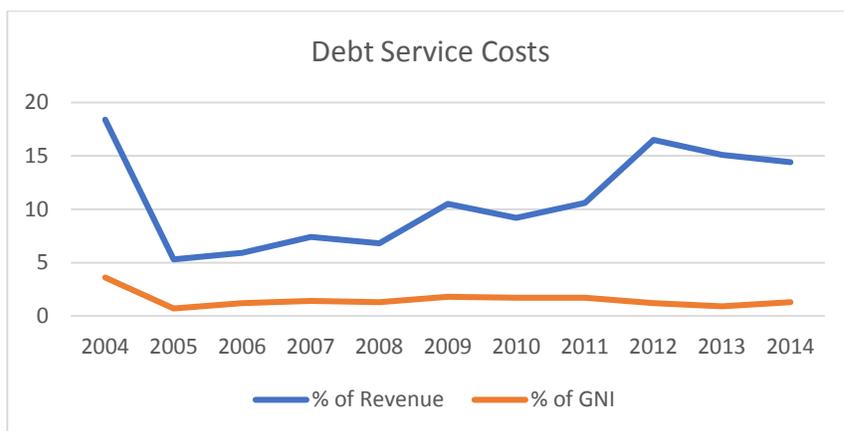
¹⁴³ International Monetary Fund, “Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion.”

¹⁴⁴ See Appendix E for a list of short and medium-term outcomes for the 2009 and 2014 PBLs.

¹⁴⁵ International Monetary Fund, “Grenada: 2014 Article IV Consultation and Request for an Extended Credit Facility Arrangement - Staff Report and Press Release,” IMF Country Report No. 14/196 (Washington, D.C., 2014), 23.

(peaking at 108% of GDP), at which point it began to decline.¹⁴⁶ The DMU was implemented and has started producing reports.¹⁴⁷

- With respect to improved investment climate, the “Ease of Doing Business” distance from the frontier score improved slightly from 59.3 in 2010 to 60.4 in 2011.
- With respect to enhanced social protections and poverty reductions, the Poverty Reduction Strategy was delayed. No statistics on poverty rates are available since 2008.



(Source: World Bank, IMF)

CDB officials indicated significant satisfaction with the achievement of short-term outcomes and GOCR officials were satisfied with the achievement of some aspects of the PBL. For example, one GOCR respondent noted the effect of PBLs in triggering needed reforms, while another cited the benefits of filling “policy gaps” in taxation and agricultural lands policies.

2014 PBL

Assessing the achievement of short-term outcomes was difficult due to a general lack of evidence (besides prior actions achievement). This is partly due to the fact that indicators were dependent on the completion of the entire programme of PBLs. In this light, some also appeared ambitious as the reform programme was only due to be completed in 2016, the end date for all quantitative measures.

No PCR has been prepared for the programmatic series yet; it is due to be completed in 2017. CDB respondents and a 2016 PSR indicate significant satisfaction with the achievement of short-term outcomes: “Over the past three years there has been a wave of positive change and outcomes in Grenada as a result of the three PBLs, the IMF and WB loans.”¹⁴⁸ It should be noted that outcomes are dependent on the entire program of PBLs.

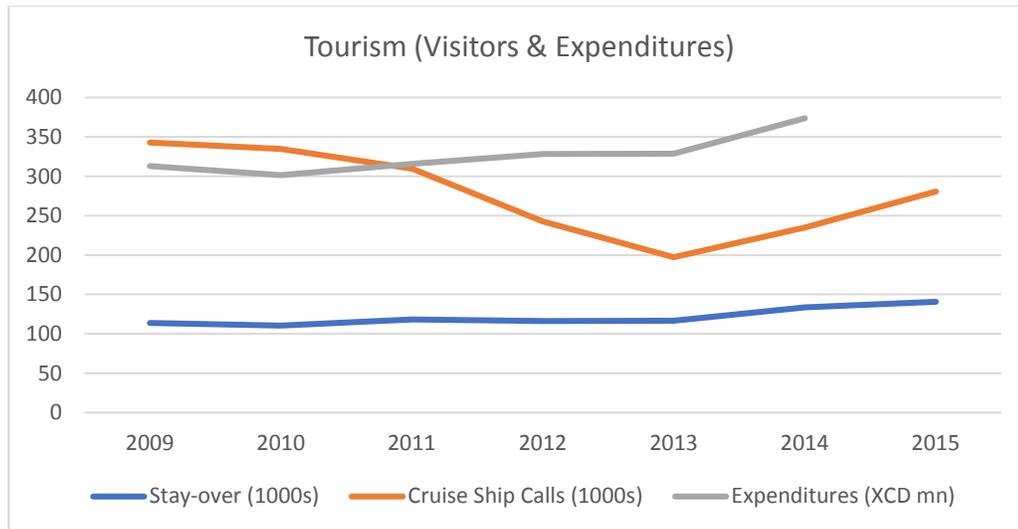
- With respect to improved and sustainable conditions for private investment, tourism has been recovering. The IMF notes that “tourism growth has been strong, with stay-over tourists rising by 5.6 percent in 2015. Grenada’s market share is gradually recovering to pre-2005 hurricane levels,

¹⁴⁶ World Bank, “Grenada - Economic and Social Development Policy Loan (Report ICRR13872).”

¹⁴⁷ World Bank, “Implementation Completion and Results Report (IBRD-78740 IDA-47150) on a Loan/Credit in the Amount of USD4.5 mn / USD3.5 mn to Grenada for an Economic and Social Development Policy Loan/Credit” (Washington, DC, 2011), 3.

¹⁴⁸ World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building” (Washington, DC, 2016), 2.

although it still lags behind ECCU peers”¹⁴⁹ There is no evidence available on increased output on commercialised estates, as the prior actions were the first steps in a process. World Bank documentation and PSRs indicate that two estates were commercialised in 2015 and that 186 acres is expected to be commercialised by 2018.¹⁵⁰ There was no evidence of a decrease on border clearance times, although the World Bank Ease of Doing Business ratings for Jamaica suggest that border clearance times has fallen.¹⁵¹



(Source: CDB)

- With respect to improved public sector management and better targeting of social safety net programmes, use of the Support for Education, Empowerment and Development (SEED) programme was not measured. While the PSR for the second PBL indicates that progress is slow,¹⁵² a World Bank assessment indicated that more beneficiaries were added.¹⁵³ PSRs for the second and third PBLs of the series suggest that a new PPP framework for infrastructure is in place, although there is no measurement of how many PPP projects are proceeding in accordance with the new framework. There was no evidence available on the use of HR audits in the total government workforce. Finally, the public-sector wage bill fell from 82% of tax revenue to 51.2%, and from 10.7% of GDP to 8.1% between 2013 and 2016.¹⁵⁴

¹⁴⁹ International Monetary Fund, “Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion,” IMF Country Report No. 16/133 (Washington, D.C., 2016), 3.

¹⁵⁰ World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building,” 13; Caribbean Development Bank, “Project Supervision Report 2016-03-22 PRN: 3865 (Period 2015-11-01 to 2016-02-29).”

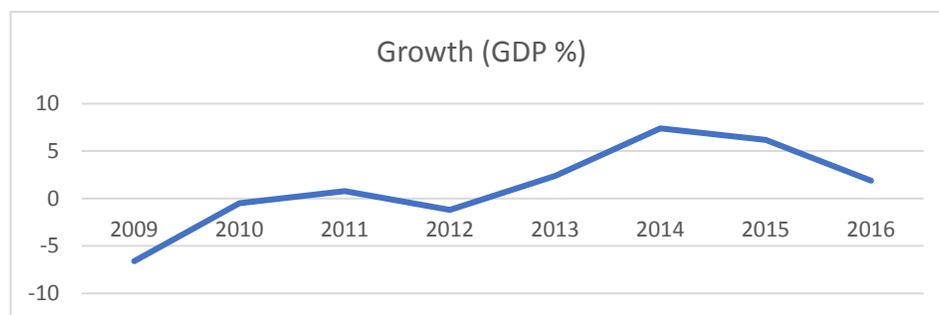
¹⁵¹ World Bank, “Doing Business in Grenada - World Bank Group,” 2017, <http://www.doingbusiness.org/data/exploreeconomies/grenada#trading-across-borders>.

¹⁵² World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building,” 20.

¹⁵³ Ibid., 22–23.

¹⁵⁴ Ibid., 9; see International Monetary Fund, “Grenada : 2009 Article IV Consultation, Fourth Review Under the Three-Year Arrangement Under the Poverty Reduction and Growth Facility, Request for Modification of Performance Criterion, and Financing Assurances Review-Staff Report; Public Information Not.”

- With respect to improved enhancing resiliency against natural disasters, there was no evidence yet on the increase in proportion of new buildings built in safe areas according to new codes and regulations – however, enforcement mechanisms were not due until the third PBL in 2016. There was also no evidence on the increase in percentage of registered engineers.
- With respect to facilitating debt portfolio restructuring and enhancing debt management, this outcome was intended for the second and third PBLs, as no prior actions in the 2014 PBL are associated with this outcome. However, debt dynamics have improved as a result of debt restructuring, with GOCR successfully completing six reviews by the IMF between 2014 and 2016.¹⁵⁵



(Source: World Bank)

In addition, growth was robust between 2013 and 2015, driven by strong growth in agriculture, tourism and construction¹⁵⁶ However, given that several programmes were running concurrently, the successful restructuring of Grenada’s loans, and the improving global economic environment, it is difficult to improved debt dynamics and increased growth solely to CDB’s 2014 PBL.

Medium-term Outcomes

Key Finding: *As noted earlier, medium-term outcomes were not identified and PCRs have not been completed for either PBL. For the 2009 PBL there was little direct evidence for the achievement of medium-term outcomes, although available reported evidence suggests that the 2009 PBL was not fully successful in meeting its medium-term objectives and that reforms may not be sustainable. Not enough time has passed to assess medium-term outcomes for the 2014 PBL, although the evidence suggests that fiscal adjustment measures are having positive effects.*

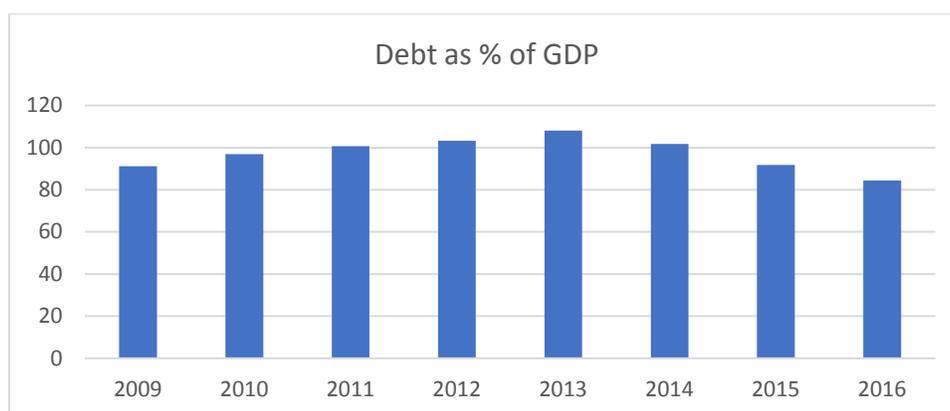
2009 PBL

There was no assessment or evaluation of the medium-term outcomes as no PCR was prepared. However, some respondents expressed satisfaction with certain aspects of the reform programme. Five CDB respondents noted that GOCR built its capacity in the areas of debt management, PFM, social policy, and tax administration.

¹⁵⁵ CDB, “Project Supervision Report 2016-03-22 PRN: 3865 (Period 2015-11-01 to 2016-02-29),” 5.

¹⁵⁶ World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building,” 13.

- With respect to strengthening the institutional framework for economic management, GOCR's primary balance before grants gradually improved, particularly after debt restructuring, and is projected to be 3.5% in 2018.¹⁵⁷
- With respect to strengthened PFM in the public sector, the Independent Evaluation Group of the World Bank, in a 2012 assessment of a similar loan which targeted some of the same reforms (e.g. VAT, social safety net improvement, and intellectual property legislation) concluded that economic planning and debt management outcomes were partly met and that GOCR procurement waste reduction outcomes were partly met. However, the same report noted that Grenada remained vulnerable to economic shocks, and that the deficit increased due to lower revenues, increased transfers to vulnerable groups, and higher public-sector wages.¹⁵⁸
- With respect to improving PSE management, there was no evidence of medium-term outcomes.
- With respect to improving revenue systems, the new ASYCUDA system contributed to more efficient and effective revenue generation. VAT revenues increased from XCD140 mn in 2010 to XCD177 mn in 2014.
- With respect to improved debt management, the ratio of debt-to-GDP continued to rise until the 2013 default (peaking at 108% of GDP), at which point it began to decline. The ratio in 2015 was 94%, and it expected to decline to less than 80% in 2017.¹⁵⁹



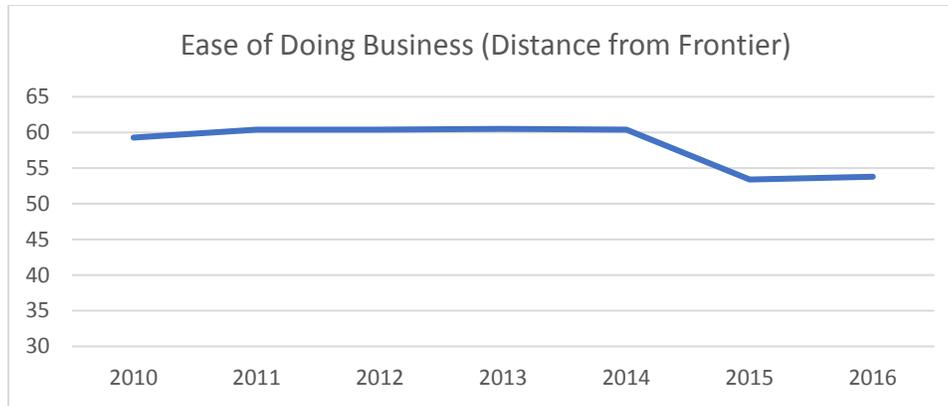
(Source: World Bank)

- With respect to improved investment climate, Grenada's World Bank Ease of Doing Business ranking improvement was not sustainable. It has since fallen and Grenada now ranks 138th out of 185 countries. Growth that did occur may not have been broad-based. Most sectors remained static, with the exception of education. One GOCR respondent noted that the growth did not "trickle down" to the broader population, only benefiting some.

¹⁵⁷ International Monetary Fund, "Grenada: 2014 Article IV Consultation and Request for an Extended Credit Facility Arrangement - Staff Report and Press Release," 14.

¹⁵⁸ CDB, "Project Supervision Report 2016-03-31 PRN: 3948 (Period 2016-01-01 to 2016-12-31)," 6.

¹⁵⁹ World Bank, "Grenada - Economic and Social Development Policy Loan (Report ICRR13872)."



(Source: World Bank)

- With respect to enhanced social protections and poverty reductions, the review of social safety nets led to the combining of three separate cash programmes into the SEED Programme.¹⁶⁰ However, GOCR had to triple its expenditure on social spending from 2009 to 2015 rather than maintaining it at a steady level as targeted in the PBL appraisal report.¹⁶¹ One CDB respondent and the 2012 World Bank review attributed this to increased need for assistance during the global financial crisis. Three CDB respondents noted that even with the increase, GOCR was not able to accommodate all applicants.
- Two CDB respondents noted that the poverty assessment and the strategy plan allowed GOCR to better target the poor through a newly developed programme with the objective of assisting the poor in maintaining a decent standard of living. This was also noted in a World Bank review of a similar program.¹⁶²

The degree to which some of these changes can be attributed to the 2009 CDB PBL is inconclusive. However, as there were other PBLs in operation at the time, and the economic environment was complex and changing, it is reasonable to suggest that the combined effect of the PBLs contributed to economic stability.

2014 PBL

Given that several loan programmes were running concurrently, the successful restructuring of Grenada's loans, and the improving global economic environment, it is difficult to attribute medium-term outcomes solely to CDB's 2014 PBL. In addition, not enough time has passed for most medium-term outcomes to be determined.

- With respect to improved and sustainable conditions for private investment, the agriculture, tourism and construction sectors have fared well. However, Grenada's ease of doing business ranking fell significantly between 2014 and 2015.

¹⁶⁰ World Bank, "Implementation Completion and Results Report (IBRD-78740 IDA-47150) on a Loan/Credit in the Amount of USD4.5 mn / USD3.5 mn to Grenada for an Economic and Social Development Policy Loan/Credit," 5–6.

¹⁶¹ Caribbean Development Bank, "Project Supervision Report 2016-03-31 PRN: 3948 (Period 2016-01-01 to 2016-12-31)," 6; World Bank, "International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building," 3.

¹⁶² International Monetary Fund, "Grenada: Staff Report for the 2016 Article IV Consultation, Fourth Review Under the Extended Credit Facility the Extended Credit Facility, Request for Waiver on Non-Observance of a Performance Criterion, Request for Modification of Performance Criterion, ."

- With respect to improved public sector management and better targeting of social safety net programmes, while use of the SEED programme increased, GOGR’s improved targeting tool could not be implemented.¹⁶³ In addition,
- Enhancing resiliency against natural disasters, as indicated by:
 - Increase in the proportion of new public and commercial buildings and private housing built in safe regulated areas, in accordance with regulatory acts from 0% in 2013 to 50% in 2016
 - Increase in percentage of engineers registered from 0% in 2013 to 40% in 2016
- With respect to facilitating debt portfolio restructuring and enhancing debt management, both the IMF and WB indicate that Grenada’s medium-term debt outlook is positive although external debt remains in distress due to vulnerability to external shocks.¹⁶⁴

Eight GOGR respondents expressed some concern about the sustainability of the reforms. Overall, however, CDB and GOGR senior officials were satisfied with the achievement of results, as were development partners with similar programmes:

Several fiscal adjustment measures, including legislative reforms, have been taken to: (a) strengthen the institutional framework that underpins the conduct of fiscal policy and the management of public debt; (b) improve the prospects for growth through doing business reforms; and (c) advance social development. There has been close, ongoing collaboration between GOGR and its key development partners since the start of SAP.¹⁶⁵

PBL Domestic Programme Effects

Key Finding: *Some stakeholders argued that effects on the poor should have been better monitored.*

2009 PBL

Four GOGR respondents suggested that effects of the PBL conditionalities on social programmes and economic conditions for the vulnerable should have been better monitored. There were some observed effects, such as a decrease in disposable income and higher than anticipated social spending costs. Several PSRs comment on political uncertainty, which appears to have been exacerbated by some of the measures required in the PBL.

2014 PBL

Effects of the PBL conditionalities on social programmes and economic conditions for the vulnerable were not monitored. Three GOGR respondents indicated that fiscal restraints limited GOGR’s ability to meet the needs of increasing numbers of potential social assistance beneficiaries.¹⁶⁶ One respondent commented on costs in maintaining the ASYCUDA as negatively affecting the achievement of increased revenues and improved trade logistics. A respondent also argued that fiscal restraints limited GOGR’s ability to implement growth initiatives.

¹⁶³ CDB, “Project Supervision Report 2016-03-31 PRN: 3948 (Period 2016-01-01 to 2016-12-31),” 6.

¹⁶⁴ World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building,” 20.

¹⁶⁵ World Bank, “International Development Association and International Bank for Reconstruction and Development Program Document for a Proposed Credit in the Amount of SDR 6.8 mn (USD9.34 mn Equivalent) to Grenada for the Third Programmatic Resilience-Building” (Washington, DC, 2016), 20.

¹⁶⁶ CDB, “Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)” (St. Michael, Barbados, 2009).

CONCLUSIONS

The evaluation of Grenada's 2009 and 2014 PBLs suggests that the overall design and implementation of the 2009 multi-tranche PBL suffered from more weaknesses than the 2014 programmatic PBL. The 2009 PBL was launched at the depth of the global economic downturn, and the evidence suggests that external shocks, political uncertainty, and capacity constraints played a strong role in delay of implementation of some conditions. Recognizing this, CDB intervened to adjust the tranches and disbursed a reduced amount of funding. The 2014 PBL, the first in a programmatic series, incorporated some lessons learned from previous PBLs, and GOCR achieved all prior actions without difficulty. Subsequent PBLs in the series were successfully adjusted according to circumstances.

PBL Design Process and Appropriateness

With respect to the design process for the PBLs, some CDB assumptions held, while others did not. For CDB focussed assumptions:

- Appropriate support was offered to Grenada.
 - CDB recognized the severity of the economic downturn and the effects it was having on GOCR's debt dynamics and social conditions (especially poverty) and responded quickly to the GOCR's request for both PBLs. Technical assistance was offered, although it appears that the need was underestimated (particularly in the 2009 PBL).
- Both PBLs were complementary to similar lending by other institutions.
 - There is not enough evidence to conclude that the 2009 PBL was explicitly harmonised with other MDBs, but the 2014 PBL was designed in collaboration with the World Bank and IMF, and co-funded by IDB, suggesting that coordination may have contributed to a better design. In addition, the reforms were consistent with the pattern of advice and lending from other MDBs since at least the mid-1990s.
- The case for the 2009 PBL conditions was based on an inconsistent results framework and logic model. The evidence suggests this was exacerbated by a negotiations process in which GOCR representatives felt themselves to be in a weak position to negotiate conditions. The effect was a large number of unfocussed conditions that GOCR was unable to achieve. The 2014 PBL was much more focussed, although alignment with the CSP and Grenada's reform plan was a loose one. In addition, no short or medium-term outcomes were explicitly identified or differentiated.
- The 2009 PBL was moderately aligned with local conditions, and it was consistent with the 2008 country strategy paper. The 2014 PBL was more strongly aligned with local conditions, incorporating some lessons learned from past experience.
- The 2009 PBL assessment was considered moderately appropriate by GOCR respondents. It included a thorough analysis of the macroeconomic conditions, but some assumptions were overly optimistic, capacity constraints were not adequately anticipated, and some risks were not identified. The 2014 PBL assessment was appropriate, overall, but was still criticized for a top-down approach, and an incomplete analysis of some factors such as poverty and capacity.

With respect to GOCR focussed assumptions:

- The 2009 PBL could have been better aligned with local priorities.
 - It was more limited in scope than the GOCR reform plan, with more ambitious timelines, and missed some local context. The 2014 PBL was better aligned with local priorities, but the evidence suggests that improvements could still be made to align with the local context.
- As noted, the instruments were consistent with those of other MDBs. The 2009 and 2014 PBLs were in some ways complementary, such as in seeking to improve debt dynamics, PFM, and social safety nets.

In sum, the evidence suggests the need for greater consultation and collaboration with GOCR local stakeholders, which would have contributed to improving the focus and coherence of the results matrix and logic model supporting the PBL. These weaknesses undermined GOCR ownership in the 2009 PBL and led to the inclusion of some conditions that GOCR found very difficult to achieve. In addition, it made the measurement of outcomes very difficult.

Appropriateness of Conditions

With respect to the appropriateness of the conditions in the PBLs, some CDB assumptions held, while others did not. For CDB focussed assumptions:

- Behaviour expectations were clear in either PBL. Prior actions and the terms of the PBLs were clearly set out in the terms and conditions. This was undermined, to a degree, by the granting of partial second tranche funding and the creation of a third tranche for the 2009 PBL. However, this concession also demonstrated the flexibility on the part of CDB and allowed risks to the programme to be mitigated. Lessons from this PBL were applied in the design of the 2014 PBL.
- The evidence suggests that conditions of support were not met for the 2009 PBL, but that most were addressed in the 2014 PBL. CDB intervened to provide technical support to assist in the completion of some conditions, and was flexible in the disbursement of funds when GOCR had difficulties completing the 2009 PBL second tranche conditions.

With respect to GOCR focussed assumptions:

- For the 2009 PBL, Grenada was able to access technical resources for some conditions, but still lacked capacity to achieve them all, partly because of the large number. There is no evidence as to how much this assistance cost or how it affected GOCR's budget. Available evidence suggests GOCR received the necessary technical support for the 2014 PBL.
- GOCR reportedly met all conditions for both PBLs, although with major delays for the 2009 PBL. This was partly due to capacity constraints, but political uncertainty contributed.
- Grenada appears willing to invest in capacity building, but the pace of changes required for the first PBL proved to overwhelm local resources.
- Risk mitigation strategies proved to be unequal to the challenges faced by GOCR during the prolonged economic downturn experienced during the 2009 PBL implementation period. The 2014 PBL faced no equivalent challenges.

Weaknesses in the PBL design process, based on flawed assumptions, contributed to shortcomings in the implementation in the 2009 PBL, and, in turn, the failure of assumptions relating to appropriateness of the conditions. For Grenada, the evidence suggests that a more gradual approach to reform with fewer conditions facilitated through focussed programmatic PBLs would have been more likely to lead to appropriate and achievable conditions.

Observable Effects Resulting from Implementation of Conditions

With respect to the observable effects, there was a general dearth of evidence for both PBLs (although for different reasons). This made assessment difficult. In general, weaknesses in the design process and appropriateness of conditionalities affected PBL implementation, which led to some unachieved conditions, weak monitoring, and an inability to determine whether reform outcomes had been achieved in the medium-term. These problems do not appear to be as significant for the 2014 PBL, but it is too early to make conclusions about medium-term outcomes.

Specifically, for CDB:

- Funds were delivered in a timely fashion for both PBLs, facilitating the improvement of debt dynamics and providing support for reforms.
- Monitoring during the life of the 2009 PBL was intermittent, and there is no evidence that a PCR was completed. The delays in the PBL required continued monitoring by CDB, but only for some conditions. Only one PSR was prepared for the 2014 PBL, although PSRs for the subsequent 2015 and 2016 programmatic PBLs can be seen as evidence that monitoring continued. The PCR for the 2014 PBL is to be included in the overall PCR for the programmatic series, and is due to be completed in late 2017.

With respect to GOCR focussed assumptions:

- Grenada was not able to meet all conditions required for the 2009 PBL's second tranche, with some delayed by several years. The prior actions for the 2014 PBL, being more focused and harmonized with other institutions, were all achieved on schedule.
- Some reforms for the 2009 PBL were not viewed as helpful or sustainable by GOCR respondents. It is too early to draw firm conclusions about the outcomes of the 2014 PBL, although there is evidence that those relating to debt dynamics and PFM are working and may be sustainable. For others, GOCR appears committed to the reforms, although progress is slower than anticipated for improvements to the social safety net.
- There is no evidence to determine whether Grenada has maintained or built on capacity or expertise. As indicated throughout this case, capacity building is identified as a key area in which the bank can contribute.

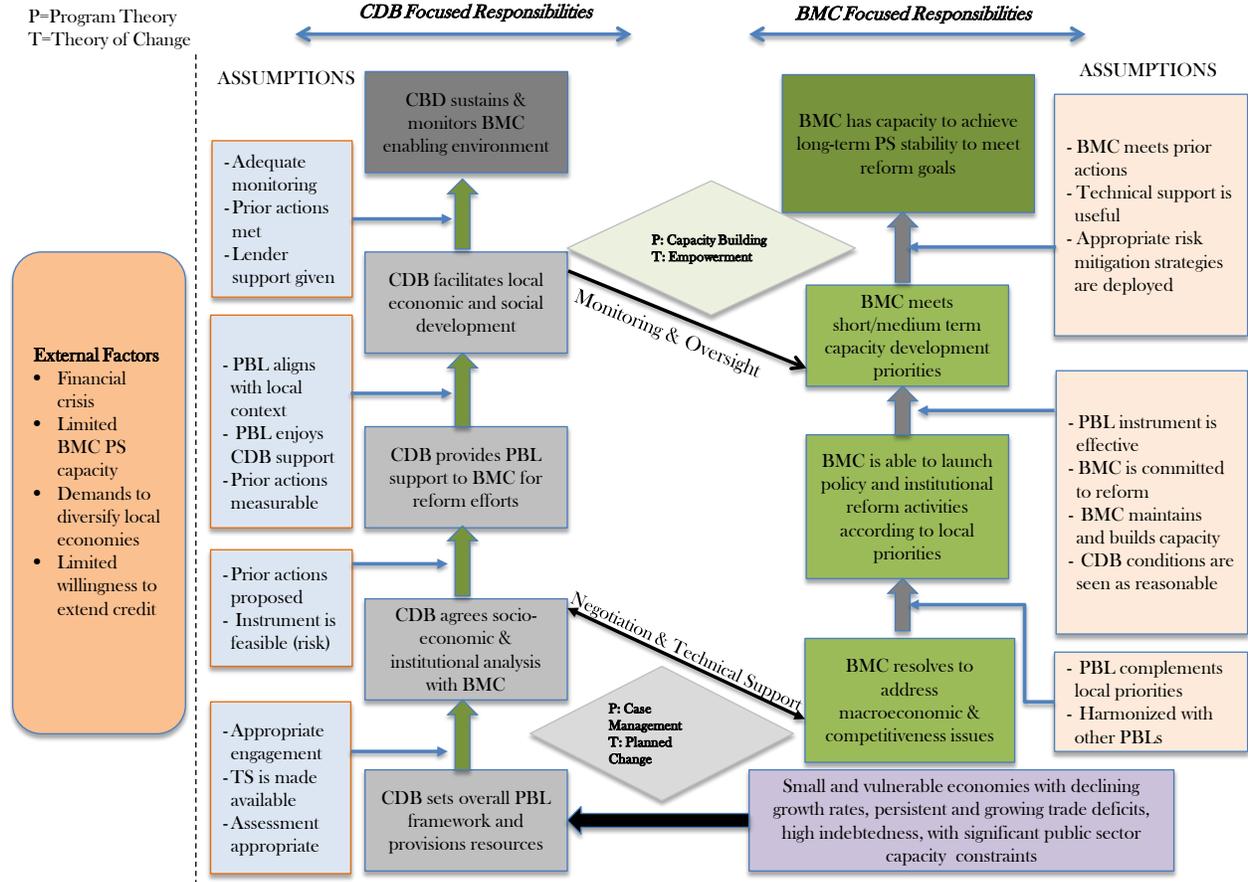
General Comments and Lessons

Shortcomings in the 2009 PBL appear to be the result of a number of factors. The evaluation found that CDB was still learning to use the PBL instrument, leading to flaws in design, while GOCR was forced to contend with capacity constraints and the strains of the economic crisis of the time. Several patterns emerged from the evidence that could be used to inform future PBLs.

- The PBLs were effective at relieving the immediate financial pressures that GOCR faced in 2009 and 2014.
- A single tranche PBL with policy actions that were focussed, consistent and complementary, and with a clear and consistent results framework, led to more ownership and success by GOCR in achieving conditions and short-term outcomes.
- Although progress in some reforms was slower than planned, Grenada remained committed to a programme of reform. Senior bureaucratic officials took key leadership roles in significant aspects of the reform. In addition, given that some reforms had been advised since at least the 1990s, with progress sporadic and slow, even the partial success in meeting conditions in these PBLs suggests that (as some respondents argued) PBLs do serve as an incentive for reform, however limited.

- When setting indicators, PBLs may benefit from a more thorough consideration of local conditions, including institutional, political and cultural factors. In addition, while high-level macroeconomic targets may be attractive, PBLs may have limited impact and may only be loosely linked conceptually. In sum, setting targets that are too ambitious for the given timeframe or that are not significantly attributable to the PBL may lead to unrealistic expectations and conclusions about success or failure that are not warranted.
- Stakeholders wanted more consultation during the PBL design process and argued it would lead to greater BMC ownership.
- Technical assistance should be included in planning, and be appropriate to the complexity and number of conditionalities faced by a BMC. In addition, technical assistance can be structured dynamically during the life of the PBL to respond to exogenous circumstances.
- CDB should improve its monitoring during and after the life of the PBL, to better ascertain the achievement of short and medium-term outcomes and to inform future PBLs.

APPENDIX A: THEORY OF CHANGE



APPENDIX B: DATA SOURCES

Table B.1: Sources used for each question

#	Topic	#	Questions	Economic Data (from CDB, Grenada, WB,	CDB interviews	GOGR interviews	CDB PBL Proposal Documentation (e.g. appraisal reports, CSPs, CPA, prev.	CDB PBL Implementation Documentation (e.g. PSRs,)	GOGR Document-ation (e.g. reform plan, poverty assessment)	MDB Reports and Papers	Other documentation (e.g. previous MDB PBLs)
1	Design process	a	Was appropriate support offered to Grenada?	x	x	X	x		x	x	x
		b	Was instrument harmonized with CDB and other MDB PBLs?		x	X				x	x
		c	Were the prior conditions negotiated with GOGR?		x	X	x				
		d	Did the PBL align with the local context / complement local priorities?	x	x	X	x		x		
		e	Was the overall assessment appropriate?	x	x	X	x		x		x
2	Appropriateness of conditions	a	Were CDB's behaviour expectations clear?		x	X	x	x			
		b	Did CDB honour its promises of support / was GOGR able to access technical support?		x	X	x	x			
		c	Was GOGR able to meet prior actions?		x	X		x			
		d	Was GOGR willing to invest in capacity building?		x	X		x			
		e	Were appropriate risk mitigation strategies deployed?		x	X	x	x			
3	Observable effects resulting from implementation of conditionalities	a	Were the funds disbursed in a timely fashion?	x	x	X		x			
		b	Was a monitoring framework in place and utilized?	x	x	X	x	x			
		c	Did GOGR meet the prior actions and other conditionalities?		x	X	x	x			
		d	Did GOGR maintain and build on its expertise?		x	X		x		x	x
		e	Did GOGR see reforms as useful and sustainable?	x	x						
		f	Was there evidence of a short or medium-term impact arising from PBL?	x	x	X		x	x	x	x
		g	Were there unintended consequences of the PBL?	x	x	X		x			

APPENDIX C: 2009 PBL CONDITIONALITy Assessment

GOCR’s overall development objective encompassed the attainment of high levels of balanced and sustained growth and a reduction in unemployment and poverty. This broad growth and development agenda was premised on five main strategies. These can be mapped against CDB’s major objectives for Grenada (set out in the 2008 CSP) and the PBL categories (as set out in the results-based framework matrix), as follows:

Table C.1: GOCR / CDB / PBL Objectives

GOCR NSDP Strategic Goals	CDB Major CSP Objectives for GRE	2009 PBL Strategic Objectives
1. An economically transformed country and people-centred development. (Very broad: includes productivity and competitiveness, innovation, exports, human resource capital, macroeconomic management, investment promotion, employment generation, socio-economic impact, and poverty reduction.)	(a) improved macroeconomic management (b) improved access to quality education services (c) improved access by the poor to basic infrastructure and services (d) strengthened social policy framework (e) improved income-earning potential of agriculture (f) improved road access by rural communities (g) strengthened land-use policy	A. [Improved] public financial management B. [Improved] public-sector enterprise management C. [Improved] revenue policy and administration D. [Improved] public debt management E. [Improved] expenditure and policy management F. Enhancing the investment climate
2. A socially strengthened and cohesive society supported by an educated, trained and creative human capital.	improved access to quality education services improved access by the poor to basic infrastructure and services strengthened social policy framework	
3. A culturally aware society with synergies between culture and economy.		
4. Improved governance and democracy that is conducive to a peaceful, safe and secure environment and justice for all.		
5. A developed youth sector capable of participating in, and benefiting from, national development.	improved access to quality education services	
6. Gender equity ensured in promoting human rights.		
7. Environmental considerations integrally linked to national development.	reduced climate change risks	
8. An enhanced tourism sector optimizing its contribution to the country’s socio-economic development and benchmarked against the best international standards		
9. An enhanced contribution of the agriculture sector to the national economy and to livelihoods.		
10. An improved contribution of agro-industries to national development.	improved income-earning potential of agriculture	
11. A more efficient construction sector capable of responding to the requirements of reconstruction and national development.		
12. An enhanced economic infrastructure supporting the country’s development.	reduced climate change risks strengthened land-use policy	C. [Improved] revenue policy and administration

GOCR’s obligations for the 2009 PBL were a comprehensive set of prior actions that were linked to these objectives. These are found in the following table as organized in the appraisal report’s “indicative policy matrix” for each tranche. Note that this does not mirror the organization of the results framework matrix or the logical framework summary matrix, so has been organized for better fit and flow in the table below.

Table C.2: Prior Actions Per Tranche Disbursements

Tranche 1 Prior Actions	Tranche 2 Prior Actions	Tranche 3 Prior actions
Public Financial Management		
Coming into force of the new PFM Act Coming into force of the new Audit Act	Adoption of regulations in relation to the PFM Act Adoption of regulations in relation to the Audit Act Adoption of regulations in relation to the <i>Contracts and Procurement Act</i> Adoption of <i>Government Asset Management Regulations</i>	Adoption of regulations in relation to the <i>Contracts and Procurement Act</i> Adoption of <i>Government Asset Management Regulations</i>
Completion of Debt Management Performance Assessment Operationalisation of DMU Completion of training in macroeconomic forecasting for key MOF staff Completion of diagnostic exercise on the structure of Macroeconomic Management and Planning Division	Finalise Debt Management Strategy	Finalise Debt Management Strategy
Institutional Framework for Economic Management		
Achieve a primary balance before grants greater than the equivalent to negative 6% of GDP in 2008 Cabinet approval for establishment of National Economic Council (NEC)	Achieve a primary balance before grants less than the equivalent to negative 6% of GDP in 2009 Establishment of NEC	
Revenue Enhancement		
Enactment of VAT legislation	Implement VAT Draft Excise Tax legislation to Parliament	
Complete 98% of the valuation exercise for mainland Grenada for purposes of Property Tax	Complete certified Valuation List for Property Tax Implement ASYCUDA World pilot at the main port	Implement ASYCUDA World pilot at the main port
Social Development		
Undertake an independent review of social safety nets and disseminate findings	Institutionalise NAT Framework Adoption of CPA by Cabinet Preparation of Poverty Reduction Strategy and action plan	Preparation of Poverty Reduction Strategy and action plan
Enhancing Investment Climate		
Enactment of the <i>Corporate Affairs and Intellectual Property Act, 2009</i> Establishment of Companies and Intellectual Property Office and appointment of a Registrar and staff to support the office. Enactment of <i>Investment Promotions Act</i>	Presentation of draft Customs Legislation based on CARICOM Harmonised Customs Law to Parliament Presentation of draft Customs Tariff based on WCO Harmonised Coding System to Parliament Signing of agreement to implement ASYCUDA World with United Nations Conference on Trade and Development (UNCTAD) Completion of Fraud Control Plan	
Enactment of <i>Deeds and Lands Registry (Amendment) Act, 2009</i>		

The following table illustrates the status of completion for the above noted tranche specific prior actions. The evaluation found that some prior actions were not associated with indicators in the results matrix, and that some indicators had no prior action associated with them. CDB field visit monitoring PSRs reported on some prior actions but not on others.

Table C.3: Prior Actions Status

<i>GOGR Dev. Obj.</i>	<i>Conditionality</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
A. Public financial management				
Improvement in the legal and institutional framework for PFM	Coming into force of the new <i>Public Finance Management Act</i> (PFMA)	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁶⁷ .
	Adoption of regulations in relation to the PFM Act	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁶⁸ .
Increase the accountability and transparency of PFM	Coming into force of the new <i>Audit Act</i>	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁶⁹ .
	Adoption of regulations in relation to the <i>Audit Act</i>	2	Accomplished by Nov 2009	Identified as completed in February 2011 PSR ¹⁷⁰ .
Enhance macroeconomic management	<i>New Procurement and Contract Administration Act in effect</i>			<i>This outcome indicator in the results framework does not have a prior action associated with it.</i>
	Adoption of regulations in relation to the <i>Contracts and Procurement Act</i>	2/3	Delayed; accomplished 2015 (?)	Delayed and added to third tranche. January 2015 PSR identifies this as incomplete but suggests completion in 2015 ¹⁷¹ . Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. In addition, political difficulties in passing the <i>Procurement and Contracts Act</i> (upon which the regulations were based) led to the extended delay. <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>
	Adoption of Government Asset Management Regulations	2/3	Delayed; accomplished 2015 (?)	Delayed and added to third tranche. January 2015 PSR identifies this as incomplete but suggests completion in 2015 ¹⁷² . Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. In addition, problems in the regulations were identified and revisions took longer than expected, partly as a result of political uncertainty. <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>

¹⁶⁷ Caribbean Development Bank, “Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)” (St. Michael, Barbados, 2011).

¹⁶⁸ Caribbean Development Bank, “Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31).”

¹⁶⁹ Caribbean Development Bank, “Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31).”

¹⁷⁰ Caribbean Development Bank, “Project Supervision Report 2015-01-01 PRN: 3502 (Period 2014-01-01 to 2014-12-31).”

¹⁷¹ Ibid.

¹⁷² Caribbean Development Bank, “Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31).”

<i>GOGR Dev. Obj.</i>	<i>Conditionality</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
	Completion of training in macroeconomic forecasting for key MOF staff	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁷³ . <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>
	Completion of diagnostic exercise on the structure of Macroeconomic Management and Planning Division	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁷⁴ .

B. Public-sector enterprise management

Reduction in fiscal drag of public-sector enterprises
 Passage of PFMA and Audit Act regulations (see above)

C. Revenue policy and administration

Increasing public-sector savings by improving fiscal management	Enactment of VAT legislation	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁷⁵ .
	Implementation VAT	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁷⁶ .
	Draft Excise Tax legislation to Parliament	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁷⁷ . <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>
	<i>Cadastral survey completed</i>			<i>This outcome indicator in the results framework does not have a prior action associated with it.</i>
	Complete 98% of the valuation exercise for mainland Grenada for purposes of Property Tax	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁷⁸ .
	Complete certified Valuation List for Property Tax	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁷⁹ .
	Implement ASYCUDA World pilot at the main port	2/3	Delayed / accomplished 2011	Delayed and added to third tranche. Identified as completed in July 2011 PSR ¹⁸⁰ . Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses. <i>Note: results framework indicator is broader and not limited to main port.</i>

¹⁷³ Ibid.

¹⁷⁴ Ibid.

¹⁷⁵ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁷⁶ Ibid.

¹⁷⁷ Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

¹⁷⁸ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁷⁹ Caribbean Development Bank, "Project Supervision Report 2012-02-20 PRN: 3502 (Period 2011-07-01 to 2011-12-31)."

¹⁸⁰ Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

<i>GOGR Dev. Obj.</i>	<i>Conditionality</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
D. Public debt management				
Implement dynamic system of public debt management	Completion of Debt Management Performance Assessment	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁸¹ .
	Finalise Debt Management Strategy	2/3	Delayed; accomplished 2011	Delayed and added to third tranche. Identified as completed in July 2011 PSR ¹⁸² . Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses.
	Operationalisation of DMU	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁸³ .
	Achieve a primary balance before grants greater than the equivalent to negative 6% of GDP in 2008	1	Accomplished 2008	Identified as completed in appraisal report ¹⁸⁴ . <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>
	Achieve a primary balance before grants less than the equivalent to negative 6% of GDP in 2009	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁸⁵ . <i>Note: this prior action is not listed as an outcome indicator in the results framework</i>
	Cabinet approval for establishment of National Economic Council (NEC)	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁸⁶ . <i>Note: this prior action is not listed as an outcome indicator in the results framework</i>
	Establishment of NEC	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁸⁷ . <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>
E. Expenditure policy management / social development				
Implement policies that promote equity and social inclusion	Undertake an independent review of social safety nets and disseminate findings	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁸⁸ .
	Institutionalise NAT framework	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁸⁹ . <i>Note: this prior action is not listed as an outcome indicator in the results framework.</i>

¹⁸¹ Caribbean Development Bank, "Project Supervision Report 2011-07-04 PRN: 3502 (Period 2011-01-01 to 2011-06-30)."

¹⁸² Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

¹⁸³ Caribbean Development Bank, "Policy-Based Loan - Grenada (President's Recommendation No. 820)," 15.

¹⁸⁴ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁸⁵ Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

¹⁸⁶ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁸⁷ Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

¹⁸⁸ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁸⁹ Ibid.

<i>GOGR Dev. Obj.</i>	<i>Conditionality</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
Increase the effectiveness of social protection interventions as a response to the crisis	Adoption of Country Poverty Assessment by Cabinet	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁹⁰ .
	Preparation of Poverty Reduction Strategy and action plan	2/3	Delayed / achieved 2011	Delayed and added to third tranche. Identified as completed in July 2011 PSR ¹⁹¹ . Delays first attributed to exogenous factors (e.g. global financial crisis), then human resource deficiencies and institutional weaknesses.

F. Enhancing growth and improving competitiveness

	Enactment of the <i>Corporate Affairs and Intellectual Property Act, 2009</i>	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁹² .
	Establishment of Companies and Intellectual Property Office and appointment of a Registrar and staff to support the office.	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁹³ . <i>Note: this prior action is not listed as an outcome indicator in the results framework</i>
	Enactment of <i>Investment Promotions Act</i>	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁹⁴ .
	Enactment of <i>Deeds and Lands Registry (Amendment) Act, 2009</i>	1	Accomplished by Nov 2009	Identified as completed in first PSR in November 2009 ¹⁹⁵ .
	Presentation of draft Customs Legislation based on CARICOM Harmonised Customs Law to Parliament	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁹⁶ . <i>Note: this prior action is not listed as an outcome indicator in the results framework</i>
	Presentation of draft Customs Tariff based on WCO Harmonised Coding System to Parliament	2	Accomplished 2009 or 2010	Identified as completed in February 2011 PSR ¹⁹⁷ . This prior action is not listed as an outcome indicator in the results framework.
	Signing of agreement to implement ASYCUDA World with United Nations Conference on Trade and Development (UNCTAD)	2	Accomplished 2009	Identified as completed in February 2011 PSR. This prior action is not listed as an outcome indicator in the results framework
	Completion of Fraud Control Plan	2	Accomplished 2010	Identified as completed in February 2011 PSR ¹⁹⁸ . This prior action is not listed as an outcome indicator in the results framework

¹⁹⁰ Caribbean Development Bank, "Project Supervision Report 2011-07-04 PRN: 3502 (Period 2011-01-01 to 2011-06-30)."

¹⁹¹ Caribbean Development Bank, "Project Supervision Report 2009-11-28 PRN: 3502 (Period 2009-11-01 to 2009-12-31)."

¹⁹² Ibid.

¹⁹³ Ibid.

¹⁹⁴ Ibid.

¹⁹⁵ Caribbean Development Bank, "Project Supervision Report 2011-02-17 PRN: 2502 (Period 2010-09-30 to 2010-12-31)."

¹⁹⁶ Ibid.

¹⁹⁷ Ibid.

¹⁹⁸ Appendix 3.1 of Caribbean Development Bank, "First Growth and Resiliency Building Policy-Based Loan: Grenada (President's Recommendation No. 886)."

APPENDIX D: 2014 PBL Prior action Assessment

GOGR developed a Growth and Poverty Reduction Strategy (GPRS) for 2014-18 to guide its reform efforts. The GPRS includes “priority areas” with associated strategic objectives. CDB objectives, as set out in its 2014 CSP for Grenada, and the PBL “pillars” are mapped against GOGR’s GPRS priorities and objectives using a best fit method by the evaluation team.

Table D.1: GOGR / CDB / PBL Objectives

GOGR GPRS Priorities/Objectives	CDB Major CSP Objectives for GRE	2014 PBL Objectives / Themes
1. Stabilizing the Macro-Economy 1.1 Boosting growth and job creation 1.2 Improving fiscal sustainability 1.3 Improving debt sustainability	(i) creating the conditions for private investment in a sustainable manner, (ii) supporting improved public-sector management and better targeting of social safety net programmes, (iii) enhancing resilience against natural disasters, and (iv) facilitating debt portfolio restructuring and enhanced debt management	Pillar 1: Creating conditions for private investment in a sustainable manner Pillar 2: Supporting improved public-sector management, better targeting of social safety net programmes • e.g. management of public employment modernisation Pillar 3: Enhancing resilience against natural disasters • e.g. building code improvement, regulation of architects and engineers Pillar 4: Facilitating debt portfolio restructuring and enhancing debt management • No prior actions associated with this pillar for 2014 PBL
2. Enabling the Business Environment 2.1 Enhancing international trade and market access capacity 2.2 Developing financial services for “pro-poor” growth (MAP) 2.3 Adopting a ‘Doing Business’ Agenda 2.4 Expanding the MSME sub-sector (MAP)		Pillar 1: Creating conditions for private investment in a sustainable manner • e.g. trade logistics reforms Pillar 2: Supporting improved public-sector management, better targeting of social safety net programmes • e.g. social safety net improvement
3. Leveraging the Growth Sectors 3.1 Health and Wellness (Geriatric Care) 3.2 New Agriculture and Agribusiness 3.3 3.4 3.5 3.3 Tourism and Hospitality Industries 3.4 Energy Development and Energy Security 3.5 ICT and Management 3.6 Other Services Sectors (educational, construction, cultural, financial, professional, personal care)		Pillar 1: Creating conditions for private investment in a sustainable manner • e.g. tourism and agribusiness sector development
4. Developing Sustainable Energy 4.1 Explore and exploit a hydro-carbon development strategy 4.2 Up-scale investment in the development of clean and renewable sources of energy.		

GOCR's obligations for the 2014 PBL included the obligation to implement a set of prior actions. These are found in the following table.

Table D.2: Prior Actions / Post-disbursement Conditions

Prior Actions
Pillar 1: Creating conditions for private investment in a sustainable manner
<ol style="list-style-type: none"> 1. The Recipient's Parliament has enacted the <i>Grenada Tourism Authority Act</i>, establishing the institutional framework for the governance of the tourism sector. 2. The Recipient has appointed a committee for the commercialisation of selected estates of the Recipient, and (b) approved the criteria for the commercialisation of such estates. 3. The Recipient's <i>Customs Bill</i> establishing <i>inter alia</i>: (a) procedures for electronic processing of trade transactions; (b) procedures for record keeping and audit powers by the Customs and Excise Division of the Ministry of Finance; and (c) accountability procedures and delegation of authority in decision making, has been submitted to Parliament on May 9, 2014.
Pillar 2: Supporting improved public-sector management, better targeting of social safety net programmes
<ol style="list-style-type: none"> 4. The Recipient has endorsed a public-sector modernisation policy establishing <i>inter alia</i> procedures for: (a) strategically realigning public employment; (b) strengthening management of selected agencies; and (c) developing a results focus in planning and budgeting. 5. The Recipient adopted a policy framework for the strengthening of the design and programming of the Recipient's social safety nets.
Pillar 3: Enhancing resilience against natural disasters
<ol style="list-style-type: none"> 6. The Recipient's Cabinet has approved: (a) the <i>Grenada Building Code</i> and the Grenada Building Guidelines; and (b) the Physical Planning and Development Control Bill, 2014, for submission to Parliament. 7. The Recipient's <i>Architects (Registration) Bill</i> and the <i>Engineers Registration Bill</i> establishing respectively procedures for the professional practice of architects and engineers in the Recipient's territory, have been submitted to Parliament.
Pillar 4: Facilitating debt portfolio restructuring and enhancing debt management
No prior actions in first programmatic PBL in 2014; triggers in subsequent 2 programmatic PBLs in 2015 and 2016.

The following table illustrates the status of completion for the above noted prior actions and conditions. There were no PSRs arising from field visits. PA identifies the conditionality as a prior action, as opposed to a post-disbursement conditionality.

TABLE D.3: PRIOR ACTIONS STATUS

<i>GOCR GPRS Conditionality</i> <i>Obj.</i>	<i>PA?</i>	<i>Monitoring</i> <i>Status</i>	<i>Notes</i>
A. Pillar 1: Creating conditions for private investment in a sustainable manner			
1. The Recipient’s Parliament has enacted the Grenada Tourism Authority Act, establishing the institutional framework for the governance of the tourism sector.	Yes	Accomplished 2013	Publication in the Recipient’s Government Gazette on December 31, 2013; Act No. 42 of 2013 came into force on January 2, 2014 ¹⁹⁹ .
2. The Recipient has (a) appointed a committee for the commercialisation of selected estates of the Recipient, and (b) approved the criteria for the commercialisation of such estates.	Yes	Accomplished 2013	Both cited as accomplished: (a) Cabinet Conclusion No. 807 dated July 1, 2013, and (b) Cabinet Conclusion No. 1237 dated September 2013 ²⁰⁰ .
3. The Recipient’s Customs Bill establishing <i>inter alia</i> : (a) procedures for electronic processing of trade transactions; (b) procedures for record keeping and audit powers by the Customs and Excise Division of the Ministry of Finance; and (c) accountability procedures and delegation of authority in decision making, has been submitted to Parliament on May 9, 2014.	Yes	Accomplished 2014	The Bill was submitted to Parliament on May 9, 2014, as per the terms of Grenada’s Parliamentary Order No. 2 of the same date ²⁰¹ .
Pillar 2: Supporting improved public-sector management, better targeting of social safety net programmes			
4. The Recipient has endorsed a public-sector modernisation policy establishing <i>inter alia</i> procedures for: (a) strategically realigning public employment; (b) strengthening management of selected agencies; and (c) developing a results focus in planning and budgeting.	Yes	Accomplished 2013	Cabinet Conclusion No. 1748, dated December 16, 2013, provided evidence of achievement of this prior action ²⁰² .
5. The Recipient adopted a policy framework for the strengthening of the design and programming of the Recipient’s social safety nets.	Yes	Accomplished 2013	The policy framework was approved in Cabinet Conclusion No. 861, dated July 8, 2013 ²⁰³ .
Pillar 3: Enhancing resilience against natural disasters			
6. The Recipient’s Cabinet has approved: (a) the <i>Grenada Building Code</i> and the <i>Grenada Building Guidelines</i> ; and (b) the <i>Physical Planning and Development Control Bill</i> , 2014, for submission to Parliament.	Yes	Accomplished 2014	Cabinet approved both on May 19, 2014 ²⁰⁴ . The 2015 PBL indicated that Building Code and guidelines were approved and that the Physical Planning and Development Control Bill had been submitted to Cabinet for approval ²⁰⁵ .
7. The Recipient’s Architects (Registration) Bill and the Engineers Registration Bill establishing respectively procedures for the professional practice of architects and engineers in the Recipient’s territory, have been submitted to Parliament.	Yes	Accomplished 2013	The Bills have been submitted to Parliament on March 6, 2014, as per the terms of the Recipient’s Parliamentary Order No. 1 of the same date Appendix 3.1 of Caribbean Development Bank, 2014).

¹⁹⁹ Appendix 3.1 of *ibid*.

²⁰⁰ Appendix 3.1 of *ibid*.

²⁰¹ Appendix 3.1 of *ibid*.

²⁰² Appendix 3.1 of *ibid*.

²⁰³ Appendix 3.1 of *ibid*.

²⁰⁴ CDB, “Second Growth and Resilience Building PBL: Grenada (President’s Recommendation No. 902),” Paper BD 60/15 (St. Michael, Barbados, 2015), 20.

²⁰⁵ “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines” (St. Michael, Barbados, 2016), 5.

APPENDIX E: SHORT AND MEDIUM-TERM OUTCOMES

2009 PBL Outcomes

Since the appraisal report does not discriminate between short and medium-term outcomes, and no medium-term indicators are provided, one set of outcomes is used. Short-term outcomes are assessed by the accomplishment of short-term indicators such as prior actions and short-term economic indicators, while medium-term outcomes are assessed using medium-term economic data and the input of CDB, other stakeholders and data available from other MDBs.

- Strengthened institutional framework for economic management, as indicated by:
 - Cabinet approval of NEC
 - Achieving a primary balance before grants greater than the equivalent to -6% of GDP in 2008
- Strengthened PFM in the public sector, as indicated by:
 - Enactment of legislation and adoption of regulations in support of PFM
 - Strengthened PFM policy environment in line with international standards
 - Strengthened budget control systems and oversight
 - Increased transparency in financial management and oversight
 - Strengthened macroeconomic analytical capacity
- Improved PSE management
 - Enactment of legislation and adoption of regulations in support of PFM
 - Improved financial management of public-sector enterprises
- Improved revenue systems, as indicated by:
 - Improved PEFA scores by 2011
 - Implementation of ASYCUDA and VAT, and other prior actions
 - Tax structure simplified
 - Tax administration strengthened
- Improved public debt management, as indicated by:
 - A reduction in debt-to-GDP ratio to below 84% by 2014
 - Minimised finance costs on borrowing
 - Improved governance structures in relation to debt management
- Improved investment climate, as indicated by:
 - Improved “Ease of Doing Business” performance
 - Legislative changes enacted and implemented
- Enhanced social protections and poverty reduction, as indicated by:
 - Maintained social spending
 - Poverty reduction
 - Strengthened social policy framework
 - Increase the effectiveness of social protection interventions
 - Implement policies that promote equity and social inclusion

2014 PBL Outcomes

The following pillars of the policy and results matrix have been interpreted as intended short-term outcomes:

- Improved and sustainable conditions for private investment, as indicated by:
 - Increase in tourist receipts by 8% between 2013 and 2016
 - Increase in output of commercialised estates by 100% between 2013 and 2016
 - Border control procedure clearance times reduced by half between 2013 and 2016

- Improved public sector management and better targeting of social safety net programmes, as indicated by:
 - Better alignment of government employment structure with recommendations of the HR audits to 70% of total government workforce by 2016
 - Increase in the number of social programmes using the targeting tool to identify beneficiaries from 0 to 3 by 2016
- Enhancing resiliency against natural disasters, as indicated by:
 - Increase in the proportion of new public and commercial buildings and private housing built in safe regulated areas, in accordance with regulatory acts from 0% in 2013 to 50% in 2016
 - Increase in percentage of engineers registered from 0% in 2013 to 40% in 2016
- For PBLs 2 and 3: Facilitating debt portfolio restructuring and enhancing debt management

The results/indicator targets in the policy and results matrix of the appraisal report suggest that these are short-term outcomes, as all measure change between 2013 and 2016. Medium-term outcomes are not identified, although this evaluation will attempt to comment on sustainability of reforms.

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APPENDIX E

CASE STUDY 3:

JAMAICA PBLs (2008 and 2014)

**CARIBBEAN DEVELOPMENT BANK:
POLICY-BASED LENDING PROGRAM**

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ABBREVIATIONS

AMANDA	Application Management and Data Automation
ASYCUDA	Automated System for Customs Data
BMC	Borrowing member country
BNTF	Basic Needs Trust Fund
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CPA	Country performance assessment
CSP	Country strategy paper
DMU	Debt Management Unit
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
EFF	Extended Fund Facility (IMF)
FDI	Foreign Direct Investment
FSDPL	Fiscal Sustainability Development Policy Loans (World Bank)
GCT	General Consumption Tax
GOJ	Government of Jamaica
GDP	Gross domestic product
GPRS	Growth and Poverty Reduction Strategy
IFI	International financial institutions
JAM	Jamaica
JD	Jamaican dollar
HRD	Human resource development
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MDB	Multilateral development bank
MOFP	Ministry of Finance and Planning (now Finance and Public Service) (GOJ)
MTEF	Medium Term Expenditure Framework
OECS	Organisation of Eastern Caribbean States
OIE	Office of Independent Evaluation (CDB)
PATH	Program for Advancement through Health and Education (GOJ)
PBL	Policy-based loan
PCR	Project completion report
PFM	Public finance management
PIJ	Planning Institute of Jamaica
PPP	Public-private enterprise
PSR	Project supervision report
SBA	Stand-by Arrangement (IMF)
SDR	Special Drawing Right (IMF)
USD	United States dollar
WB	World Bank
XCD	Eastern Caribbean dollar

PURPOSE OF THE CASE STUDY

This case study forms part of an overall evaluation of CDB Policy Based Lending over the period 2008 to 2014. As part of the methodology to test the theory of change for PBL lending (Appendix A), four country case studies were selected. Although experiences outlined in the individual cases may not be representative of that of all Borrowing Member Countries (BMCs), the sample was selected to cover two larger economies (Jamaica and Barbados), and two smaller ones (St. Vincent & The Grenadines, and Jamaica). The willingness and availability of governmental officials to participate, and the number of loans held with the CDB also figured in the selection decisions.

Jamaica had two PBLs during the period of interest: one in 2008 and a second in 2014. The latter followed a review of CDB's PBL policy and processes, but both were multi-tranche PBLs rather than programmatic PBLs.²⁰⁶ The 2008 PBL of USD100 mn was approved in December 2008. It was to be disbursed in three equal tranches of USD33.3 mn on March 2009, March 2010 and October 2011. The second PBL of USD35 mn was approved in December 2014. The first tranche was disbursed eight days later, and the second was due to be disbursed in December 2015 (three months ahead of schedule). Only the first tranche falls within the scope of this evaluation.

METHODOLOGY AND DATA COLLECTION

General Approach – Theory-based Evaluation

A Theory of Change was re-constructed by the evaluators after interviews with stakeholders in May 2017. It was intended to reflect the intent of CDB's policy-based lending, and to identify the assumptions inherent in the PBLs reviewed (see Appendix A of the main report or the full model). These assumptions were then tested to determine the extent to which they held, or not, in practice. Conclusions were drawn regarding programme effectiveness, as well as what improvements could be made to better meet the desired outcomes. The assumptions tested can be grouped into three categories:

²⁰⁶ In multi-tranche PBLs, the loan or grant resources are disbursed over two or more periods based on the completion of agreed reform actions / conditionalities. The multi-tranche PBL consists of a series of tranches approved as a single operation, with the major reforms expected to be undertaken after loan effectiveness and prior to the disbursement for each tranche set out in the agreement with the BMC. Programmatic operations are a series of single-tranche operations designed to support policy and institutional reforms within a medium-term framework. This modality may be utilised where it is desirable to provide resources to a country over a number of periods, but where BOD approval for each disbursement (each being a separate loan contract) is sought. Disbursement follows execution of agreed prior actions (conditions precedent). In this type of operation, prior to submission of the first loan request for BOD approval, a programme for policy and institutional reforms would be agreed between the country and CDB. This programme would be expected to broadly guide successive single tranche PBLs over the programme period. (FHI360 Education Policy and Data Center, "Jamaica: National Education Profile - 2014 Update" (Washington, D.C., 2014), https://www.epdc.org/sites/default/files/documents/EPDC_NEP_Jamaica.pdf.)

Table 1: Theory of Change Assumptions Being Tested

Category	CDB-focussed Assumptions	Jamaica-focussed Assumptions
Quality of loan preparation process	<ul style="list-style-type: none"> • Appropriate support is offered to Jamaica • Instrument is harmonized • Prior actions negotiated • PBL aligns with local context • Assessment is appropriate 	<ul style="list-style-type: none"> • PBL complements local priorities • PBL is harmonized with other PBLs
Appropriateness of conditions	<ul style="list-style-type: none"> • Behaviour expectations are clearly expressed • Conditions of support are met (CDB carries out its responsibilities) 	<ul style="list-style-type: none"> • Access to technical support is appropriate • Prior actions are negotiated • Investments in capacity building are enabled • Appropriate risk mitigation strategies are deployed
Observable effects	<ul style="list-style-type: none"> • Funds are timely/Processing of contracts works well • Monitoring framework in place • CDB implementation conditions are appropriate 	<ul style="list-style-type: none"> • Prior actions and other conditions are met • Reforms are seen as useful and sustainable • Jamaica maintains and builds on capacity

Furthermore, the evaluation considered the availability of evidence to identify short and medium-term effects arising from the PBLs, whether intended or not. In doing so, the model recognized the following external factors as having a known confounding influence on the PBL's efficacy:

- 2008 Global Financial Crisis
- Severe economic downturns affect local economies
- Demands to diversify local economies
- Persistent debt overhang
- Limited willingness to extend credit

The evaluation used both qualitative and quantitative data. Quantitative data was mainly macroeconomic in nature, from the Government of Jamaica (GOJ), CDB, the World Bank, the International Monetary Fund (IMF), and other sources delineated in Appendix B. Qualitative data included a range of documentation and a large number of interviews. Unfortunately, much of the evidence that would have been needed to assess medium-term results did not exist or was inconsistent. Where possible, the evaluation team triangulated findings using both qualitative data and quantitative data. Where there were inconsistencies across sources, those deemed most reliable and complete were used, with the remainder discounted.

Questions and Data Collection Strategy

The evaluation team undertook an extensive document review in two phases (extensive general comparative literature review, and targeted literature review per case); performed a significant number of semi-structured interviews over two phases; and assessed quantitative macroeconomic data. Data sources included:

- Semi-structured interviews with CDB directors, CDB reform partners, board directors, GOJ officials, and other Jamaica stakeholders. See Table 2 below for details.
- Economic data from CDB, GOJ, IMF, and the World Bank;

- CDB appraisal reports, country strategy papers (CSPs), country performance assessments (CPAs), and previous PBLs;
- CDB project supervision reports (PSRs);
- GOJ documentation (e.g. reform plan),
- MDB reports and papers (e.g. IMF Article IV consultation reports, programme reviews, World Bank project completion reports), and
- Other documentation (including previous MDB PBLs).

Table 2: Interviews

Organisation	Position of respondent	# of interviews	Date of interview(s)	Subject of Interview
CDB	Directors of Board (&Alts)	23	Oct-15	All BMC PBLs
CDB	Analyst	1	May-17	Jamaica PBLs
GOJ	Director/Deputy	1	May-17	Jamaica PBLs
CDB	Directors of Board	2	May-17	All BMC PBLs
CDB	Analyst	2	May-17	All BMC PBLs
MOFP	Senior Executive	5	Aug-15	Jamaica PBLs
MOFP	Analyst/Programme Officer	1	Aug-15	Jamaica PBLs
PIJ	Senior Executive	5	Aug-15	Jamaica PBLs
PIJ	Manager	1	Aug-15	Jamaica PBLs
PIJ	Working Level	1	Aug-15	Jamaica PBLs
Dev Partners	Various	6	Aug/Oct-15	Jamaica PBLs

A table showing questions and data sources is available in Appendix B.

The first interviews were conducted in August/September 2015; a second round of validation interviews took place in May 2017. The interview and document review questions related to the evaluation of PBL instruments were focused on ownership, internal and external influences, flexibility, the conditions precedent to disbursement, the results framework, technical assistance, and the role of multilateral development banks (MDBs). These were followed with questions related to the results achieved; their sustainability; unintended consequences or downstream effects of the conditions; and contextual factors that could have affected the results.

CONTEXT AND CONDITIONS

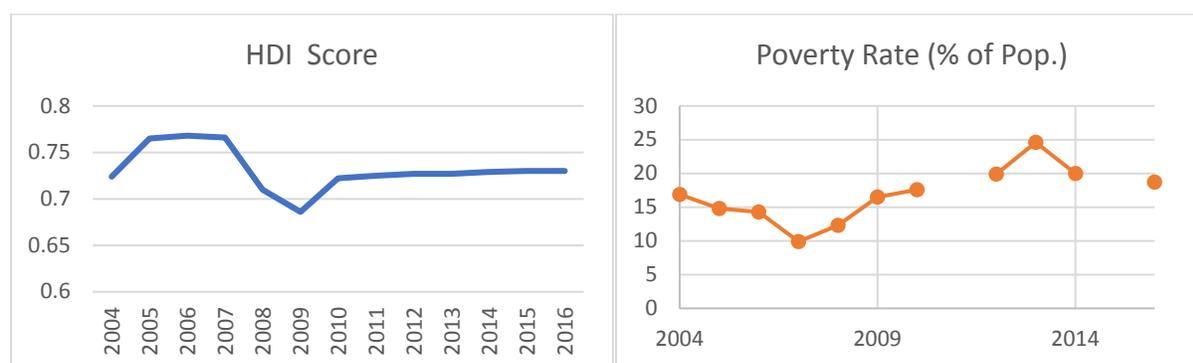
Country Profile

Jamaica is the fourth largest Caribbean Island and is situated in the Caribbean Sea south of Cuba. Its total landmass is 10,991 square kilometers, with 10,831 km² of land and 160 square kilometers of water. Approximately 41% of its landmass is in agricultural use, 31% is forested, and the remaining 27% is dedicated to urban areas and other uses. It lies in the Atlantic hurricane belt, a region with high hurricane activity, and suffers frequent damage from hurricanes such as Ivan (category 4, 2004), Dean (category 5, 2007), and Gustav (category 3, 2008). Jamaica is also vulnerable to other natural hazards such as earthquakes, landslides, tsunamis and the effects of climate change.

The population is 2.7 mn, almost 55% in urban centres.²⁰⁷ The median age is 25.6 years and life expectancy in 2014 was almost 76 years, with rapid aging expected in the next two decades.²⁰⁸ Jamaica's 2014 primary school enrollment rate was 99.5% (99% for females and 100% for males). The primary education completion rate for that same year was 88% (89% for females and 87% for males). The secondary education enrolment rate in 2014 was 88% (for both males and females). The adult literacy rate (i.e. 15 years of age and over) was 88% (92% for females and 83% for males) in 2012.²⁰⁹

Jamaica's United Nations Development Programme's Human Development Index has fluctuated significantly since 2008, rising from 100th place in 2009 to 79th in 2013 and then falling again to 96th in 2013. This reflects the impacts of the global economic downturn, and Jamaica's slow recovery. Jamaica's HDI score dipped during the recession but has slowly increased since 2009.

The poverty rate in Jamaica decreased between 1995 and 2007, from 27.5% to 9.9%, with most poverty in rural areas. Poverty rates then increased, however, partly as a result of effects of the 2008 global financial crisis. Unemployment dropped to a low of 9.9% in 2009. This also rose however to over 15% by 2013 before beginning a slow fall. The Gini coefficient, a measure of relative income equality, was 45.5 in 2004.



(Source: UNDP)

(Source (World Bank))

Jamaica became part of the CARICOM Single Market and Economy (CSME) as one of the pioneering members. Its currency is the Jamaican dollar, which has declined from about JD73 per USD in 2008 to JD125 per USD in 2016.

Economic and Social Conditions since 1990

Jamaica is a middle-income country, with a 2008 per capita GDP of USD 4900 (current dollars) and USD4856 in 2014. Like most Caribbean countries, it has a small, open economy. Previously dependent on agriculture, it has diversified. The tourism sector has experienced good growth since the 1990s and, despite a leveling off recently, generates as much foreign exchange as all exported goods. Jamaica is also one of the largest producers of bauxite and alumina.²¹⁰ Remittances are also important. Although they have

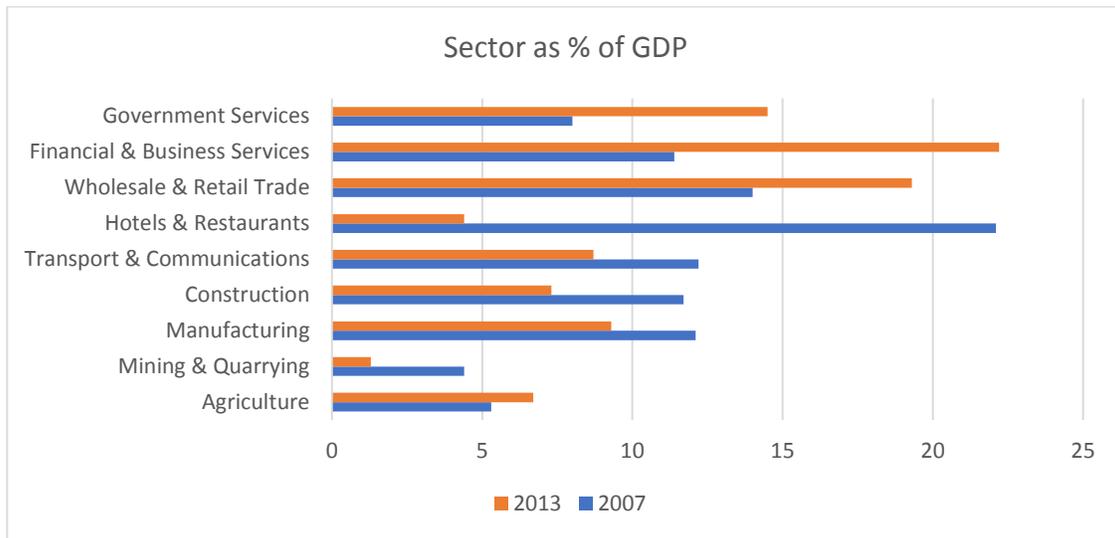
²⁰⁷ Ibid.

²⁰⁸ World Bank, "Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability," Report No: ICR2404 (Washington, D.C., 2012), vii.

²⁰⁹ From Caribbean Development Bank, "Policy Paper: A Framework for Policy-Based Operations - Revised," Paper BD 72/05 Add. 5 (St. Michael, Barbados, 2013).

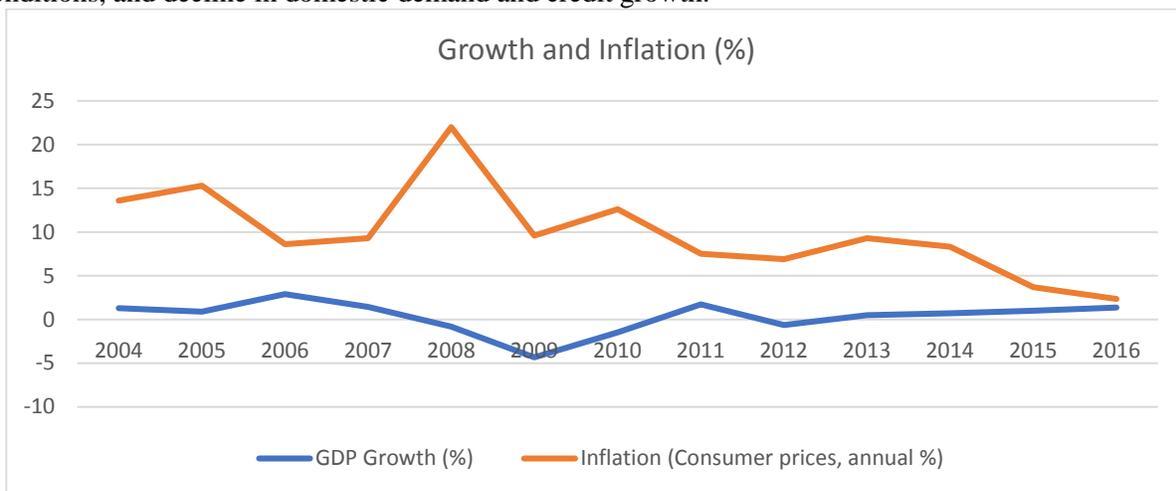
²¹⁰ Caribbean Development Bank, "Country Strategy Paper 2014-16 - Jamaica," Paper BD 23/14 (St. Michael, Barbados, 2014).

provided a stabilizing force to the economy, by supporting consumer demand, they have also left Jamaica vulnerable to global shocks and currency fluctuations.²¹¹



(Source: CDB)

Growth, however, has been weak and unstable since the 1990s, trapped in what CDB termed a “low-growth vortex.”²¹² GDP has grown at an average of one percent annually for the past 30 years, making it “one of the slowest growing developing countries in the world.”²¹³ The country fell into recession during the global financial crisis, contracting by 4.3% in 2009 before returning to consistent (although slow) growth in 2013. As observed by the World Bank, Jamaica was particularly hard hit, with the crisis transmitted “through four main channels: decline in tourism, lower export demand and remittances from abroad, worsening fiscal conditions, and decline in domestic demand and credit growth.”²¹⁴



(Source: World Bank)

²¹¹ CDB, “PBL - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 1–3.

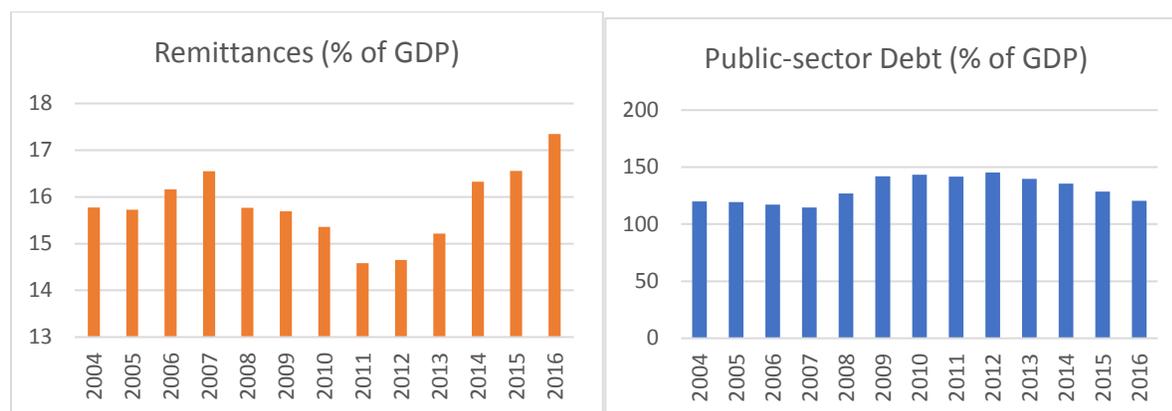
²¹² CDB, “Country Strategy Paper 2009-11 - Jamaica,” Paper BD 115/08 (St. Michael, Barbados, Jamaica, 2008), 5.

²¹³ Caribbean Development Bank, “Country Strategy Paper 2014-16 - Jamaica,” 7.

²¹⁴ World Bank, “Jamaica: Country Assistance Note (Report No. 19356 JM)” (Washington, D.C., 1998), 1, http://ieg.worldbankgroup.org/sites/default/files/Data/reports/cae_jamaica.pdf.

CDB’s 2009-11 CSP noted that reform in Jamaica is constrained by several factors, including debt overhang, poor competitiveness, crime, poverty, poor infrastructure, weak human resources development, and environmental degradation. Private sector development had been constrained by a number of factors, such as inadequate access to financing and high credit cost, high tax rates and complicated tax codes, high rates of crime and violence, inadequate physical infrastructure and “rampant” migration.²¹⁵ The World Bank added other potential factors: the emigration of skilled labour, weak fiscal management, low productivity, and a growing informal economy.²¹⁶ Jamaica has also had to respond to frequent hurricane impacts with rehabilitation of physical infrastructure.²¹⁷ CDB estimated damage caused by major weather-related shocks as averaging 2.5% of GDP annually²¹⁸ while an IMF working paper estimated average damages somewhat lower, with a historical rate of 1.1% of GDP annually.²¹⁹

Despite some progress in the early 2000s, Jamaica has been characterized by high debt-to-GDP ratios since the late 1990s. This was greatly worsened by the effects of the global financial crisis, with public debt reaching 146% of GDP in 2013, and has remained high despite restructuring in 2010 and 2013. Jamaica is CDB’s largest borrower, accounting for 24.7% of the CDB’s outstanding loans issued at the end of 2013.²²⁰ Approximately 60% of the CDB’s funding envelope for Jamaica was comprised of PBLs to improve macroeconomic stability through institutional and structural reform.



(Source: World Bank)

(Source: IMF)

Use of PBL-related Instruments

The GOJ has been the recipient of structural reform (or policy based) lending since the early 1980s, primarily from three lenders: World Bank, IMF, and, Inter-American Development Bank (IDB). The 2008 PBL represented CDB’s first with Jamaica.

Jamaica’s experience with policy-based lending has been mixed. A World Bank review concluded that Jamaica’s structural adjustment loans in the 1980s and early 1990s were largely ineffective at achieving

²¹⁵ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 2.

²¹⁶ Caribbean Development Bank, “Country Strategy Paper 2009-11 - Jamaica,” 12.

²¹⁷ World Bank, “Program Document for the Proposed First Programmatic Fiscal Sustainability Development Policy Loan in the Amount of USD200 mn,” Report No. 51577-JM (Washington, D.C., 2010), 10–13.

²¹⁸ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 4.

²¹⁹ Caribbean Development Bank, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014), 10.

²²⁰ Sebastian Acevedo, “Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean,” WP/16/199, 2016, 19.

their intended outcomes: “These loans, the last of which was approved in 1993, accomplished a number of objectives, but these were often modest, and their impact limited. In the end, the economy achieved neither growth nor poverty reduction.”²²¹ The World Bank further notes that the bank’s subsequent country assistance strategy for Jamaica did not appropriately account for or reflect “government and civil society support for a shift in macroeconomic and structural policies” leading to low local ownership and inconsistent implementation of required reforms.²²²

From 1965 to 1998, the World Bank’s lending commitments to Jamaica totaled USD1,326 involving sixty-two projects. The World Bank’s Operations Evaluation Department gave a low ranking to fifty-one of the projects across the three main indicators (outcome, sustainability, and institutional development impact).²²³ In spite of this, a high degree of coordination between multilateral financial institutions was observed during this time:

Reform in the 1990’s had been supported by the IMF, through an EFF [Extended Fund Facility), the IDB through an investment sector loan, the Bank with SECALs, and the Paris Club with debt rescheduling; the three IFIs [International Funding Institutions] are in agreement that the economic performance under the reform program has been mixed. As bilateral aid fell in the 1990s, the multilateral—particularly the Bank and IDB—became key players in Jamaica. The Bank, the IMF, and the IDB have seen eye-to-eye- on most issues.²²⁴

Since 1998, the World Bank, the IMF, and the IDB have all maintained significant involvement in the Government of Jamaica’s fiscal and debt restructuring efforts through various lending initiatives. Those in the late 1990s and early 2000s were focussed on restructuring the financial sector following the Jamaican banking crisis in 1996, which arose in part due to poor regulatory oversight. Policy-based lending from 2008 on has focussed primarily on debt restructuring, public finance management, and budget management. The secondary focus is typically public-sector reform, competitiveness, and, more recently, social protection and poverty reduction.

Both the 2008 and 2014 PBLs are situated within broader lending initiatives involving CDB’s reform partners - primarily IDB, the World Bank, and the IMF. The IMF programme was separate, while an effort was made to coordinate IDB and World Bank loans to minimize “policy reform burden.”²²⁵

Table 3: Conditions in selected policy-based lending instruments

Year	Lender	Type	Main Conditionality Themes
1993	World Bank	SAL	Competitiveness (e.g. customs changes; rules for FDI); financial sector reforms
1993	World Bank	SAL	Competitiveness (e.g. tax and tariff reforms); divestment of public enterprises
2000	IDB	PBL	Financial sector reforms
2001 & 2003	World Bank	DPL	Finance sector reforms (e.g. bank restructuring, new regulatory framework)
2001	IDB	PBL	Finance sector reforms

²²¹ Caribbean Development Bank, “Country Strategy Paper 2014-16 - Jamaica,” i.

²²² World Bank, “Jamaica: Country Assistance Note (Report No. 19356 JM)” (Washington, D.C., 1998), 1, http://ieg.worldbankgroup.org/sites/default/files/Data/reports/cae_jamaica.pdf.

²²³ Ibid., 2.

²²⁴ Ibid., 6.

²²⁵ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” ii.

Year	Lender	Type	Main Conditionality Themes
2001	CDB	SAL	Finance sector reforms
2002	World Bank	DPL	Support for social spending during adjustment Support for public-sector reforms (e.g. transparency and accountability)
2008 & 2010	IDB	PBL	Public financial management, revenue generation, and public administration reforms
2009	World Bank	DPL	Public financial management, revenue generation, and public administration reforms
2010	IMF	SBA	Debt restructuring, public finance management, financial sector reforms
2010	World Bank	DPL	Public financial management, revenue generation, public administration reforms
2010 (2)	IDB	PBL	Public finance management, revenue generation, and social protection
2013	IMF	EFF	Debt restructuring, public finance management reforms, social protection and social protection reforms
2014 & 2015	World Bank	DPL	Public financial management, public administration reforms, competitiveness
2016	World Bank	DPL	Competitiveness, public finance management
2016	IMF	SBA	Public finance management, public administration reforms, debt management, social protection, financial sector reforms, competitiveness

SA: Sector Adjustment Loan | DPL: Development Policy Loan

SBA: Stand-by Agreement | EFF: Extended Fund Facility

FINDINGS

VII. PBL Design Process and Appropriateness

Rationale for Using CDB Instrument

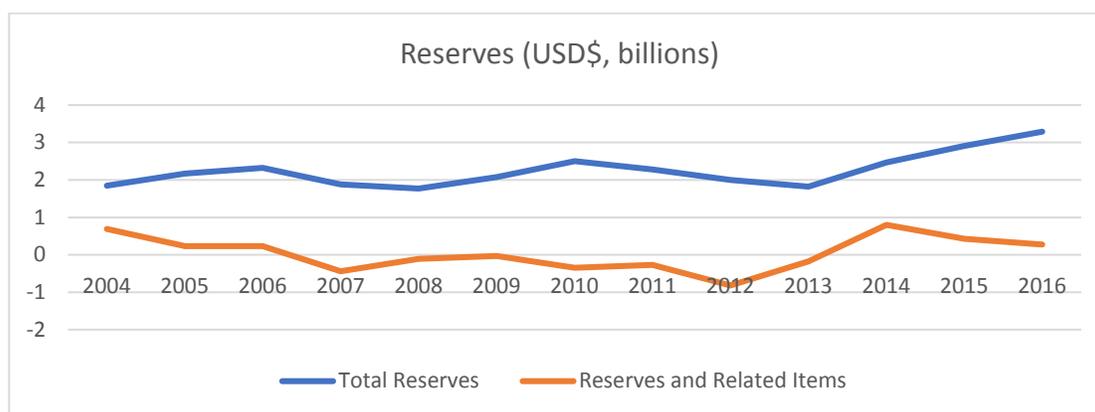
Key Finding: *The evidence suggests that the rationale for both the 2008 and 2014 PBLs was grounded in the urgent need for liquidity. At the same time, taking a longer term view, the PBLs addressed reforms that would strengthen fiscal institutions, improve economic management systems, improve debt dynamics, and, in 2014, improve the targeting of social programmes. In the shorter term, the disbursements allowed a lowering of the effective interest rate for Jamaica's debt.*

2008 PBL

At the time of the PBL, GOJ was facing the heaviest debt load in the region, a situation being made worse by the global economic crisis. Reserves were also falling and Jamaica was faced with lending at high rates on the international market. The 2008 PBL appraisal report outlined the challenges Jamaica was facing and set out the rationale for the lending. The PBL was intended to support reforms that would strengthen financial institutions, improve economic management, and ease debt dynamics. This was expected to occur through:

- More efficient management of public-sector resources, contributing to greater returns on public expenditure at lower levels of spending,
- Divestment of those public enterprises that were producing goods or services outside the core mandate of the public-sector, which could ostensibly be produced more efficiently by the private sector,

- Reform of the tax system expected to produce superior economic outcomes by improving the equity, economic efficiency, revenue intake and simplicity of the tax system, and
- Lowering of the effective interest rate on GOJ's debt by allowing it to access financing at below 5% interest instead of 11-12% on the U.S. dollar-denominated instruments. This would, in turn facilitate a lowering of public-sector debt to 84% of GDP by fiscal year (FY) 20013/14.



(Source: World Bank)

It was anticipated the reforms would help to generate fiscal space that would allow GOJ to dedicate an increasing portion of its budget to those expenditures that facilitate growth and reduce poverty.²²⁶

GOJ's rationale for pursuing a PBL is set out in a November 21, 2008 letter from Senator Don Wehby, Minister without Portfolio, to the President of CDB:

A major plank of our reform programme therefore involves tackling this debt problem in order to unlock fiscal resources to fund economic growth. We will first seek to reduce servicing costs by relying more on multilateral development bank funding to support our financing needs rather than the market. This will positively impact the average effective interest rate on our debt stock. Moreover, we will pursue a broad set of policy and institutional reforms aimed at enhancing economic efficiency and stability. These reforms centre around:

1. Controlling public-sector balances and debt
2. Rationalising public bodies
3. Managing the public-sector wages bill
4. Improving Central Government financial management and budget processes
5. Increasing revenue collections, and
6. Increasing growth and competitiveness²²⁷

As noted above, the 2008 PBL was also situated within the broader lending initiatives of CDB's reform partners - primarily IDB, the World Bank, and the IMF. An effort was made to coordinate loans to minimize "policy reform burden."²²⁸ The appraisal report notes that "The PBL is intended to be a quick disbursing

²²⁶ World Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)" (Washington, D.C., 2014), x.

²²⁷ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," Paper BD 114/08 (St. Michael, Barbados, 2008), 15–16, 25–26.

²²⁸ See Appendix 4.1, page 2 of Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)."

operation and the first tranche will be based on policy actions that have been taken already. This is consistent with the approach of both the WB and IDB.”²²⁹ The first tranche was due to be disbursed on approval by CDB’s Board, and later tranches timed to coincide with World Bank disbursements.

The IMF Stand-by Arrangement (SBA) loan was the largest, at USD1.25 billion. As part of the IMF program, Jamaica underwent a debt exchange worth approximately JD700 mn. However GOJ was unable to meet IMF fiscal targets and exited the programme in 2011. In 2013 GOJ entered into an Extended Fund Facility loan for approximately USD960 mn.²³⁰

2014 PBL

While the global economic downturn was beginning to ease in 2014, Jamaica continued to face some significant challenges, including low growth, unemployment, high levels of poverty, and debt overhang. Even with debt restructuring in 2010 and 2013, debt levels remained at about 140% of GDP. However, some gains were being made as the economy had grown for the second year in a row, albeit weakly. In order to support the limited progress, CDB entered into a second PBL with Jamaica.

The 2014 PBL was intended to support GOJ reforms aimed at fiscal and debt sustainability and improving the environment for doing business, while mitigating the potential adverse effects of the programme on vulnerable groups (all at favourable interest rates).²³¹ This was anticipated to occur through:

- Fiscal consolidation via improvements to tax administration and improved public financial management;
- Enhanced growth and competitiveness via improved efficiency of the government’s reform approval process, an improved framework for the reorganising and winding-up of businesses and consumers, other improvements to the county’s export sectors, and improved labour force productivity;
- Reduced poverty, increased equality, protection of vulnerable groups via enhanced and sustained social protection programming, enhanced equality of persons with disabilities, improved efficiency of poverty resources, and a strengthened Integrated Community Renewal Programme; and
- Providing resources at interest rates well below those that GOJ could obtain in external or domestic commercial markets, thereby improving debt dynamics.

The appraisal report noted that the PBL was “consistent with (i) supporting inclusive growth and sustainable development; (ii) supporting environmental sustainability; and (iii) promoting good governance. It is also consistent with the SDF themes of inclusive growth and development in the programme areas of private sector reform and economic stabilisation and fiscal adjustment; and improved citizen security and effectiveness and efficiency of social protection interventions.”²³² In particular, CDB recognized the importance of public support for the reform program, and addressed the importance of protecting vulnerable groups and maintaining social cohesion while the effects of fiscal consolidation unfolded, “as social dislocation has the potential to undermine the implementation of reform programmes.”²³³

From the GOJ perspective, the PBL was an important support for reforms aimed at sustainable development. A GOJ policy letter by the Minister of Finance and Planning, Peter D. Philips, observed that:

²²⁹ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” ii.

²³⁰ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” 22.

²³¹ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), x.

²³² Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), ii.

²³³ Ibid.

“The growth agenda is underpinned by reforms that are intended to generate macroeconomic stability; build competitiveness; improve productivity; and protect the most vulnerable groups. The programme is also built around facilitating some catalytic investments in areas that would drive competitiveness and enhance Jamaica’s comparative advantages...The financial support is intended to represent financing that engenders favourable debt dynamics, helps to build fiscal buffers and restore investor confidence, while limiting dependence on domestic capital markets.”²³⁴

The letter focuses on five themes: debt reduction, fiscal consolidation, enhancing economic growth and competitiveness, monetary policy and financial sector reforms, and reform of social spending.

The 2014 PBL was also situated within the broader lending initiatives of CDB’s reform partners - primarily IDB, the World Bank, and (most importantly) the IMF. CDB’s PBL was patterned on the IMF’s 2014 Extended Fund Facility programme, while an effort was made to coordinate IDB and World Bank loans to minimize “policy reform burden.”²³⁵

Relevance of PBL Instrument

Key Finding: *Both the 2008 and 2014 PBLs were aligned with Jamaica’s reform program, outlined in “Vision 2030 Jamaica”, as well as CDB’s country strategy paper. The primary goal of the PBLs was to improve debt dynamics and sustainability, with the expectation that this would in turn lead to growth and poverty reduction.*

2008 PBL

The 2008 PBL was situated within the context of a broader CDB strategy for Jamaica, outlined in its 2009-11 CSP. The CSP was developed in conjunction with GOJ’s own reform plan, *Vision 2030 Jamaica*, for which CDB provided funding. Jamaica’s plan was developed in consultation with 32 task forces, each having a responsibility to produce a long-term sector plan. The plan drew on a broad range of skills and expertise. Consultations and presentations were held with industry groups, associations and the broader public. The 2008 PBL appraisal report describes the reform objectives listed in Jamaica’s 2009-11 CSP as “consistent with the policy reform focus of the PBL and GOJ fiscal and debt sustainability efforts.”²³⁶ This is supported by correspondence between the CDB and Senator Don Wehby, cited above.

The PBL does not address all aspects of the CSP or *Vision 2030 Jamaica*, which include a range of interventions and national outcomes including measures for growth, reducing poverty, and environmental sustainability, among others (see Appendix C). Rather, it is more narrowly focused on macroeconomic stability and a supportive fiscal framework. The 2008 PBL, however, is set within a broader CDB strategy, intended to support growth via infrastructure improvement, agriculture and rural development, human resource development through education, direct poverty reduction, and environmental sustainability.²³⁷

The World Bank, in its evaluation, concluded that its almost identical DPL was consistent with Jamaica’s Medium-term Socio-economic Framework and *Vision 2030 Jamaica*. It found the relevance of the

²³⁴ Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 18.

²³⁵ Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” see Appendix 1.

²³⁶ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), ii.

²³⁷ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” 15.

objectives to be high.²³⁸ Some GOJ respondents criticized the relevance of the PBL on the basis that it failed to address issues of growth and poverty reduction. One noted that poverty increased after the introduction of the PBL and considered prior actions to have contributed. Another interviewee argued that had bridging the revenue gap by quickly disbursing funds been the primary goal, then the PBL was relevant and served its purpose. As stated by a CDB official, the goal of some early PBLs was “very much to get the money out the door”, the most important issue was to reduce debt and debt servicing charges, and “everything else is secondary.”

2014 PBL

The 2014 PBL was developed in the context of CDB’s 2014-2016 CSP, which identified the main reform challenges confronting Jamaica: fiscal and debt sustainability, low growth, and the need to protect vulnerable groups in a period of rising poverty and hardship (particularly in households in lower quintiles).²³⁹ The appraisal report noted that

The PBL seeks to support key areas identified in the Country Strategy Paper (CSP) as development challenges... It is noted in the CSP that the structural policies being implemented by GOJ as part of the reform programme in the EFF will be critical to facilitating growth. Key in this was the need to rebalance the country’s fiscal profile, consistent with the IMF-supported adjustment programme and therefore the need to provide resources with low coupons and lengthy maturities that would add to favourable debt dynamics.”²⁴⁰

However, while the appraisal report references both CDB’s 2014-16 CSP and *Vision 2030 Jamaica*, the PBL’s outcomes are not aligned with all of either document’s stated outcomes and themes (see Appendix D for a comparison). Rather, the PBL outcomes are aligned with *Vision 2030 Jamaica*’s first and third goals, “Jamaicans are empowered to achieve their full potential” and “Jamaica’s economy is prosperous” and (loosely) with CDB’s first outcome, “world class education and training”. CDB’s 2014-16 CSP for Jamaica does not include a pillar focussed on economic or financial outcomes, but the link is clear throughout the document. For example:

The Strategy for Jamaica rests on three principal planks. First, in supporting the country’s reform agenda, the Bank must continue to leverage its own comparative advantage and intervene in those sectors where the assistance can have the greatest developmental impact. Second, rebalancing the country’s fiscal profile, consistent with the International Monetary Fund (IMF)-supported adjustment programme requires the provision of resources with low coupons and lengthy maturities.²⁴¹

CDB’s 2014 PBL is explicitly aligned with the IMF 2013 EFF. Three GOJ respondents indicated that they believed that any PBL not aligned with the IMF program would not have received approval from CDB. Four interviewees suggested that there should have been more focus on growth as a strategy to reduce poverty and economic stability.

²³⁸ Caribbean Development Bank, “Country Strategy Paper 2009-11 - Jamaica,” Paper BD 115/08 (St. Michael, Barbados, Jamaica, 2008), 28–32.

²³⁹ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 6.

²⁴⁰ Caribbean Development Bank, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014), ii.

²⁴¹ Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 16.

PBL Appraisal Process

Key Finding: *The appraisal reports for both the 2008 and 2014 PBLs focussed primarily on macroeconomic factors, and especially Jamaica’s debt dynamics. The “lessons learned” in the 2014 PBL appear to reflect CDB’s experience with earlier PBLs, such as the importance of public and political support and social stability in maintaining ownership of the reform program.*

2008 PBL

The appraisal report included an analysis of the macroeconomic situation faced by Jamaica, including a detailed analysis of the deteriorating state of its balance sheet as the global economic crisis deepened and its debt-to-GDP ratio continued to climb. It also included socio-economic factors, such as rates of poverty, the aging of the population, and GOJ’s reform agenda. The analysis included two scenarios: one with and one without reforms.

The political, economic, and social conditions assessed prior to the PBL’s implementation were similar to those in CDB’s 2009-11 CSP and GOJ’s internal national reform strategy, *Vision 2030* (which was still in draft stages at the time of the PBL appraisal report).

Nine respondents were concerned that the PBL consultations were only with senior government and elected officials, and that non-political and technical staff within GOJ were mostly not involved. There was also no contribution to the analysis by civil society organizations and non-governmental agencies who were active in the various areas that were targeted by the PBL. This may have contributed to what appears to be a disagreement on the level of GOJ ownership of the program, which CDB interviewees believed was strong but some GOJ interviewees argued was not. Two interviewees also suggested that CDB economists relied too heavily on the World Bank’s analysis.

Lessons cited from previous PBLs, included (1) the importance of ownership, and dialogue with a wide section of high-level officials, (2) the need for time in implementing institutional change and strengthening, (3) the need for technical assistance to increase capacity and thus chances of success, (4) the need to clearly define and place time bounds on conditions and activities, and (5) the need for constant dialogue with the BMC. These were not specific to Jamaica.

2014 PBL

The analysis for the 2014 PBL included a macroeconomic overview, focussing in particular on debt sustainability. It also included a social, gender and poverty profile of Jamaica, examining social challenges such as crime and violence, youth at risk, and persons with disabilities. It reviewed GOJ’s reform agenda in depth, although the references to *Vision 2030 Jamaica* were less explicit than the 2008 PBL appraisal report. One interviewee argued that data from sources other than CDB and MDBs should have been used to gain a better understanding of the possible effects of reforms on vulnerable populations.

Lessons learned from previous PBLs, included:

- (a) The reform agenda should be consistent with the country’s institutional capacity so as to minimise the risk of reform fatigue.
- (b) The results framework must be anchored in a credible roadmap that accurately aligns the engagement, outcomes and impacts of the programme.
- (c) Political stability and ownership can contribute to avoiding slippages and reversal once reforms are implemented.

- (d) Development support needs to be relatively selective with strong focus on priority reforms.
- (e) Given limited capacity, development partners should coalesce around common strategic priorities that should be supported by technical assistance to develop local capacity, support programme implementation and enhance sustainability of the reform programme.²⁴²

No specific references are made to lessons learned from the 2008 Jamaica PBL.

PBL Application, Negotiation, and Review Process

Key Finding: *The application and review process were efficient and timely for both the 2009 and 2014 PBLs, although the third tranche of the 2008 PBL was delayed. Both PBLs were also based on other lending programs by the World Bank and IMF. Some GOJ respondents felt that Jamaica’s debt difficulties put it in a weak negotiating position and allowed CDB to dictate the shape of the programs.*

2008 PBL

The turnaround time of CDB’s response to the GOJ was efficient. While one GOJ interviewee described the process as “overly involved,” CDB’s response to GOJ’s request was fast: GOJ requested the PBL in October 2008, the loan was approved by CDB’s Board in December 2008, and the funds disbursed 54 days later on February 4, 2009.²⁴³ The second tranche was disbursed on schedule (March 2010). The third tranche was delayed by six months, however.

Five respondents suggested that the design of the PBL was guided by what GOJ had already agreed to with the World Bank. This is consistent with a side-by-side analysis of the two documents: the policy matrix for the World Bank lending programs in 2008 and 2010 contain the same three pillars and objectives. While there are differences, these appear to reflect a level of detail that is omitted in the CDB appraisal report. For example, whereas the CDB policy matrix prior action stipulates the divestiture of three public bodies (objective 1.2), the World Bank 2010 DPL specifies that the four bodies to be considered are to be Petrojam Ethanol, Air Jamaica, Clarendon Alumina Partners, and Mavis bank Coffee Factory (with different levels of divestment progress expected for each).²⁴⁴

2014 PBL

CDB’s response to the request made by GOJ and the turnaround time was fast. The proposal was put before CDB’s Board in on December 11, 2014, and the funds were disbursed on December 19, 2014. Of note, the 2016 PSR indicates that the second tranche was disbursed several months early, in December 2015.²⁴⁵

One GOJ interviewee indicated that the PBL was split into two tranches on the insistence of CDB, and that Jamaica agreed to the change due to its vulnerability. CDB’s appraisal report indicated concern with risks

²⁴² Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” 17–18.

²⁴³ *Ibid.*, 20–21.

²⁴⁴ Caribbean Development Bank, “Project Supervision Report 2009-09-02 PRN: 3472 (Period 2009-01-31 to 2009-12-31)” (St. Michael, Barbados, 2009).

²⁴⁵ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), Appendix 4.3, p. 1; World Bank, “Program Document for the Proposed First Programmatic Fiscal Sustainability Development Policy Loan in the Amount of USD200 mn,” Report No. 51577-JM (Washington, D.C., 2010), 63–65.

associated with CDB's exposure to Jamaica's sovereign debt, but viewed the loan as acceptable given the implementation of reforms consistent with the IMF's EFF programme.²⁴⁶

The appraisal report notes the inclusion of civil society groups in the development and monitoring of the PBL, via the Partnership for Jamaica Agreement and Economic Programme Oversight Committee (EPOC). EPOC comprises representatives from financial institutions, private sector organisations and trade unions. CDB attributes success in negotiating a wage restraint agreement to this committee and interprets it as a sign of broad Jamaican PBL and reform ownership.²⁴⁷ However, one interviewee indicated that while GOJ identified areas it believed to be important, the details of the reform plan were developed by the IMF and CDB. This precluded extensive consultation with civil society groups during the program formulation stage.

Nine respondents also argued that there was little consultation across line ministries – especially working level GOJ public servants – and that there was little indication of contact between these organizations and CDB or GOJ central agencies following the design of the PBL. Two interviewees believed that the 2014 CDB PBL was an effort to assist GOJ in undoing some of the negative effects of the 2008 PBL – primarily with respect to poverty and vulnerable populations.

PBL Expected Outcomes and Measurement Strategy

Key Finding: *Neither PBL had a truly coherent logic model linking prior actions with outcomes, and both identified indicators that were too high-level to be attributed to the reforms in the PBLs. Both PBLs assumed that improved debt dynamics, finance management, and revenue generation would lead to improved growth and poverty reduction.*

2008 PBL

The 2008 PBL appraisal report included a logical framework matrix containing indicators, targets and means of verification, and a policy matrix with indicators upon which the prior actions were based. The stated purpose of the PBL was to contribute to sustained growth and poverty reduction. However, as none of the prior actions address either of these directly (see Appendix C for a list), sustained growth and poverty reduction can be interpreted as ultimate outcomes to which the prior actions were intended to contribute. The logical framework matrix adds a purpose: To a) improve the institutional framework for effective economic management and b) improve competitiveness. The prior actions are relevant to the former, but, again, do not address the latter directly. However, it also contains “outputs”, which mirror the objectives of the policy matrix and the objectives of the PBL set out in the introduction to the appraisal report.

²⁴⁶ World Bank, “Project Appraisal Document on a Proposed Loan in the Amount of USD35 mn Equivalent to Jamaica for a Strategic Public-sector Transformation Project” (Washington, D.C., 2014), i.

²⁴⁷ Caribbean Development Bank, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014), ii.

Table 3: Comparison of Logical Framework Matrix and Policy Matrix

Stated PBL Objectives	Appraisal Report	Logical Framework Matrix Outputs	Policy Matrix Objectives
<ul style="list-style-type: none"> Improving debt dynamics 		<ul style="list-style-type: none"> Improved debt dynamics 	<ol style="list-style-type: none"> Promoting fiscal sustainability through the control of overall public-sector balances and debt Increasing the efficiency of central government financial management and budget processes. Increasing revenue collection
<ul style="list-style-type: none"> Strengthening fiscal institutions 		<ul style="list-style-type: none"> Improved fiscal performance 	
<ul style="list-style-type: none"> Improving economic management systems 		<ul style="list-style-type: none"> Improved public-sector performance 	

This suggests that the outputs of the logical framework matrix should be interpreted as outcomes. Based on some of the measures, they are intended as short-term outcomes as the targets are to be measured within two years of the completion of the PBL.

- Improved debt dynamics;
- Improved fiscal performance; and
- Improved public-sector performance.

Medium-term outcomes could be interpreted as sustaining and/or improving on these measures for a longer period. Refer to Appendix E for a full list of outcomes.

Both qualitative and quantitative indicators were provided. While the targets for determining success were clear for some indicators, others were vague and sometimes out of the control of GOJ. For example, “maintaining macroeconomic stability” is subjective, easily influenced by exogenous circumstances, and, to a degree, contingent on disbursement of the PBL itself. For the implementation of Medium Term Expenditure Frameworks (MTEF), “appropriate evidence” is cited as a means of verification, and for increasing tax revenue, expectations for increased tax revenue could be affected by economic circumstances out of the control of GOJ. A World Bank assessment of its parallel DPLs expressed similar concerns and sentiments. For example, it described the indicator on restructuring of the Auditor General’s office as qualitative and vague.²⁴⁸ In addition, it noted that “In hindsight... it was clear that these outcomes are well beyond the control of the Bank or the Government. The impact of the global crisis, the Supreme Court ruling on wages, and an early election on these indicators was something that was difficult to counter with the measures envisaged in the FSDPL [Fiscal Sustainability Development Policy Loans] series.”²⁴⁹

The logical framework matrix included many risks and assumptions: macroeconomic stability, no adverse external shocks, GOJ capacity to implement and sustain appropriate policies, that medium-term economic strategies would be effective, an absence of major natural hazards, the implementation of risk reduction strategies, political and public commitment to appropriate reforms, implementation of “priority projects targeting growth, development and social cohesion”, a favourable investment climate, suitable information management systems information systems and performance assessment, effective technical assistance,

²⁴⁸ Caribbean Development Bank, “Project Supervision Report 2016-03-08 PRN: 3802 (Period 2015-04-01 to 2015-12-31)” (St. Michael, Barbados, 2016), 5.

²⁴⁹ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 28–29.

timely financing, compliance with terms and conditions, timely implementation of reforms, timely disbursement of funds, and appropriate monitoring.²⁵⁰

The text of the appraisal report contains several other assumptions. These include a volatile global economy, which created uncertainty in estimating GOJ financing needs, annual GDP growth of 1-2% in the short-term with improving growth in the medium-term, and that fiscal savings and growth would be invested in social and poverty reduction programmes.

Although there was no explicit theory of change, one respondent noted the following normative assumptions: (a) open economies were expected to lead to increased economic growth, (b) an improved macroeconomic status was expected to enhance development, (c) increased fiscal restraint was expected to improve growth conditions, and (d) a free market was the most appropriate system for development. The evaluation found that these assumptions were unquestioned, and formed the basis of PBL prior actions and conditions development.

2014 PBL

The 2014 PBL had a Policy and Results Matrix, developed in large part on the basis of IMF's 2013 EFF. It did not include a logic model, but the stated objectives of the PBL were consistent with the policy and results matrix. The matrix did not identify or differentiate between short-term and medium-term outcomes – rather, the three main outcomes were clearly medium-term.

- Improved fiscal outturns over the medium term; and
- Increased economic growth over the medium term and improvement in business environment; and
- Effective social protection.

Short-term outcomes could be deduced to be incremental progress in achieving medium-term outcomes, as well as stakeholder consensus on whether the prior actions were having the impact expected and whether they would be sustainable. Indicators provided in the appraisal report were primarily quantitative in nature. Refer to Appendix E for a full list of outcomes.

While mirroring aspects of the IMF programme, CDB also added a social protection pillar, recognizing that “the need to protect vulnerable groups and maintain social cohesion while the effects of fiscal consolidation unfold is central to achieving the outcomes of the programme, as social dislocation has the potential to undermine the implementation of reform programmes.”²⁵¹ The link between the establishment of two committees and passage of the *Disabilities Act* and the outcome of “effective social protection” was not explained, however. In addition, the indicators respecting the PATH program do not appear related and may originate from World Bank or IDB efforts in this area.²⁵² One interviewee said that the links between outcome statements and prior actions were weak because of an effort to match prior actions with those of the IMF programme, and that indicators were inappropriately high level for the prior actions.

²⁵⁰ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 12; World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” 28–29.

²⁵¹ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 20.

²⁵² Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 18.

As with the 2008 PBL, there was no explicit theory of change, but there were normative assumptions. The appraisal report notes:

High indebtedness suppresses investment by creating uncertainty among economic agents about the future policy stance. Moreover, the debt service requirements limit the extent to which government can adequately respond to the development needs of the country. Therefore, GOJ's efforts to achieve fiscal sustainability are central to the achievement of sustained growth. Complementary to this is the need to create the appropriate environment to do business. Improving the doing-business environment will help to enhance the competitiveness of the Jamaican economy, spurring investment, exports and growth."²⁵³

The appraisal report also notes the importance of social cohesion and poverty reduction to the success of any reform programme.

PBL Prior Actions

Key Finding: *Both PBLs had a large number of prior actions. However, as they were harmonized with those of the World Bank (in 2008) and IMF (in 2014), the risk of "reform fatigue" was mitigated. There was some flexibility in prior actions for the 2008 PBL, but lists within the appraisal report were inconsistent. Some GOJ representatives felt there was less flexibility for the 2014 PBL.*

2008 PBL

There were a large number of prior actions, amounting to 39 or 40 for all tranches. (There were some discrepancies and errors in the list of prior actions, which made determining an exact number difficult. This included duplicates of prior actions in the one list and the combination of two distinct actions into one in the policy matrix.) Broken down, the appraisal report listed 13 prior actions for the first tranche, 15 for the second and 11 for the third. Two interviewees indicated that they were chosen for achievability (with one completed several years earlier) and that disbursement dates were timed to coincide with GOJ debt payment dates.

There was some flexibility in the PBL. The appraisal report noted that the policy actions for the second and third tranches were "indicative" and could be changed to harmonise with World Bank policy actions.²⁵⁴ CDB did cancel a number of prior actions: three from the first tranche, and one from the second and third tranches. Two GOJ interviewees, however, were dissatisfied with CDB's inflexibility in disbursing the second tranche at a point of liquidity crisis. GOJ interviewees indicated that the reasons they were given by CDB officials were a need for more stringent financial controls and the need for GOJ to re-enter an IMF adjustment program. No documentary evidence was found to support this.

2014 PBL

In contrast to the 2008 PBL, the 2014 PBL included only 23 prior actions, 12 in the first tranche and 11 in the second. They required significant effort, however: seven required legislative changes, four required Cabinet approval, and the remainder required the implementation of systems or the enforcement of public policy acts.

²⁵³ For example, see World Bank, "Restructuring Paper on a Proposed Project Restructuring of the Social Protection Project Loan 7555-JM Approved May 13, 2008 to the Republic of Jamaica," Report No: 71278-JM (Washington, D.C., 2012).

²⁵⁴ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," 18.

Many of the prior actions were based on, or identical to, prior actions in the 2013 IMF EFF. Several diverged, while remaining consistent, such as Cabinet approval of policy paper to limit the use of virements, and passage of *Employment (Flexible Working Arrangements) (Miscellaneous Provisions) Act, 2014* by the House of Representatives and Senate. Several GOJ officials indicated that they faced difficulty negotiating alterations or changing deadlines to prior actions once the PBL was in progress.

PBL Risk Mitigation Strategies

Key Finding: *Risk mitigation strategies in the 2014 PBL were an improvement over those in the 2008 PBL. However, most remained generic.*

2008 PBL

Four risks were identified and mitigation strategies proposed: weather related shocks, fiscal drag, adverse international developments, and policy reform burden (i.e. capacity and technical support). Mitigation strategies were general in nature, and similar to PBLs for other BMCs.²⁵⁵

- Weather related shocks. Mitigation strategy: “pursuing several policy initiatives” and “participation in CARICRIF [Caribbean Catastrophe Risk Insurance Fund].”
- Fiscal drag. Mitigation strategy: “The introduction of transparent, rules-based fiscal policy, coupled with the planned upgrade of both revenue and expenditure management systems.”
- Adverse international developments. Mitigation strategy: reforms supported by the PBL, reducing debt overhang, and improving education and health care.
- Policy reform burden. Mitigation strategy: a policy matrix harmonised with the World Bank, technical assistance, and strong ownership of PBL reforms.²⁵⁶

For fiscal drag and adverse international developments, the mitigations appear to be the PBL itself. Only policy reform burden risk was addressed directly, via a harmonised reform agenda and prior actions between CDB and World Bank and technical assistance.²⁵⁷ With respect to the list of risks identified in the logical framework matrix, no mitigation strategies were proposed. Political risks to implementation, identified by the World Bank, were omitted from CDB’s analysis.

2014 PBL

Five risks were identified and mitigation strategies proposed:

- Lower than anticipated global recovery: Mitigation: GOJ must make the strongest possible attempts to enhance economic efficiency.
- Limited institutional capacity to carry out reforms at an adequate pace. Mitigation strategy: CDB was to increase its dialogue with GOJ and other donors to “keep under review Jamaica’s capacity development needs” and, where possible, offer technical assistance. Also, harmonization with other MDB conditionalities to prevent reform fatigue.

²⁵⁵ For example, the World Bank First Programmatic Fiscal Sustainability Development Policy Loan identified four risks: economic, political, institutional capacity / institutional difficulty adapting, and natural disasters. See Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 22.

²⁵⁶ World Bank, “Program Document for the Proposed First Programmatic Fiscal Sustainability Development Policy Loan in the Amount of USD200 mn,” Report No. 51577-JM (Washington, D.C., 2010), 59–60.

²⁵⁷ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” 28–29.

- Deterioration in social cohesion in the face of a protracted recovery path and an interruption in broad support for the adjustment programme. Mitigation strategy: continued attention to the Partnership for Jamaica Agreement and EPOC. In addition, strong attention to social protection measures.
- Lack of political commitment. Mitigation strategy: as for social cohesion above.
- The adverse impact of natural hazards. Mitigation strategy: “The greater the attention that will be paid to enhancing growth, the greater will be the likelihood of growth in public-sector revenue and hence an increase in the ability of GOJ to pursue sustainable development outcomes, including strengthening disaster resilience and the impact of climate change.”²⁵⁸

These were similar to PBLs for other BMCs.²⁵⁹

PBL Technical Assistance Planning

Key Finding: *Although both PBLs identified technical assistance, and in particular technical assistance from World Bank, IDB and IMF, neither PBL contained a request or proposal process.*

2008 PBL

The 2008 PBL appraisal report indicates that technical assistance was to be provided by development partners such as IDB, the World Bank, the European Union, the Canadian International Development Agency, CDB, and others. No process for requesting it was described as the need was “currently being established.”²⁶⁰ CDB indicated that it would provide technical assistance as needed. Three GOJ interviewees indicated that they considered CDB technical assistance to be secondary to that provided by other development partners.

World Bank DPL and IDB PBP documents indicate that there was an “on-demand” arrangement for the provision of technical assistance by IDB and World Bank. In addition, IDB had provided technical assistance to improve monitoring and evaluation of investment projects, including for the development of MTEFs.²⁶¹

2014 PBL

Technical assistance was identified in the appraisal report in the context of mitigating capacity constraints that might present a risk to the success of the PBL. CDB indicated in its appraisal report that it would “increase its dialogue with GOJ and with other donors to keep under review Jamaica’s capacity development needs and, where possible, CDB will extend TA support to enhance GOJ’s reform implementation capacity.”²⁶² In addition, it was noted that some development partners were providing

²⁵⁸ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 29.

²⁵⁹ For example, the World Bank First Programmatic Fiscal Sustainability Development Policy Loan identified four risks: economic, political, institutional capacity / institutional difficulty adapting, and natural disasters. See Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 30–31.

²⁶⁰ World Bank, “Program Document for the Proposed First Programmatic Fiscal Sustainability Development Policy Loan in the Amount of USD200 mn,” Report No. 51577-JM (Washington, D.C., 2010), 59–60.

²⁶¹ Caribbean Development Bank, “Country Strategy Paper 2009-11 - Jamaica,” Paper BD 115/08 (St. Michael, Barbados, Jamaica, 2008), 24.

²⁶² World Bank, “Program Document for the Proposed First Programmatic Fiscal Sustainability Development Policy Loan in the Amount of USD200 mn”; Inter-American Development Bank, “Jamaica: Fiscal Consolidation

technical support, such as World Bank assistance in preparing a policy paper and establishing the AMANDA tracking system.²⁶³ Finally, one prior action for the second tranche required that GOJ request technical assistance to develop data collection systems.²⁶⁴

Harmonization with other Lending Institutions

Key Finding: *The evidence suggests that a strong effort was made to harmonise both PBLs with other MDBs. The 2008 PBL had a common policy matrix with the World Bank DPL at the time, and a large part of the 2014 PBL mirrored aspects of the IMF 2013 EFF. There is some evidence that harmonization may have come at the expense of flexibility and local ownership of the reform programme.*

2008 PBL

The 2008 PBL was part of a larger policy-based intervention which included the IDB and the World Bank, totaling USD900 mn. A separate but complementary IMF EFF program with disbursements equalling USD1.25 billion was launched in 2010. Similarly, IDB had two programmatic PBLs in 2008 and 2010. Both CDB and the World Bank monitored GOJ's compliance with IMF conditions. When the effects of the global financial crisis affected both revenue and debt targets, GOJ was forced to withdraw from the IMF programme. It also exited IDB's PBL.

CDB worked closely with the World Bank, developing a common policy reform matrix. IDB's policy matrix was similar, but not identical, reflecting different timing of the PBL.²⁶⁵ In addition, the appraisal report notes that changes in the World Bank's policy actions would be mirrored in the CDB PBL.²⁶⁶ This did occur: the 2011 PSR notes that "Consistent with the terms and conditions of the PBL, CDB adopted the policy matrix as reflected in World Bank's second development policy loan as the basis of the second disbursement in March 2010."²⁶⁷ One interviewee indicated that to affect an early disbursement of the second tranche of the 2008 CDB PBL, GOJ would first have to recommit to an IMF Extended Fund Facility. This did not occur until 2013.

2014 PBL

The 2014 PBL was harmonized with IMF's 2013 EFF, and was part of a multi-lender effort that included the World Bank, IDB and EU. This included a USD50 mn World Bank loan targeting growth and competitiveness reforms in 2014, a USD130 mn World Bank DPL targeting competitiveness and fiscal management in 2015, a USD260 mn series of three IDB programmatic PBLs targeting a number of public financial management and macroeconomic stability measures, and two EU loans totalling EUR59 mn targeting public financial management, justice and the environment. An effort was made to harmonize CDB prior actions with the IMF EFF, but discussions were also held with other lenders. The appraisal report notes that:

Program (JA-L1032)" (Washington, D.C., 2010), <http://idbdocs.iadb.org/wsdocs/getdocument.aspx?docnum=35306495>.

²⁶³ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," 31.

²⁶⁴ Ibid., 18.

²⁶⁵ Ibid., 28.

²⁶⁶ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," Paper BD 114/08 (St. Michael, Barbados, 2008), i, 19.

²⁶⁷ Ibid., 22.

To reduce reform fatigue, the prior actions against which the PBL will be disbursed have been harmonised with those of other development partners, especially the IMF. Specifically, the actions under Pillars I and II are consistent with those under the EFF, while Pillar III represents the Bank's efforts to support GOJ's actions at strengthening social protection systems and mitigating the effects of the programme on vulnerable groups.²⁶⁸

Two respondents noted that the high level of harmonization, and the presence of an IMF programme increased the comfort level of CDB's decision-makers. However, a CDB respondent suggested that, while this harmonization helped to decrease an otherwise heavy burden of prior actions, it also made the instrument less flexible.

VIII. Appropriateness of the Conditions

CDB Expectations

Key Finding: *CDB's expectations were set out in the terms and conditions of both PBLs. The expectations for monitoring and evaluation in the 2008 PBL were not clear, however.*

2008 PBL

The 2008 PBL set out the conditions for disbursement of each tranche, including CDB's right to suspend or cancel the loan should a part of the programme not be carried out. While the terms and conditions stipulated the need for GOJ to report on prior action status and outcome indicators, the form of this information was not stipulated. It is apparent from the World Bank assessment of its program that GOJ frequently relied on MDB personnel to provide this information due to capacity constraints.²⁶⁹

2014 PBL

The 2014 PBL set out the conditions for disbursement of funds for each tranche, including CDB's right to suspend or cancel any part of the loan should a part of the programme not be carried out.

Monitoring Prior Actions Implementation

Key Finding: *The evidence suggests that monitoring and evaluation was weak for both PBLs, although it was stronger in the 2008 PBL. This was mitigated by CDB's harmonization and collaboration with the World Bank, IMF, and to a lesser degree, the IDB, allowing CDB to refer to the reports of those institutions. Difficulties may have been due to capacity constraints on the part of GOJ and CDB.*

2008 PBL

The monitoring of the PBL subsequent to disbursement took the form of two field visits. The 2009 and 2010 PSRs did not report on the status of all prior actions associated with tranche one and two. Moreover, the 2011 PSR does not provide a status update on any of the specific prior actions precedent for the disbursement of the third tranche. Lastly, there is no evidence that a PCR was completed for the 2008 PBL. Three GOJ respondents indicated that CDB economists only followed up when reports were due or when a new tranche was imminent. In addition, they stated that follow-up was focused on outputs, the completion

²⁶⁸ Caribbean Development Bank, "Project Supervision Report 2011-03-08 PRN: 3472 (Period 2010-01-31 to 2010-12-31)" (St. Michael, Barbados, 2011).

²⁶⁹ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," Paper BD 90/14 (St. Michael, Barbados, 2014), 21–22.

of prior actions, and the macroeconomic health of Jamaica. Little follow-up was done, they indicate, on medium- and long-term effects of the PBL.

There was no project completion report (PCR). However, the World Bank conducted an Implementation Completion and Results Report which reviewed its own 2010 and 2012 programmatic DPLs. Many of the findings were applicable to the CDB 2008 PBL. Of note, the report concluded that GOJ capacity constraints affected all measuring and evaluation issues, with GOJ personnel sometimes using MDB reports and staff input for their own reporting to those same institutions.²⁷⁰

2014 PBL

There were two PSRs written for the 2014 PBL: one written three months after the disbursement of the first tranche, and another in March 2016. Both were based on desk reviews. The First PSR notes that “progress was made toward meeting conditions for the disbursement of the second tranche”²⁷¹ and recommended changes to one second tranche prior action. The second PSR indicated that although the project had essentially ended, CDB would remain engaged with country authorities. GOJ officials were commended for “excellent support in providing CDB with the necessary information to conduct thorough due diligence.”²⁷² A PCR was recommended, but, if completed, was not yet available to the evaluation.²⁷³ Two interviewees indicated that CDB representatives maintained contact with GOJ officials, but that this occurred only when the second tranche was being prepared. The follow-up was focussed on outputs, completion of prior actions, and the overall macroeconomic health of Jamaica.

Although there was no other evidence beyond the PSRs of CDB monitoring, the IMF was monitoring its own program carefully until 2016. A number of the prior actions were the same, which would have provided CDB personnel with information on compliance and sustainability for those reforms.

PBL Technical Assistance Implementation

Key Finding: *There was no evidence of a request for technical assistance from GOJ to CDB. It may have been offered or provided for the 2014 PBL, but respondents indicated that it was inadequate.*

2008 PBL

None of the evidence collected during the evaluation indicated a request for technical assistance by GOJ, or implementation of it. Consequently, the evaluation was unable to assess the presence or subsequent degree of technical assistance implementation for Jamaica’s 2008 PBL. However, as noted above, a World Bank review of its own 2010 and 2012 programmatic DPLs indicated that GOJ capacity constraints affected all measuring and evaluation issues.²⁷⁴

²⁷⁰ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 12.

²⁷¹ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 12.

²⁷² CDB, “Project Supervision Report 2015-08-18 PRN: 3802 (Period 2014-10-01 to 2014-12-31)” (St. Michael, Barbados, 2015), 5.

²⁷³ Ibid., 4.

²⁷⁴ CDB, “Project Supervision Report 2016-03-08 PRN: 3802 (Period 2015-04-01 to 2015-12-31)” (St. Michael, Barbados, 2016), 5.

2014 PBL

None of the evidence collected during the evaluation indicated a request for technical assistance by GOJ, or implementation of it. One respondent noted that while more technical assistance was offered in the 2014 PBL than in the 2008 PBL, it was still not enough to meet GOJ's needs.

Addressing Adjustments to the Results Framework

Key Finding: *The 2008 PBL contract does not stipulate an established adjustments process for the PBL's results framework. There appear to have been no adjustments to the results frameworks of either PBL after the agreements were signed.*

2008 PBL

There were no adjustments to the results framework, even though five prior actions were removed, there were adverse changes in the international market, and Jamaica withdrew from the IMF program. The World Bank assessment of its own 2010 and 2012 programmatic DPLs indicated that it had also not changed its program objectives.²⁷⁵

2014 PBL

There were several changes to the results framework shortly before approval. These did not change the thrust of the PBL and were relatively minor. No changes took place after that as all prior actions were met on time.

Robustness of Risk Mitigation Strategies

Key Finding: *The mitigation strategies for the 2008 PBL proved to be inadequate to the depth of the financial crisis and its impacts on Jamaica. This manifested through a weakening of public and political resolve and some institutional resistance to fiscal restraint measures. The 2014 PBL risk mitigation strategies were not tested.*

2008 PBL

As noted in the section on Prior Actions and Negotiations above, four general risks were identified and mitigation strategies proposed: weather related shocks, fiscal drag, adverse international developments, and policy reform burden (i.e. capacity and technical support). Mitigation strategies were general in nature, and similar to PBLs for other BMCs. With respect to the list of risks identified in the logical framework matrix, no mitigation strategies were proposed. Political risk, identified by the World Bank, was omitted from CDB's analysis. This proved to be significant, as the government held a one-vote majority in Parliament and was unable to implement some reforms as a result.²⁷⁶ Also omitted were potential institutional barriers to implementation. For example, wage freezes were overturned by Jamaica's Supreme Court, adding JD22.4 mn to the budget and contributing to GOJ missing IMF targets.²⁷⁷ One interviewee noted that the risk mitigation strategies were not enough to mitigate against external shocks or pressure from the public.

²⁷⁵ World Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)" (Washington, D.C., 2014), 12.

²⁷⁶ World Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)," 6.

²⁷⁷ Ibid., 11.

2014 PBL

Five risks were identified and mitigation strategies proposed for the 2014 PBL. Since none of the risks materialised, the mitigation strategies (where they were concrete) were unnecessary. In particular, political resolve remained strong through the program.

IX. Observable Effects Resulting from Implementation of Conditions

Degree of Success Achieving Prior Actions

Key Finding: *Due to inconsistent monitoring, and lacking a PCR, it was difficult to confirm definitively which of 2008 PBL prior actions were accomplished. 55% could be confirmed as accomplished, 10% as partially accomplished, 10% as not accomplished. The status of 25% of prior actions could not be determined with available evidence. A World Bank implementation report of its 2010 and 2012 programmatic DPLs proved the best source of evidence. The PBL appears to have been overly ambitious, given the circumstances. The first tranche prior conditions for the 2014 PBL were all accomplished on time.*

2008 PBL

An attempt was made to verify the status of the prior actions. This was difficult: due to the lack of clear documentary evidence (such as incomplete and sporadic PSRs and the absence of a PCR) and the fading of institutional memory in CDB and GOJ, the status of a number of PBL prior actions was unclear. In addition, lists of prior actions are not consistent within the appraisal report itself, and PSRs reported on actions which did not appear in the appraisal report.

Of the first tranche prior actions, CDB identified all as completed in its appraisal report. However, a review of documentation suggests that 12 were accomplished, one was partially accomplished, and one was not accomplished. Of note:

- Control of Central Government wage bill, including measures so wage bill would have fallen by 0.4% of GDP from March 2007- March 2008. Status: Not accomplished. Cited as completed in 2008 PBL appraisal report, but IMF figures and World Bank assessments indicate that this target was missed as the wage bill increased by over 1% of GDP in a year. This was likely due to falling GDP.²⁷⁸
- Select a financial information system that integrates all central government systems. Status: Partially completed. The 2008 PBL appraisal report cites consultative process as ongoing. No record was found indicating whether a system was selected.²⁷⁹
- Cease approval of ad hoc customs and tax exemptions. Status: Likely not accomplished. While the 2008 PBL appraisal report indicates GOJ's intention to cease this practice, and acknowledging that the practice may have halted for a period, the IMF's 2016 Article IV report indicates the practice continued or resumed.²⁸⁰

²⁷⁸ World Bank, "Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability," Report No: ICR2404 (Washington, D.C., 2012), x.

²⁷⁹ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," Paper BD 90/14 (St. Michael, Barbados, 2014), 30–31.

²⁸⁰ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," Paper BD 114/08 (St. Michael, Barbados, 2008), 23.

Of the second tranche prior actions, seven could be confirmed as accomplished, two as partially accomplished, and one as likely not accomplished. The status of five prior actions could not be determined with the evidence available. Of note:

- Cabinet approves improvements to the uniformity of the Tax Code. Status: Likely not accomplished. The 2010 PSR indicates that one of six sub-items had been accomplished, but does not mention the others. The World Bank assessment of its 2010 and 2012 programmatic DPLs notes that “little has been done to improve the uniformity of the tax code.”²⁸¹
- Continue to implement MOU 3 control of wage bill. Status: Partially accomplished. While GOJ implemented a wage freeze, the World Bank notes that Jamaica’s Supreme Court reversed the freeze and ordered the payment of JD22.4 mn in back pay.²⁸²

Of the third tranche prior actions, three could be determined to have been accomplished, one partially accomplished, and two likely not accomplished. The status of five prior actions could not be determined with the evidence available. Of note:

- Finish implementation of the 2008 public bodies plan. Status: Partially accomplished. This was not mentioned in the 2012 PSR. The World Bank DPL assessment indicates that divestment of some entities were still pending but that, in any event, the use of this prior action as a measure of success was problematic. The sale of publicly-owned enterprises relied on the existence of available buyers, and setting targets on sales weakened the negotiating position of GOJ.²⁸³
- Implement MTEF in 2010/11 budget in all MDAs. Status: Likely not accomplished. Not mentioned in 2012 PSR; the World Bank 2010 and 2012 programmatic DPLs assessment indicates “little progress” in introducing MTEFs in public-sector agencies.²⁸⁴
- Further rationalise the tax code with measures. Status: Likely not accomplished. Not mentioned in the 2011 PSR. The World Bank assessment of the 2010 and 2012 programmatic DPLs notes that “little has been done to improve the uniformity of the tax code.”²⁸⁵

Finally, the prior action “maintain a stable macroeconomic framework” appeared for all tranches. Success was determined using World Bank approval as the benchmark to reach. World Bank included some quantitative measures in its 2008 DPL, such as maintaining a primary balance over 4% of GDP and a fall in net government consolidated debt-to-GDP ratio of 3%. These targets could not be met or maintained due to the severity of the global economic downturn, yet World Bank continued its program, as did CDB

²⁸¹ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 17.

²⁸² Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 23; International Monetary Fund, “Jamaica: 2016 Article IV Consultation, Eleventh and Twelfth Reviews Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Jamaica,” IMF Country Report No. 16/181 (Washington, D.C., 2016), 64, <http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Jamaica-2016-Article-IV-Consultation-Eleventh-and-Twelfth-Reviews-Under-the-Extended-Fund-43999>.

²⁸³ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), ix, 29.

²⁸⁴ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 17.

²⁸⁵ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 8.

and IDB. This flexibility suggests that some other targets which may have been only partially met were considered adequately satisfied given the circumstances of the time.

The World Bank concluded that its program had been “too ambitious”, given the unfolding economic downturn, noting that “Reforms related to government owned enterprises did not have broad political support, and the government had little control over the level of debt given the sharp contraction in tourism sector and remittances.”²⁸⁶ Accordingly, it rated the relevance of the design as modest. Nonetheless, it rated the accomplishment of the conditionalities as “substantial.”²⁸⁷

2014 PBL

All prior actions of the 2014 PBL were met in advance of disbursement and have been maintained.

Short-term Outcomes

Key Finding: *Many indicators for both PBLs measured outcomes that could not be attributed exclusively to the PBLs, given the complex and dynamic economic environment as well as other policy-based lending programmes in place. Macroeconomic indicators for the 2008 PBL showed mixed results, while targets for improvements to government operations met some success in tax collection and expenditure control. Other indicators showed less success. Failure to reach targets was primarily the result of the economic conditions beyond the control of GOJ, as well as the ambitious nature of some of the reforms – which the World Bank admitted could take years in the best circumstances. Nonetheless, both CDB and the World Bank were pleased with the results of the PBL given the circumstances. The targets for the 2014 PBL short-term outcomes were partially met, and show significant incremental progress toward medium-term outcomes.*

2008 PBL

Given that several programmes were running concurrently, the successful restructuring of Jamaica’s loans in 2010, and the severity of global economic impacts on Jamaica, it is difficult to attribute short or medium-term outcomes solely to CDB’s 2008 PBL. However, some evidence is available.

With respect to debt dynamics:

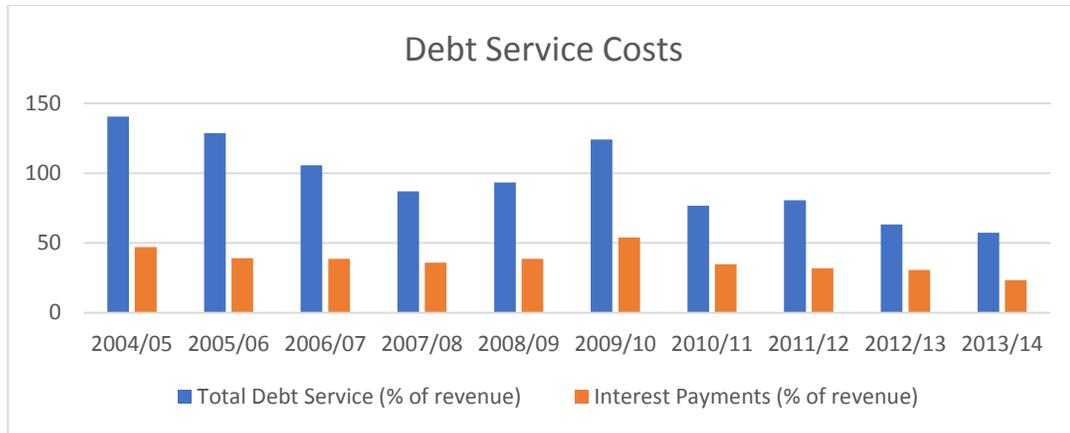
- Public-sector net debt-to-GDP ratio failed to fall to the target of 84% by GDP by FY 2013/14. It remained above 100% of GDP and is not anticipated to fall below that level until 2018 or 2019.²⁸⁸
- Central government interest payments dropped dramatically after the PBL was implemented, from 54% of revenue in 2009/10 to 35% in 2010/11. As a ratio of GDP, interest payments represented 9.5% of GDP in 2013.
- The effective interest rate on Central Government debt was 13.4% in 2010, and fell to 7.8 in 2012.²⁸⁹

²⁸⁶ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530),” 10.

²⁸⁷ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 7.

²⁸⁸ Ibid., 8.

²⁸⁹ Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 22.



(Source: CDB)

With respect to fiscal performance:

- The overall public-sector deficit in 2013/14 was 4% of GDP, above the 3% target. However, it averaged below 4% in the three years of the PBL.
- Revenue increased as a result of tax collection efforts and reforms, but targets on the number of taxpayers was only partially met. However, the number of taxpayers increased by only 12.3% by the end of 2009 (versus a target of 20%) and by 10.8% at the end of 2010 (versus a target of 15%).²⁹⁰

With respect to public-sector performance:

- The PEFA rating remained well below the 2010 target of a B rating for five public finance management indicators and A for another. Only one indicator had achieved a B rating by 2017; the others remained at C or D.²⁹¹ The World Bank, in its 2012 implementation review, cited this criterion as met despite the fact that the PEFA assessment was not yet completed.²⁹²

Other logical framework indicators and targets were not directly linked to the short-term outcomes, but more to longer-term, ultimate outcomes. For example:

- The appraisal report set a target of 67th place for Jamaica's Global Competitiveness Report ranking by 2012. This appears unrelated to the prior actions or outcomes, but was not met in any event. Jamaica's score in 2013 was 3.86 in 2013, placing it in 86th place. It has since improved to 4.25 and 70th place.
- Higher GDP growth did not include a target, but the body of the report predicted that growth would not exceed 1-2% in the near term, and would average 1.5% in the medium term. In the short-term,

²⁹⁰ International Monetary Fund, "Jamaica: 2016 Article IV Consultation, Eleventh and Twelfth Reviews Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Jamaica," IMF Country Report No. 16/181 (Washington, D.C., 2016), 70, <http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Jamaica-2016-Article-IV-Consultation-Eleventh-and-Twelfth-Reviews-Under-the-Extended-Fund-43999>.

²⁹¹ World Bank, "Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability," Report No: ICR2404 (Washington, D.C., 2012), 40-41.

²⁹² CARTAC, "Jamaica: Public Expenditure and Financial Accountability (PEFA)" (St. Michael, Barbados, 2017), <http://www.mof.gov.jm/downloads/publications/public-financial-management/reports/pefa-jamaica-report-2016.pdf>.

Jamaica could not meet expectations as the effects of the global economic downturn were too severe.

- Unemployment levels rose dramatically from 10.6% in 2008 to 15.3% in 2013.
- Poverty levels increased dramatically in the short term, reaching 24.6% in 2013.
- The Human Development Index rating fell to 0.69 in 2009. Thereafter it rose, and has hovered at an average of about 0.73 since 2011.



(Source: World Bank)

Other measures of success were suggested by the World Bank DPL completion report. These include:

- The target of a reduction in annual deferred financing from an average of approximately Jd500 to zero was met in the short term, with none in FY 2010/11 and FY 2011/12.
- The timeliness of annual appropriation account submissions of selected MDAs to the Auditor General improved, with a reduction from 158 accounts outstanding in December 2008 to 22 in March 2012.²⁹³
- The wage bill for government, for which World Bank set a target of 10% of GDP, remained above that level, reaching 11.8% in 2009/10. It fell afterward, and remains persistently between 10 and 11% of GDP. This was partly the result of a reversal of a three-year wage freeze: The Supreme Court ruled in August 2010 that the government had to pay retroactive wage increases to public employees. This added JD2.4 mn to the budget and contributed to the failure of GOIJ to meet IMF targets.²⁹⁴

The World Bank, in its assessment of its USD100 2010 loan to Jamaica – which had the same prior actions as the CDB PBL – noted that a single treasury management account was yet to be established and “the full tax reform program remains work in progress, and the office of the Auditor General (AG) requires further strengthening.”²⁹⁵ In addition, the evaluation observed that “Jamaica’s public finances are structurally weak. The revenue base is narrow, and wages and interest accounted for 66% of total expenditures in 2011 despite the major domestic debt restructuring in 2010.”²⁹⁶

²⁹³ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 40–41.

²⁹⁴ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 8–9.

²⁹⁵ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530),” x.

²⁹⁶ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 1.

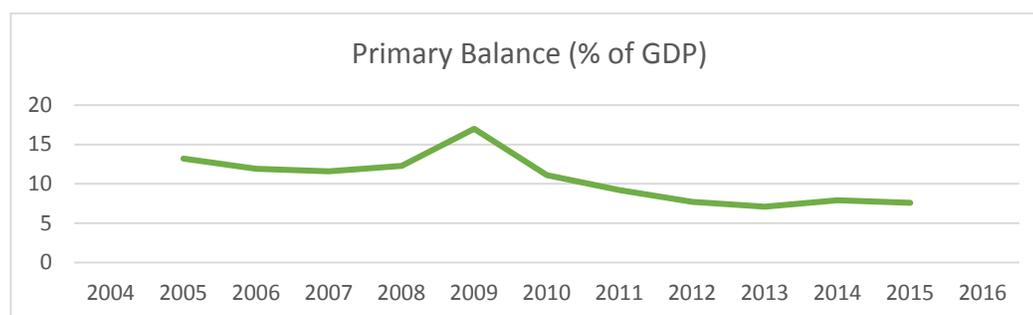
In general, CDB officials indicated significant satisfaction with the achievement of short-term outcomes despite challenges noted in the PSRs. Shortcomings were attributed to GOJ's decision to withdraw from its IMF program, the effect of the global economic crisis, and persistently low growth.

2014 PBL

Given that several programmes were running concurrently, the successful restructuring of Jamaica's loans, and the severity of global economic impacts on Jamaica, it is difficult to attribute short or medium-term outcomes solely to CDB's 2014 PBL. However, some evidence is available.

- With respect to fiscal outturns over the short term, the primary balance has averaged 7.55% of GDP since 2013, and the public debt to GDP ratio has been dropping since the debt restructuring in 2013, to 120.5% in 2016. One interviewee noted that the CDB decision to split the PBL into two tranches forced Jamaica to borrow on the international market at a higher rate of interest.
- With respect to growth and competitiveness, both have seen incremental improvements. Real GDP growth has continued to rise, reaching 1.4% in 2016, and the Doing Business indicator has risen to 67.54 in 2016. This is short of the target of 67.79, but still represents the best ranking in the Caribbean.

No data was yet available on the achievement of social protection outcomes, with the exception of incremental reduction in poverty. At 18.7%, the poverty level remains above the target of 17% by 2016, but is on a downward trend.



(Source: IMF)

Medium-term Outcomes

Key Finding: *It is difficult to attribute outcomes to the 2008 PBL as it occurred in the context of a broader international effort – most notably two debt restructurings in 2010 and 2013 – and CDB's 2014 PBL. However, the macroeconomic indicators are all positive in trend. Public finance management indicators suggest that more reforms are required, or that more time is required for reforms to be felt. CDB, the World Bank, and the IMF are all generally pleased with the medium-term outcomes but remain vigilant with respect to sustainability. GOJ officials were concerned that the reforms sacrificed growth for debt control and management. It is too early to tell if the 2014 PBL medium-term outcomes are being met.*

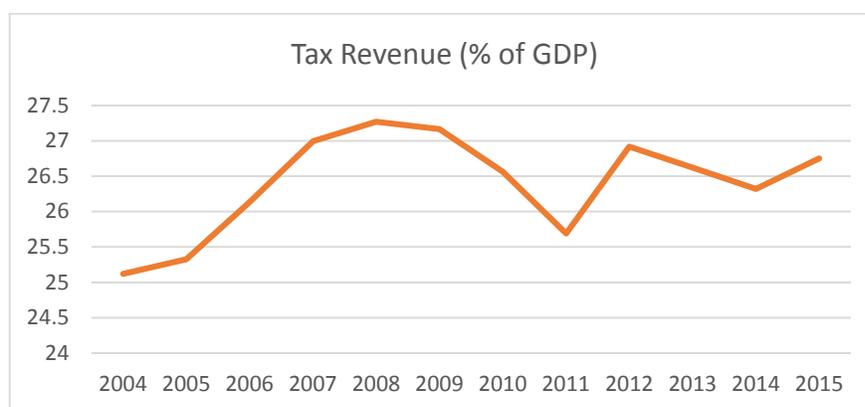
2008 PBL

Given that several programmes were running concurrently, the successful restructuring of Jamaica's loans, and the severity of global economic impacts on Jamaica, it is difficult to attribute short or medium-term outcomes solely to CDB's 2008 PBL. The World Bank noted that a major factor affecting implementation

of its program was the international financial crisis, which severely hit the economy. In addition, it noted that elections and political uncertainty slowed the program in 2011.²⁹⁷ However, some evidence is available:

- With respect to debt dynamics, the public-sector net debt-to-GDP ratio is now falling consistently, and is anticipated to fall below 100% in FY 2019/20.²⁹⁸ Interest payments have stabilized between 7 and 8% of GDP. Effective interest rates were 6.4% in 2015, but are projected by the IMF to rise to 7.1% by 2020.²⁹⁹
- With respect to fiscal performance, the overall public-sector deficit has since fallen to below 1% and the primary balance is has consistently been between 7% and 8% since FY 2013/14. In current JD, revenue increased by 54.9% between 2009 and 2015.
- With respect to public-sector performance, the PEFA rating remains well below the 2010 target of a B rating for five public finance management indicators and A for another. Only one indicator had achieved a B rating by 2017; the others remained at C or D.³⁰⁰ World Bank, in its 2012 implementation review, cited this criterion as met despite the fact that the PEFA assessment was not yet complete.³⁰¹

The World Bank, in assessing its program, praised the strengthening of tax administration and parts of public financial management and budgeting process (and especially the fiscal responsibility framework), but was skeptical about the enhancement of fiscal and debt reforms.³⁰²



(Source: World Bank)

²⁹⁷ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 13–14.

²⁹⁸ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 8.

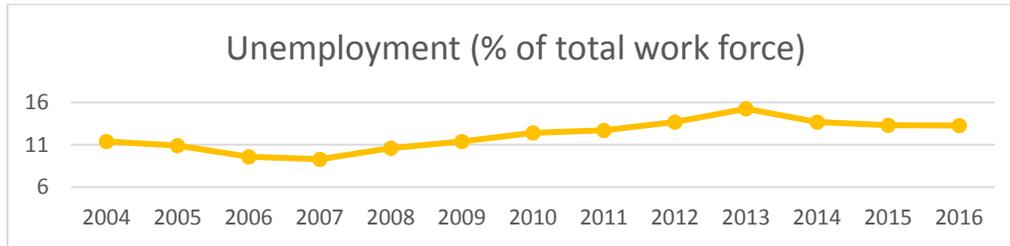
²⁹⁹ International Monetary Fund, “Jamaica: Second Review Under the Extended Arrangement Under the Extended Fund Facility and Request for Modification of Performance Criteria,” IMF Country Report No. 13/378 (Washington, D.C., 2013), 40.

³⁰⁰ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 40–41.

³⁰¹ CARTAC, “Jamaica: Public Expenditure and Financial Accountability (PEFA)” (St. Michael, Barbados, 2017), <http://www.mof.gov.jm/downloads/publications/public-financial-management/reports/pefa-jamaica-report-2016.pdf>.

³⁰² World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 15–16.

Other logical framework indicators and targets not directly linked to the outcomes, but more to longer-term, ultimate outcomes, continue to improve in response to a recovering global economy. A recovery in the domestic economy appears to be underway, driven by agriculture, construction and mining.³⁰³ GDP remains low, but is on an upward trend, unemployment levels remain higher than 2009, but have improved, and poverty levels are slowly improving.

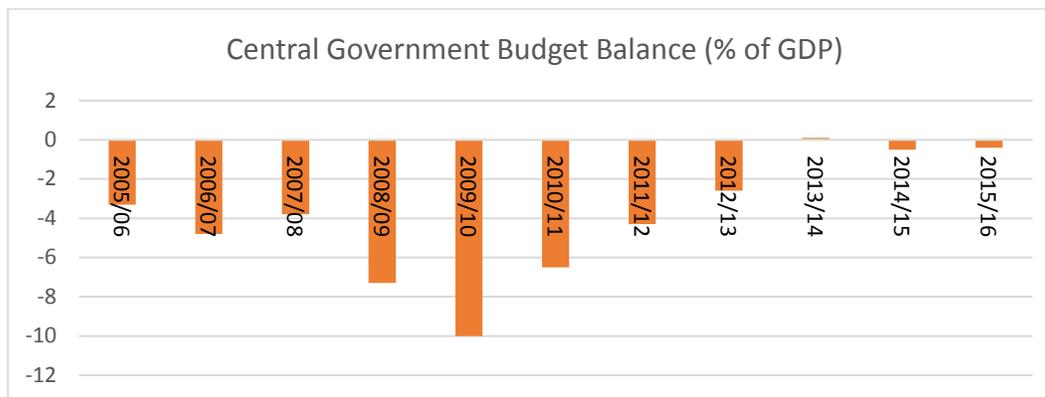


(Source: World Bank)

From the perspective of debt, the PBL provided GOJ with liquidity during the global financial crisis. The ratio of debt to GDP continued to rise until the 2013 debt restructuring (peaking at 146% of GDP), at which point it began to decline. The ratio in 2016 was 120.5%, and is expected to decline to less than 100% by FY 2019/20.³⁰⁴

CDB, in its 2014-16 CSP, cited the 2008 PBL “a critically important intervention in Jamaica, and with the support of other MDBs helped to identify first generation structural reforms on which the recent fiscal gains have been premised.”³⁰⁵ In addition, it praised GOJ’s “good faith” efforts despite the downturn, and appraised GOJ as a good performer (as rated by CDBs Portfolio Performance Index).

One GOJ interviewee stated that GOJ officials were dissatisfied with the achievement of some aspects of the PBL. While they agreed that the PBL helped to drive reforms, it limited their ability to spend on growth. In addition, mitigation strategies were considered inadequate.



(Source: IMF)

Considering other potential indicators of medium term outcomes, after falling dramatically in 2008, foreign direct investment increased by approximately 63% between 2009 and 2016. In addition, tourist arrivals

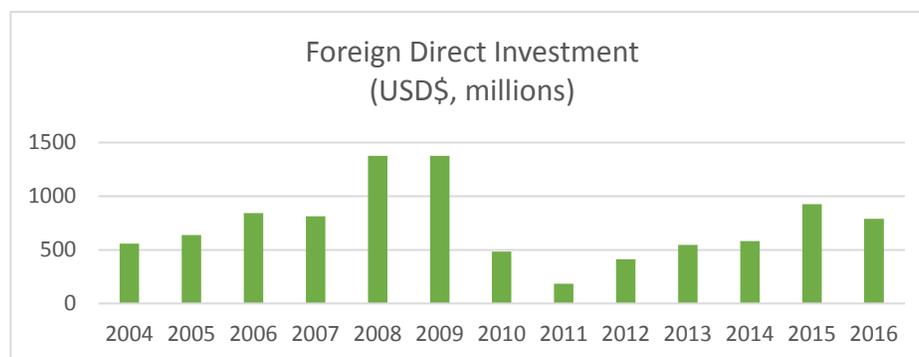
³⁰³ CDB, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014), 2.

³⁰⁴ CDB, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 4.

³⁰⁵ CDB, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014) (Appendix 5, p. 3).

have increased since 2008. However, travel receipts did not keep pace with GDP due to reduced expenditure by visitors.³⁰⁶

The World Bank, in its assessment of its 2010 and 2012 programmatic DPLs – which had the same prior actions as the CDB PBL, made the conclusion that implementation was uneven, “due in part to factors beyond the full control of the government: weak economic growth contributed to a shortfall in meeting fiscal targets, the level of debt to GDP increased, and the economy stagnated.”³⁰⁷ That notwithstanding, the World Bank agrees with CDB’s position that the loan “supported the foundations of fiscal and debt sustainability, rationalization of public-sector and reforming tax administration, and helped pave the way for collaborative efforts by the IMF and other IFIs to assist Jamaica.”³⁰⁸



(Source: World Bank)

Finally, the World Bank concluded that future projects needed to be careful in scheduling and expectations of reforms requiring structural changes and capacity building:

In the words of an [MOFP] official, “we (the Jamaican authorities) became victims of our own desire to achieve things quickly.” A number of reforms envisaged under the FSDPL program can take years as is evidenced by cross country experience. This includes reforms such as preparing and implementing MTEFs, Single Treasury Accounts, Centralized Treasury Management Systems, procurement reforms etc. As the experience with the DMU restructuring showed, recruiting highly skilled professionals using the civil service wage structure in an environment where these professionals command a significant premium in the private sector is next to impossible.³⁰⁹

2014 PBL

The 2014 PBL is too recent for a determination of success in accomplishing medium-term outcomes. In addition, the PBL is a small part of a larger program that included the IMF EFF initiated in 2013, which included debt restructuring that facilitated improved debt dynamics and other measures that mirrored CDB’s prior actions. Other lenders with PBLs or similar instruments included IDB and World Bank. The World Bank program of loans also included some measures to address issues of poverty and social cohesion.

³⁰⁶ CDB, “Country Strategy Paper 2014-16 - Jamaica,” Paper BD 23/14 (St. Michael, Barbados, 2014), 2.

³⁰⁷ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), x.

³⁰⁸ Ibid.

³⁰⁹ World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), 29.

Nonetheless, CDB officials indicated satisfaction with the results of the program. GOJ officials were also generally satisfied, although three expressed concern about the effects of fiscal restraint on growth and poverty.

Although the reforms are thus far being sustained, there was some evidence that fiscal restraint was impeding GOJ's ability to meet the prior actions and implement lasting changes to public financial management. For example, two respondents noted that tight budgets made it difficult to spend on upgrades to expenditure management software, appropriate technology to pool financial information, or expand the AMANDA program to smaller communities. One interviewee called into question the sustainability of the AMANDA program as a result.

With respect to economic indicators, the IMF indicated in its 2016 Article IV Consultation Report that Jamaica's debt-to-GDP ratio is "expected to remain broadly constant in FY16/17 due to a combination of small amortizations during the year and pre-financing for large redemptions coming due in early FY17/18."³¹⁰

PBL Domestic Programme Effects

Key Finding: *Some stakeholders argued that effects on poverty and social programmes should have been better monitored, and that fiscal restraint had an effect on GOJ's ability to spend on projects that would stimulate growth. There was also evidence that fiscal restraint was impacting GOJ's ability to implement reforms of the PBL itself.*

2008 PBL

Two GOJ respondents suggested that effects of the PBL prior actions on social programmes and economic conditions for the vulnerable should have been better monitored. Two GOJ interviewees indicated that fiscal austerity limited GOJ's ability to advance social development objectives. Jamaica's HDI trend levelled off after dipping significantly during the global financial crisis.

One interviewee also stated that the fiscal constraints and minimal investment in growth adversely affected the sustainability of local businesses. Two interviewees noted that the wage freezes made it difficult for government to attract and retain qualified personnel – including the Auditor General, who had a mandate to accomplish in the PBL.

2014 PBL

No evidence was available on the effects of PBL conditionalities on social programmes and economic conditions for the vulnerable. One respondent expressed concern about the effect fiscal restraint would have on the ability of GOJ to spend on projects that would promote growth. Examples given included the anticipated special economic zones in the second tranche, the *Insolvency Act*, and the development of infrastructure needed to benefit from the expansion of the Panama Canal. Fiscal restraints were also cited as the reason for high turnover, staffing difficulties – particularly in the Debt Management Unit and the office of the Auditor General – and for government in general to compete with the private sector for qualified personnel.

³¹⁰ International Monetary Fund, "Jamaica: 2016 Article IV Consultation, Eleventh and Twelfth Reviews Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Jamaica," IMF Country Report No. 16/181 (Washington, D.C., 2016), 21, <http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Jamaica-2016-Article-IV-Consultation-Eleventh-and-Twelfth-Reviews-Under-the-Extended-Fund-43999>.

CONCLUSIONS

The 2008 PBL was launched at the depth of the global economic downturn, and the evidence suggests that external shocks, political uncertainty, and capacity constraints played a strong role in the failure to implement some of the prior actions and to meet targets. The 2014 PBL incorporated some lessons learned from previous PBLs, and GOJ achieved all prior actions without difficulty. Subsequent PBLs in the series were successfully adjusted according to circumstances.

The evaluation of Jamaica's 2008 and 2014 PBLs suggests that the quality has improved as a result of lessons learned. The quality of analysis (in particular local context), logic models and links between prior actions and outcomes have improved, although further progress is warranted. Monitoring and evaluation continue to be insufficient, making determination of outcomes difficult.

PBL Design Process and Appropriateness

With respect to the design process for the PBLs, some CDB assumptions held, while others did not:

- Appropriate support was offered to Jamaica.
 - CDB recognized the severity of the economic downturn and the effects it was having on GOJ's debt dynamics and responded quickly to the GOJ's request for both PBLs. Technical assistance was offered, although it appears that the need was underestimated (particularly in the 2008 PBL).
- Both PBLs were harmonized with similar lending by other institutions.
 - The 2008 PBL was based on the World Bank's 2009 DPL and the 2014 PBL was based on the IMF's 2013 EFF. In addition, there was collaboration and communication with IDB and the EU. While this was generally beneficial, there was some evidence that there is a trade-off between harmonisation and flexibility, and that Jamaicans felt that there was a priority on conforming with conditionalities designed by other lenders over what local officials felt would have been better suited to local conditions.
- The case for the 2008 PBL prior actions was based on an inconsistent policy matrix and logical framework. The evidence suggests this was exacerbated by a negotiations process in which GOJ representatives felt themselves to be in a weak position to negotiate conditions. The effect was a large number of conditions that GOJ was unable to fully achieve due to capacity constraints. The 2014 PBL had fewer prior actions, but GOJ officials expressed the same concerns. In addition, no short or medium-term outcomes were explicitly identified or differentiated and the effects as measured by a number of indicators could not be attributed to the CDB PBLs.
- The 2008 PBL was moderately aligned with local conditions, and it was consistent with economic and public financial management aspects of Jamaica's reform plan, laid out in *Vision 2030 Jamaica*, and CDB's 2009-11 CSP. The 2014 PBL was also aligned with *Vision 2030 Jamaica*, incorporating lessons on the importance of considering impacts on vulnerable groups, social cohesion, and political support and ownership of reforms.
- The 2008 PBL assessment was considered moderately appropriate by GOJ respondents. It included a thorough analysis of the macroeconomic conditions, but some assumptions were overly optimistic, capacity constraints were not adequately anticipated, and some risks were not identified. The 2014 PBL assessment was appropriate, overall, but was still primarily focussed on macroeconomic conditions.

With respect to GOJ focussed assumptions:

- Both PBLs were aligned with some local priorities, although more so for the 2014 PBL.
 - The 2008 PBL was more limited in scope than the GOJ reform plan, with more ambitious timelines, and missed some local context. The 2014 PBL was better aligned with local priorities, and GOJ made significant efforts to involve civil society groups and the broader public, but the evidence suggests that improvements could still be made. In particular, GOJ officials appeared concerned at the lack of emphasis on chronically low levels of growth.
- As noted, the instruments were consistent with those of other MDBs. The 2008 and 2014 PBLs were in some ways complementary, such as in seeking to improve debt dynamics, public finance management, revenue generation, and social safety nets.

In sum, the evidence suggests that CDB has become more aware of the importance of local context and priorities, particularly when reforms can be derailed by public opposition – and the political opposition that typically follows. GOJ, for its part, is better at engaging local civil society groups to increase ownership. There have been improvements in the focus and cohesion of results and logic matrices, but more could be done. Measurement and evaluation improvements should be a priority, as at present attribution of many outcomes to the PBLs is difficult, if not impossible.

Appropriateness of Conditions

With respect to the appropriateness of the conditions in the PBLs, some CDB assumptions held, while others did not. For CDB focussed assumptions:

- Behaviour expectations were clear in both PBLs. Prior actions and the terms of the PBLs were clearly set out in the terms and conditions. CDB demonstrated flexibility in disbursing the second and third tranches of the 2008 PBL even when BOJ was having difficulty and the accomplishment of some prior actions was unclear. Lessons from this PBL were applied in the design of the 2014 PBL, particularly with respect to poverty and vulnerable groups, albeit not to the degree some GOJ respondents would have preferred.
- The evidence suggests that conditions of support were not met for the 2008 PBL, but that most were addressed in first tranche of the 2014 PBL. While it is not clear whether CDB intervened to provide technical support to assist in the completion of some conditions, other lenders such as World Bank and the IMF did.

With respect to GOJ focussed assumptions:

- For the 2008 PBL, Jamaica was able to access technical resources for some conditions, but still lacked capacity to achieve them all. This was due in part to the depth and scope of institutional change required by some. Available evidence suggests GOJ received the necessary technical support for the 2014 PBL. The evidence suggests most technical assistance for both PBLs came from other lenders.
- While it was reported that all conditions were met, one was delayed, others were not completed or were not sustained, some were only partially achieved, and the status of a number could not be determined. Difficulties were due to capacity constraints, the depth and scope of institutional change required by some reforms, political uncertainty, and the severity of the Great Recession, which compromised aspects of GOJ's reform program.
- Jamaica appears willing to invest in capacity building, but the pace, scope, and depth of some changes required for the 2008 PBL proved too great for local resources under the circumstances. In addition, fiscal restraint may be hampering capacity building and endangering some reforms.

- Risk mitigation strategies proved to be unequal to the challenges faced by GOJ during the prolonged economic downturn experienced during the 2008 PBL implementation period. The 2014 PBL faced no equivalent challenges.

Weaknesses in the PBL design process, based on overly optimistic assumptions and incomplete risk identification and mitigation strategies, contributed to shortcomings in the implementation of the 2008 PBL. This, in turn, led to the failure of assumptions relating to appropriateness of the conditions. For Jamaica, the evidence suggests that fewer and more focussed conditionalities, accompanied by appropriate technical assistance, would have led to more appropriate and achievable prior actions.

Observable Effects Resulting from Implementation of Conditions

With respect to the observable effects arising from the conditions, there was a general dearth of evidence for both PBLs (although for different reasons). This made assessment difficult. In general, weaknesses in the design process and appropriateness of conditionalities affected PBL implementation, which led to some unachieved conditions. There was weak monitoring, and an inability to determine whether reform outcomes had been achieved in the medium-term. These problems do not appear to be as significant for the 2014 PBL, but it is too early to make conclusions about medium-term outcomes.

Specifically, for CDB:

- Funds were delivered in a timely fashion for both PBLs, facilitating the improvement of debt dynamics and providing support for reforms. However, GOJ respondents were concerned that splitting the 2014 PBL into tranches had negative effects on debt dynamics.
- The only evidence of monitoring by CDB officials during either PBL were annual PSRs. In general, these are unclear about the status of prior actions or the general progress towards the intended outcomes of the PBLs. It is clear, however, that officials from the World Bank and the IMF were monitoring progress on their own similar PBLs. There is no evidence that a PCR was completed for the 2008 PBL, or that one has or is being prepared for the 2014 PBL. To determine the status of prior actions, this evaluation had to rely heavily on World Bank and IMF reports.

With respect to GOJ focussed assumptions:

- Jamaica was not able to meet all conditions required for the 2008 PBL due, in part, to circumstances beyond its control. The prior actions for the 2014 PBL, were all achieved on schedule.
- While the value of reforms in the 2008 and 2014 PBLs were not called into question, some GOJ respondents were concerned that fiscal restraint would negatively affect sustainability by impeding capacity-building (in qualified human resources and some software and hardware requirements). It is too early to draw firm conclusions about the outcomes of the 2014 PBL. Overall, however, there is evidence that reforms relating to debt dynamics, revenue generation, expenditure control, and broad public finance management are working and may be sustainable. GOJ appears committed to the reforms, although progress has been somewhat slower than anticipated. Risks remain, however: another economic shock would threaten progress in debt dynamics and have knock-on effects on expenditure and the social safety net.
- There is no evidence to determine whether Jamaica has maintained or built on capacity or expertise. As indicated above, this is a crucial element in the sustainability of reforms.

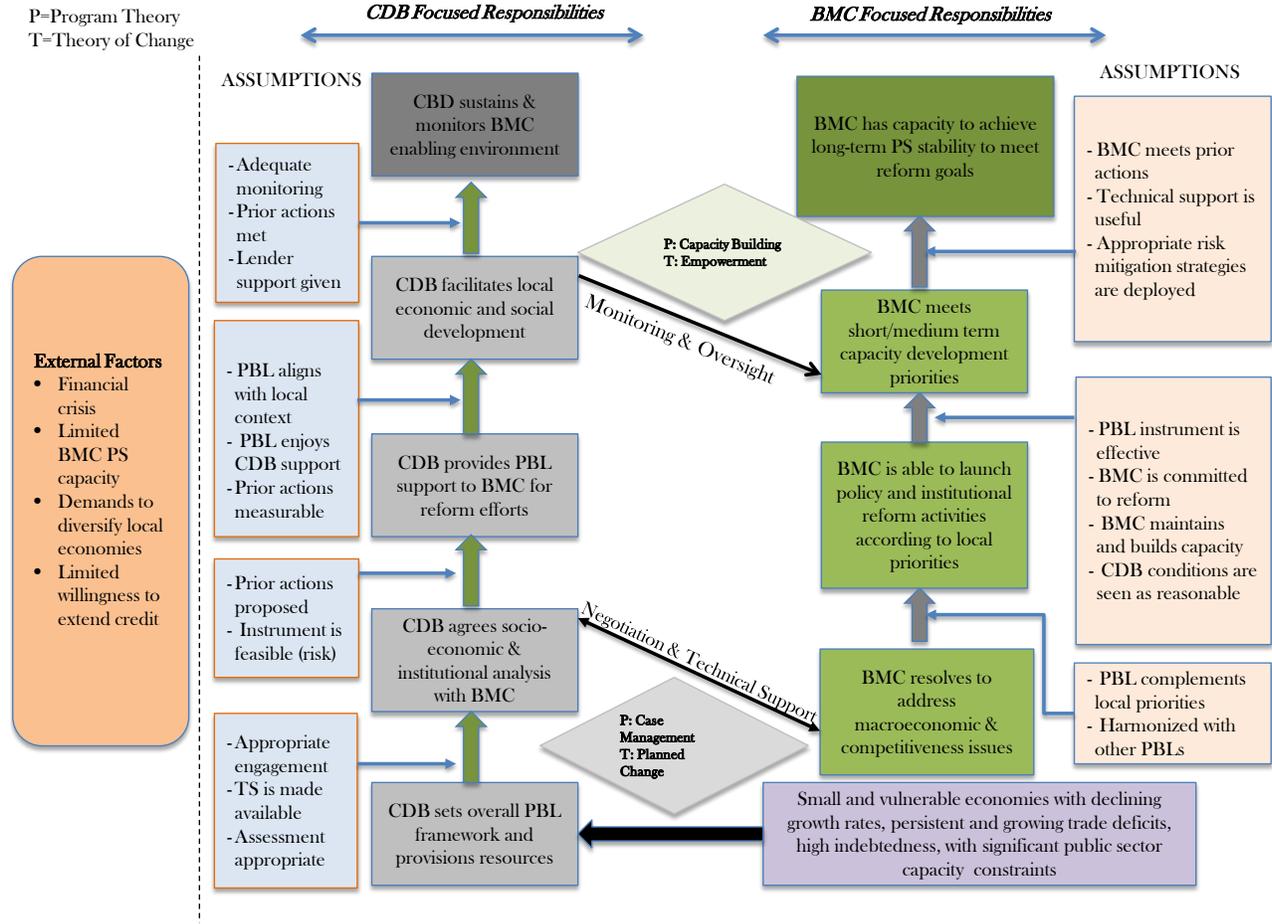
General Comments and Lessons

Shortcomings in the 2008 PBL appear to be the result of a number of factors. The evaluation found that CDB was still learning to use the PBL instrument, leading to flaws in design, while GOJ was forced to

contend with capacity constraints and the strains of the economic crisis of the time. Several patterns emerged from the evidence that could be used to inform future PBLs.

- The PBLs were effective at relieving the immediate financial pressures that GOJ faced in 2009 and 2014.
- Policy actions that were focussed, consistent and complementary, and with a clearer and more consistent results framework, led to more ownership and success by GOJ in achieving conditions and short-term outcomes.
- Harmonising CDB's PBLs with those of other lending institutions has benefits in minimizing the potential of reform fatigue, but may require a degree of trade-off with flexibility and local ownership of the program.
- Although progress in some reforms was slower than planned, Jamaica remained committed to a programme of reform. In addition, Jamaica has implemented a series of related and progressive reforms using PBL and PBL-like instruments since at least the 1990s. While progress has been sporadic, the mostly successful accomplishment of the conditions in these PBLs suggests that (as some respondents argued) PBLs do serve as an incentive for reform, however limited.
- When setting indicators, PBLs may benefit from a more thorough consideration of local conditions, including institutional, political and cultural factors. In addition, while high-level macroeconomic targets may be attractive, PBLs may have limited impact and may only be loosely linked conceptually. In sum, setting targets that are too ambitious for the given timeframe or that are not significantly attributable to the PBL may lead to unrealistic expectations and conclusions about success or failure that are not warranted.
- Civil society stakeholders were more involved in the 2014 PBL than the 2008 PBL, which appeared to lead to greater BMC ownership.
- Technical assistance should be included in planning, and be appropriate to the complexity and number of conditions faced by a BMC. In addition, technical assistance can be structured dynamically during the life of the PBL to respond to exogenous circumstances.
- CDB should improve its monitoring during and after the life of the PBL, to better ascertain the achievement of short and medium-term outcomes and to inform future PBLs. In addition, it should improve the quality of indicators and targets to make them more relevant to the outcomes and BMC capacity.

APPENDIX A: THEORY OF CHANGE



APPENDIX B: DATA SOURCES

Table B.1: Sources used for each question

#	Topic	#	Questions	Economic Data (from CDB, Jamaica, WB,	CDB interviews	GOJ interviews	CDB PBL Proposal Documentation (e.g. appraisal reports, CSPs, CPA, prev.	CDB PBL Implementation Documentation (e.g. PSRs,)	GOJ Document-ation (e.g. reform plan, poverty assessment)	MDB Reports and Papers	Other documentation (e.g. previous MDB PBLs)
1	Design process	a	Was appropriate support offered to Jamaica?	x	x	x	x		x	x	x
		b	Was instrument harmonized with CDB and other MDB PBLs?		x	x				x	x
		c	Were the prior conditions negotiated with GOJ?		x	x	x				
		d	Did the PBL align with the local context / complement local priorities?	x	x	x	x		x		
		e	Was the overall assessment appropriate?	x	x	x	x		x		x
2	Appropriateness of conditions	a	Were CDB's behaviour expectations clear?		x	x	x	x			
		b	Did CDB honour its promises of support / was GOJ able to access technical support?		x	x	x	x			
		c	Was GOJ able to meet prior actions?		x	x		x			
		d	Was GOJ willing to invest in capacity building?		x	x		x			
		e	Were appropriate risk mitigation strategies deployed?		x	x	x	x			
3	Observable effects resulting from implementation of conditionalities	a	Were the funds disbursed in a timely fashion?	x	x	x		x			
		b	Was a monitoring framework in place and utilized?	x	x	x	x	x			
		c	Did GOJ meet the prior actions and other conditionalities?		x	x	x	x			
		d	Did GOJ maintain and build on its expertise?		x	x		x		x	x
		e	Did GOJ see reforms as useful and sustainable?	x	x						
		f	Was there evidence of a short or medium-term impact arising from PBL?	x	x	x		x	x	x	x
		g	Were there unintended consequences of the PBL?	x	x	x		x			

APPENDIX C: 2008 PBL CONDITIONALITy Assessment

GOJ’s national development plan, articulated in *Vision 2030 Jamaica*, has the goal of “a more sustainable society which integrates and balances the economic, social, environmental, and governance components of national development.” This broad growth and development agenda was premised on four main goals which can be mapped against CDB’s major objectives for Jamaica (set out in the 2009-11 CSP) and the PBL objectives (as set out in the results-based framework matrix), as follows:

Table C.1: GOJ / CDB / PBL Objectives

GOJ <i>Vision 2030 Jamaica</i> Goals and Outcomes	CDB Major 2009-11 CSP Objectives for Jamaica	2008 PBL Objectives
<p>Goal: Jamaicans are empowered to achieve their full potential</p> <p>Outcomes</p> <ol style="list-style-type: none"> 1. A Healthy and Stable Population 2. World-Class Education and Training 3. Effective Social Protection 4. Authentic and Transformational Culture 	<p>supporting human resource development through interventions in the education sector,</p> <p>contributing to poverty reduction through CDB’s BNTF</p>	
<p>Goal: The Jamaican Society is secure, cohesive and just</p> <p>Outcomes:</p> <ol style="list-style-type: none"> 5. Security and Safety 6. Effective Governance 	<p>strengthen the economic growth prospects through the upgrade of economic</p>	
<p>Goal: Jamaica’s economy is prosperous</p> <p>Outcomes:</p> <ol style="list-style-type: none"> 7. A Stable Macroeconomy 8. An Enabling Business Environment 9. Strong Economic Infrastructure 10. Energy Security and Efficiency 11. A Technology-Enabled Society 12. Internationally Competitive Industry Structures 	<p>improve macroeconomic management and debt dynamics infrastructure, other direct interventions,</p> <p>facilitating agriculture and rural development,</p>	<ol style="list-style-type: none"> 1. Promoting fiscal sustainability through the control of overall public-sector balances and debt 2. Increasing the efficiency of central government financial management and budget processes. 3. Increasing revenue collection
<p>Goal: Jamaica has a health natural environment</p> <p>Outcomes:</p> <ol style="list-style-type: none"> 13. Sustainable Management and Use of Environmental and Natural Resources 14. Hazard Risk Reduction and Adaptation to Climate Change 15. Sustainable Urban and Rural Development 	<p>supporting the mainstreaming of disaster risk reduction and adaptation to climate change, including the establishment of an appropriate regulatory framework</p>	

GOJ’s obligations for the 2008 PBL were a comprehensive set of prior actions that were linked to these objectives. These are found in the following table as organized in the appraisal report’s policy matrix. Note that this does not mirror the organization of the results framework matrix or the logical framework summary matrix, so has been organized for better fit and flow in the table below.

Table C.2: Prior Actions Per Tranche Disbursements

Obj.	Tranche 1 Prior Actions	Tranche 2 Prior Actions	Tranche 3 Prior actions
1	Controlling fiscal sustainability through the control of overall public-sector balances and debt		
1.1	Maintain stable macroeconomic framework	Maintain stable macroeconomic framework	Maintain stable macroeconomic framework
1.2	Implement key measures for the adoption of a Fiscal Transparency and Responsibility Framework. Amend the section of the Financial Administration and Audit Act that allows MOFP to permit deferred financing in the central government.	Submit Fiscal Transparency and Responsibility Framework for approval to cabinet, and advance implementation of key features of the law.	Submit to Parliament and implement main provisions the legal amendments for full implementation of Fiscal Transparency and Responsibility Framework
1.3	Formulate a plan to rationalize the Public Bodies of Jamaica and implement the initial phase of the plan.	Continue to implement the Public Bodies plan.	Finish implementation of the 2008 public bodies plan.
1.4	Control of Central Government wages bill, including measures so wage bill would have fallen by 0.4% of GDP from March 2007-March 2008. Initiate a public-sector employment survey, with at least one sector completed.	Continue to implement MOU 3 control of wage bill and completion of employment survey for two additional sectors. Initiate a study to evaluate medium term strategy for public-sector.	Implement MOU 4 and the medium-term strategy for public-sector workforce to reflect public needs and fiscal space
2	Increasing the efficiency of central government financial management and budget processes		
2.1	Submit to Cabinet a technical framework proposal for capital investment prioritization.	Implement sectoral MTEF for budget call in 2010/2011 in all ministries. Develop a performance-based budgeting framework and submit to Cabinet. Pilot the performance-based budgeting framework in two ministries.	Implement MTEF in 2010/11 budget in all Ministries, Departments and Agencies (MDAs). Implement the performance-based budgeting framework to the other MDAs.
2.2	Select a financial information system that integrates all central government systems.	Annual accounts of at least 15 ministries, departments, and agencies (MDAs) submitted to the Auditor General within four months of end of fiscal year. Develop a new accrual accounting framework and implement the financial information system in 10 MDAs and for the internal accounts of Accountant General's Office.	Prepare annual financial statements and final accounts of all ministries and submit them to the Auditor General within four months of end of fiscal year. Implement the accrual accounting system and the financial information system in 50 MDAs.

Obj.	Tranche 1 Prior Actions	Tranche 2 Prior Actions	Tranche 3 Prior actions
2.3	<p>Implement the Auditor General's operational plan; notably the institutional and professional capacity building action plan.</p> <p>Submit a proposal to the Chief Parliamentary Counsel for updating legislation for strengthening and support of the Internal Audit Departments and Audit Committees.</p> <p>Develop the Internal Audit quality assurance manual and make its use mandatory.</p>	<p>Implementation of the Auditor General's operational plan and submit to Parliament the annual Auditor General reports for all MDAs within 9 months of the end of the fiscal year. <i>See notes in Table C.3 below.</i></p> <p>Develop internal audit plans of all ministries.</p>	<p>Develop internal audit plans of all ministries.</p>
3	Increasing Revenue Collection		
3.1	<p>Cease approval of ad hoc customs and tax exemptions.</p> <p>Implement an increase in the individual income tax threshold and Cabinet approval of amalgamation of statutory payroll deductions.</p> <p>Simplify and restructure the special consumption tax on tobacco, increase motor vehicle license fee, and simplify general consumption tax (GCT) on motor vehicles.</p>	<p>Cabinet approves improvements to the uniformity of the Tax Code.</p>	<p>Further rationalise the tax code with measures.</p>
3.2	<p>Increase tax enforcement efforts.</p>	<p>Further increase tax enforcement efforts</p>	<p>Increase tax enforcement efforts, including a 15% increase of the numbers of corporate and individual tax payers.</p>

The following table illustrates the status of completion for the above noted tranche specific prior actions. CDB field visit monitoring PSRs reported on some prior actions but not on others.

Table C.3: Prior Actions Status

<i>GOJ Dev. Obj.</i>	<i>Prior Action</i>		<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>	
1. Controlling fiscal sustainability through the control of overall public-sector balances and debt						
1.1 Maintaining macroeconomic stability	Maintain framework	stable	macroeconomic	1	Accomplished	Cited as completed in 2009 PSR. Note: The accomplishing of this prior action is dependent on World Bank approval, which appears to have been given. ³¹¹
	Maintain framework	stable	macroeconomic	2	Likely accomplished	Not mentioned in 2011 PSR.
	Maintain framework	stable	macroeconomic	3	Likely accomplished	Not mentioned in the 2011 or 2012 PSRs; <i>Note: 2012 PSR does not report on any of the prior actions precedent for the disbursement of the third tranche.</i>
1.2 Control of overall public- sector balances and debt.	Implement key measures for the adoption of a Fiscal Transparency and Responsibility Framework.			1	Accomplished 2008	Cited as completed in the 2008 PBL appraisal report and 2009 PSR.
	Submit Fiscal Transparency and Responsibility Framework for approval to cabinet, and advance implementation of key features of the law.			2	Accomplished 2010	Submitted to Cabinet on November 21, 2008. Cited as completed in the 2011 PSR; World Bank cites completion February 2010. ³¹²
	Submit to Parliament and implement main provisions the legal amendments for full implementation of Fiscal Transparency and Responsibility Framework			3	Accomplished 2010	The 2001 and 2012 PSRs are silent on this prior action. World Bank Project Performance Assessment Report cites delay and completion in March 2010. ³¹³
	Amend the section of the Financial Administration and Audit Act that allows Minister of Finance to permit deferred financing in the central government.			1	Accomplished 2010	Cited as completed in 2009 PSR and World Bank DPL assessment. ³¹⁴
1.3 Rationalisation	Formulate a plan to rationalize the Public Bodies of Jamaica and implement the initial phase of the plan.			1	Accomplished 2008	Cited as completed in 2008 PBL appraisal report and 2009 PSR. 2009 monitoring report notes that the plan was both approved and its initial phase has been implemented.

³¹¹ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014).

³¹² Caribbean Development Bank, “Project Supervision Report 2009-09-02 PRN: 3472 (Period 2009-01-31 to 2009-12-31)” (St. Michael, Barbados, 2009), 5; World Bank, “Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability,” Report No: ICR2404 (Washington, D.C., 2012), viii.

³¹³ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), x.

³¹⁴ *Ibid.*, 8.

<i>GOJ Dev. Obj.</i>	<i>Prior Action</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
of public bodies	Continue to implement the Public Bodies plan.	2	Accomplished 2010	The 2011 PSR does not mention the status of specific details. ³¹⁵ World Bank 2010 and 2012 programmatic DPLs assessment notes accomplishment. ³¹⁶
	Finish implementation of the 2008 public bodies plan.	3	Partially accomplished 2012	Not mentioned in 2012 PSR; World Bank DPL assessment indicates that divestment of some entities is still pending. ³¹⁷
1.4 Control of central government spending	Control of Central Government wages bill, including measures so wage bill would have fallen by 0.4% of GDP from March 2007- March 2008.	1	Not accomplished	Cited as completed in 2008 PBL appraisal report, however IMF figures and World Bank assessments indicate that this target was missed as the wage bill increased by over 1%. ³¹⁸
	Initiate a public-sector employment survey, with at least one sector completed.	1	Accomplished	2008 PBL appraisal report cites survey as completed; date uncertain.
	Continue to implement MOU 3 control of wage bill <i>and completion of employment survey for two additional sectors and initiation of study to evaluate medium term strategy for public-sector.</i>	2	Partially accomplished Accomplished Accomplished 2010	Cited as completed 2011 PSR. However, the World Bank notes that Jamaica's Supreme Court reversed aspects of control of wage bill conditionalities. ³¹⁹ <i>Note: This is listed as three separate prior actions in the "indicative conditions" table (p. 24) of the 2008 PBL appraisal report, but are combined in one the policy matrix (Appendix 4.3, p. 1).</i> ³²⁰
	Implement MOU 4 and the medium-term strategy for public-sector workforce to reflect public needs and fiscal space	3	Unknown	Not mentioned in 2012 PSR.

2. Increasing the efficiency of central government financial management and budget processes

2.1 Achieving fiscal discipline and	Submit to Cabinet a technical framework proposal for capital investment prioritization.	1	Accomplished	2008 PBL appraisal report cites survey as completed; date uncertain.
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³¹⁵ Caribbean Development Bank, "Project Supervision Report 2011-03-08 PRN: 3472 (Period 2010-01-31 to 2010-12-31)" (St. Michael, Barbados, 2011).

³¹⁶ world Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)" (Washington, D.C., 2014), 8.

³¹⁷ World Bank, "Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mn to Jamaica for Fiscal Sustainability," Report No: ICR2404 (Washington, D.C., 2012), ix.

³¹⁸ Ibid., x.

³¹⁹ World Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)" (Washington, D.C., 2014), 8–9.

³²⁰ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," Paper BD 114/08 (St. Michael, Barbados, 2008), 24.

<i>GOJ Dev. Obj.</i>	<i>Prior Action</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
strategic allocation of resources.	Implement sectoral MTEF for budget call in 2010/2011 in all ministries.	2	Accomplished	Not mentioned in 2011 PSR; World Bank DPL assessment indicates that it was implemented in six ministries representing 90% of expenditure in 2008/09. ³²¹
	Implement MTEF in 2010/11 budget in all MDAs.	3	Likely accomplished	not Not mentioned in 2012 PSR; World Bank DPL assessment suggests slow progress. ³²²
	Develop a performance-based budgeting framework and submit to Cabinet.	2	Unknown	Not mentioned in 2011 PSR.
	Pilot the performance-based budgeting framework in two ministries.	2	Unknown	Not mentioned in 2011 PSR.
	Implement the performance-based budgeting framework to the other MDAs.	3	Unknown	Not mentioned in 2012 PSR.
2.2 Improving the accounting and financial reporting system.	Select a financial information system that integrates all central government systems.	1	Partially accomplished	2008 PBL appraisal report cites consultative process as ongoing. No record was found indicating whether a system was selected.
	Annual accounts of at least 15 MDAs submitted to the Auditor General within four months of end of fiscal year.	2	Unknown	Not mentioned in the 2010 PSR.
	Prepare annual financial statements and final accounts of all ministries and submit them to the Auditor General within four months of end of fiscal year.	3	Partially accomplished	Not mentioned in the 2012 PSR; World Bank cites and improvement from 158 accounts outstanding in December 2008 to 22 accounts outstanding in March 2011. ³²³
	Develop a new accrual accounting framework and implement the financial information system in 10 MDAs and for the internal accounts of Accountant General's Office.	2	Unknown	Not mentioned in the 2011 PSR. <i>Note: This is listed as two separate prior actions in the "indicative conditions" table of the 2008 PBL appraisal report, but combined in the policy matrix.</i> ³²⁴
	Implement the accrual accounting system and the financial information system in 50 MDAs.	3	Unknown	Not mentioned in the 2012 PSR.
2.3 Improving internal and	Implement the Auditor General's operational plan; notably the institutional	1	Accomplished	2008 PBL appraisal report cites this as completed; date uncertain. ³²⁵

³²¹ World Bank, "Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)" (Washington, D.C., 2014), 8.

³²² Ibid.

³²³ World Bank, "Implementation Completion and Results Report (IBRD-78560) on a Program of Development Policy Loans in the Amount of USD300 mnn to Jamaica for Fiscal Sustainability," Report No: ICR2404 (Washington, D.C., 2012), vii.

³²⁴ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," Paper BD 114/08 (St. Michael, Barbados, 2008), 24.

³²⁵ Caribbean Development Bank, "Policy-Based Loan - Jamaica (President's Recommendation No. 812)," 23.

<i>GOJ Dev. Obj.</i>	<i>Prior Action</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
external control systems.	and professional capacity building action plan.			
	Implementation of the Auditor General’s operational plan and submit to Parliament the annual Auditor General reports for all MDAs within 9 months of the end of the fiscal year.	2	Unknown	Not mentioned in the 2011 PSR. <i>Note: The first half of this prior action is not included in the list of “indicative conditions” (p. 24), but is included in the policy matrix (Appendix 4.3, p. 2). The second half is slated for the third tranche prior conditions in the “indicative conditions” table (p. 25)</i> ³²⁶
	Submit a proposal to the Chief Parliamentary Counsel for updating legislation for strengthening and support of the Internal Audit Departments and Audit Committees	1	Accomplished	Cited as completed in the 2009 PSR.
	Develop the Internal Audit quality assurance manual and make its use mandatory.	1	Accomplished	Cited as completed in the 2008 PBL appraisal report; date uncertain. ³²⁷
	Develop internal audit plans of all ministries	2	Unknown	Not mentioned in the 2011 PSR.
	Develop internal audit plans of all ministries	3	Unknown	Not mentioned in the 2011 PSR.
3. Increasing revenue collection				
3.1 Tax policy.	Cease approval of ad hoc customs and tax exemptions.	1	Likely not accomplished	While the 2008 PBL appraisal report indicates GOJ’s intention to cease this practice, and acknowledging that the practice may have halted for a period, the IMF’s 2016 Article IV report makes it clear the practice continued. ³²⁸
	Cabinet approves improvements to the uniformity of the Tax Code.	2	Likely not accomplished	The 2010 PSR indicates that one of six sub-items has been accomplished, but does not mention the others. The World Bank assessment of the 2010 and 2012 programmatic DPLs notes that “little has been done to improve the uniformity of the tax code.” ³²⁹

³²⁶ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008).

³²⁷ Caribbean Development Bank, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” 23.

³²⁸ CDB, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 23; International Monetary Fund, “Jamaica: 2016 Article IV Consultation, Eleventh and Twelfth Reviews Under the Extended Fund Facility and Request for Modification of Performance Criteria-Press Release; Staff Report; and Statement by the Executive Director for Jamaica,” IMF Country Report No. 16/181 (Washington, D.C., 2016), 64, <http://www.imf.org/en/Publications/CR/Issues/2016/12/31/Jamaica-2016-Article-IV-Consultation-Eleventh-and-Twelfth-Reviews-Under-the-Extended-Fund-43999>.

³²⁹ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 10.

<i>GOJ Dev. Obj.</i>	<i>Prior Action</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
	Further rationalise the tax code with measures.	3	Likely not accomplished	Not mentioned in the 2011 PSR; see above comment.
	Implement an increase in the individual income tax threshold and Cabinet approval of amalgamation of statutory payroll deductions.	1	Accomplished	The 2008 PBL appraisal report notes proposal has been submitted to Cabinet, but not whether it has passed; cites increase in tax threshold as completed. World Bank 2010 and 2012 programmatic DPLs assessment cites this as completed. ³³⁰ Dates uncertain.
	Simplify and restructure the special consumption tax on tobacco, increase motor vehicle license fee, and simplify general consumption tax (GCT) on motor vehicles.	1	Accomplished 2008	2008 PBL appraisal report cites this as completed and implemented in 2008/09 budget. ³³¹
3.2 Tax administration.	Increase tax enforcement efforts.	1	Accomplished 2008	2008 PBL appraisal report notes a 25% increase in number of corporate and individual tax payers. ³³²
	Further increase tax enforcement efforts, including a) revision of <i>Banking Secrecy Act</i> and Financial Institutions Act to enhance access to financial records, b) 20% increase of the numbers of corporate and individual tax payers, and c) increased enforcement of property tax.	2	Unknown	The 2011 PSR does not provide relevant details, stating only that “GOJ has continued to implement its tax administration reform project, which commenced on January 12, 2009 as evidence by the establishment of a large tax office, a customer care centre, a forensic data mining unit, a high intensity unit and special enforcement team.” ³³³
	Increase tax enforcement efforts, including a 15% increase of the numbers of corporate and individual tax payers.	3	Accomplished	Not mentioned in the 2012 PSR. World Bank assessment of 2010 and 2012 programmatic DPLs indicates that CDB saw a 25% increase in taxpayers in two years. ³³⁴

³³⁰ Ibid., 9.

³³¹ CDB, “Policy-Based Loan - Jamaica (President’s Recommendation No. 812),” Paper BD 114/08 (St. Michael, Barbados, 2008), 23.

³³² Ibid.

³³³ CDB, “Project Supervision Report 2011-03-08 PRN: 3472 (Period 2010-01-31 to 2010-12-31)” (St. Michael, Barbados, 2011), 5.

³³⁴ World Bank, “Project Performance Assessment Report: Jamaica Fiscal and Debt Stability Development Policy Loan (IBRD-76530)” (Washington, D.C., 2014), 10.

APPENDIX D: 2014 PBL Prior action Assessment

GOJ’s national development plan, articulated in *Vision 2030 Jamaica*, has the goal of “a more sustainable society which integrates and balances the economic, social, environmental, and governance components of national development.” This broad growth and development agenda was premised on four main goals which can be mapped against CDB’s strategic outcomes for Jamaica (set out in the 2014-16 CSP) and the PBL objectives (as set out in the results-based framework matrix), as follows:

Table D.1: GOJ / CDB / PBL Objectives

GOJ <i>Vision 2030 Jamaica</i> Goals and Outcomes	CDB Major 2014-16 CSP Outcomes for Jamaica	2014 PBL Outcomes
Goal: Jamaicans are empowered to achieve their full potential Outcomes: 1. A Healthy and Stable Population 2. World-Class Education and Training 3. Effective Social Protection 4. Authentic and Transformational Culture	1. World class education and training	<ul style="list-style-type: none"> • Effective social protection
Goal: The Jamaican Society is secure, cohesive and just Outcomes: 5. Security and Safety 6. Effective Governance	3b. ...Security and safety	
Goal: Jamaica’s economy is prosperous Outcomes: 7. A Stable Macroeconomy 8. An Enabling Business Environment 9. Strong Economic Infrastructure 10. Energy Security and Efficiency 11. A Technology-Enabled Society 12. Internationally Competitive Industry Structures		<ul style="list-style-type: none"> • Improved fiscal outturns over the medium term • Increased economic growth over the medium term; improvement in business environment
Goal: Jamaica has a health natural environment Outcomes: 13. Sustainable Management and Use of Environmental and Natural Resources 14. Hazard Risk Reduction and Adaptation to Climate Change 15. Sustainable Urban and Rural Development	2. Hazard risk reduction and adaptation to climate change 3a. Sustainable urban and rural development / safety and ... (see 3b. above)	

GOJ’s obligations for the 2014 PBL included the obligation to implement a set of prior actions. These are found in the following table.

Table D.2: Prior Actions / Post-disbursement Conditions

Prior Actions

Pillar I: Fiscal consolidation

- Enactment of the *General Consumption Tax (GCT) Amendment Act, 2014*
- Enactment of the *Tax Collection (Miscellaneous Provision) Act, 2014*
- Enactment of the *Tax Penalties Act (Harmonisation) Act, 2014*
- Enactment of the *Customs (Amendment) Act, 2014* (to facilitate implementation of ASYCUDA World_
- Cabinet approval of an action plan for public-sector transformation
- Cabinet approval of policy paper to limit the use of virements

Pillar II: Enhancing growth and competitiveness

- Implementation of the AMANDA tracking system in at least nine parishes and four commenting agencies
- Passage of the *Bankruptcy and Insolvency Act, 2014* by the House of Representatives and Senate
- Passage of *Employment (Flexible Working Arrangements) (Miscellaneous Provisions) Act, 2014* by the House of Representatives and Senate

Pillar III: Enhancing poverty reduction, equality, and protection of vulnerable groups

- Establishment of a multi-sectoral committee for coordinating the implementation of the National Social Protection Strategy
- Passage of the *Disabilities Act, 2014* by the House of Representatives and Senate
- Establishment of an inter-sectoral committee for the National Poverty Reduction Policy and the National Poverty Programme

The following table illustrates the status of completion for the above noted prior actions and conditions. There were no PSRs arising from field visits. PA identifies the conditionality as a prior action, as opposed to a post-disbursement conditionality.

Table D.3: Prior Actions Status

<i>GOJ GPRS Obj.</i>	<i>Conditionality</i>	<i>Monitoring Status</i>	<i>Notes</i>
Pillar I: Fiscal Consolidation			
1.1: To improve tax administration	Enactment of the <i>General Consumption Tax (GCT) Amendment Act, 2014</i>	Accomplished 2014	Appraisal report cites it as complete in October 2014; IMF in June 2014. ³³⁵
	Enactment of the <i>Tax Collection (Miscellaneous Provision) Act, 2014</i>	Accomplished 2014	Appraisal report cites it as complete in October 2014; ³³⁶
	Enactment of the <i>Tax Penalties Act (Harmonisation) Act, 2014</i>	Accomplished 2014	Appraisal report cites it as complete in October 2014; ³³⁷
	Enactment of the <i>Customs (Amendment) Act, 2014</i> (to facilitate implementation of ASYCUDA World_	Accomplished 2014	Appraisal report cites it as complete in September 2014. ³³⁸
1.2 To enhance public financial management	Cabinet approval of an action plan for public-sector transformation	Accomplished 2014	Appraisal report cites it as complete in September 2014; IMF in September 2014. ³³⁹
	Cabinet approval of policy paper to limit the use of virements	Accomplished 2014	Appraisal report cites it as complete in July 2014. ³⁴⁰
Pillar II: Enhancing growth and competitiveness			
2.1 To improve the efficiency of the Government's approval process	Implementation of the AMANDA tracking system in at least nine parishes and four commenting agencies	Accomplished 2014	Appraisal report cites it as complete in July 2014; IMF in December 2014. ³⁴¹

³³⁵ International Monetary Fund, "Jamaica: Ninth Review under the Arrangement under the Extended Fund Facility and Request for Modification of Performance Criteria," IMF Country Report No. 15/270 (Washington, D.C., 2015); Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," Paper BD 90/14 (St. Michael, Barbados, 2014), 22.

³³⁶ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," Paper BD 90/14 (St. Michael, Barbados, 2014), 22.

³³⁷ Ibid.

³³⁸ Ibid., 23.

³³⁹ International Monetary Fund, "Jamaica: Ninth Review under the Arrangement under the Extended Fund Facility and Request for Modification of Performance Criteria," IMF Country Report No. 15/270 (Washington, D.C., 2015), 25; Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," 23.

³⁴⁰ Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," Paper BD 90/14 (St. Michael, Barbados, 2014), 23.

³⁴¹ International Monetary Fund, "Jamaica: Ninth Review under the Arrangement under the Extended Fund Facility and Request for Modification of Performance Criteria," IMF Country Report No. 15/270 (Washington, D.C., 2015), 26; Caribbean Development Bank, "Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President's Recommendation No. 892)," 24.

<i>GOJ GPRS Obj.</i>	<i>Conditionality</i>	<i>Monitoring Status</i>	<i>Notes</i>
2.3 To improve the framework for the reorganisation / winding-up of businesses and consumers	Passage of the <i>Bankruptcy and Insolvency Act</i> , 2014 by the House of Representatives and Senate	Accomplished 2014	Appraisal report cites it as complete in October 2014; IMF in December 2014. ³⁴²
2.4 To improve labour force productivity	Passage of <i>Employment (Flexible Working Arrangements) (Miscellaneous Provisions) Act</i> , 2014 by the House of Representatives and Senate	Accomplished 2014	Appraisal report cites it as complete in June 2014; ³⁴³
Pillar III: Enhancing poverty reduction, equality, and protection of vulnerable groups			
3.1 To enhance and sustain social protection programming	Establishment of a multi-sectoral committee for coordinating the implementation of the National Social Protection Strategy	Accomplished 2014	Appraisal report cites it as complete in November 2014; ³⁴⁴
3.2 To create an enabling environment for persons with disabilities	Passage of the <i>Disabilities Act</i> , 2014 by the House of Representatives and Senate	Accomplished 2014	Appraisal report cites it as complete in October 2014. ³⁴⁵
3.3 To improve efficiency in the use of resources to advance and sustain poverty reduction	Establishment of an inter-sectoral committee for the National Poverty Reduction Policy and the National Poverty Programme	Accomplished 2014	Appraisal report cites it as complete in November 2014. ³⁴⁶

³⁴² International Monetary Fund, “Jamaica: Ninth Review under the Arrangement under the Extended Fund Facility and Request for Modification of Performance Criteria,” 26; Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” 24.

³⁴³ Caribbean Development Bank, “Fiscal Consolidation, Growth and Social Stability Policy-Based Loan: Jamaica (President’s Recommendation No. 892),” Paper BD 90/14 (St. Michael, Barbados, 2014), 25.

³⁴⁴ Ibid., 27.

³⁴⁵ Ibid.

³⁴⁶ Ibid.

APPENDIX E: SHORT AND MEDIUM-TERM OUTCOMES

2008 PBL Outcomes

The PBL logical framework matrix objectives have been interpreted as intended short-term outcomes:

- Improved debt dynamics, as indicated by:
 - Public-sector net debt-to-GDP ratio of approximately 84% of GDP by FY 2013/14
 - Central Government interest payments of less than 10% of GDP by FY 2013/14
 - Fall in average effective interest rate on Central Government debt by 50 basis points by FY 2013/14.
- Improved fiscal performance, as indicated by:
 - Overall public-sector deficit of approximately 3% of GDP by FY 2013/14
 - Revenue increases targeted in the policy matrix
- Improved public-sector performance, as indicated by:
 - Improvement to a score of “B” in PEFA public finance management indicators PI15, PI16, PI18, PI20, PI25, and PI26 by 2010, and improvement to “A” in PI12 by 2010.

Medium-term outcomes are being interpreted by this evaluation as the maintenance and sustainability of the measures above, as well as respondent input on the effectiveness of the prior actions in achieving the outcomes and the sustainability of the reforms.

2014 PBL Outcomes

The following outcomes, identified in the policy and results matrix, have been interpreted at medium-term outcomes:

- Improved fiscal outturns over the medium term, as indicated by:
 - Primary balance of 7.5% annually to 2019/20
 - Public debt-to-GDP ratio of 96% by 2019/20 and 60% by 2025/26
- Increased economic growth over the medium term and improvement in business environment, as indicated by:
 - Real GDP growth of at least 2% over the period 2014/15 to 2019/20
 - Doing Business indicator score of at least 67.79 from 2014 to 2019.
- Effective social protection, as indicated by:
 - Steps to work implemented and at least 1000 PATH/Step-to-work beneficiaries trained by December 2015 and 500 Step-to-work beneficiaries working by December 2016
 - Improvements to social welfare targeting (PATH, bringing up target to 407,700 individuals by 2016
 - Increase in registration of persons with disabilities to 20% by December 2016
 - Incremental reduction in poverty to 17% by 2016

Short-term outcomes are being interpreted by this evaluation as the incremental achievement of the measures above, as well as respondent input on the effectiveness of the prior actions in achieving the outcomes and the sustainability of the reforms.

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APPENDIX F:
CASE STUDY 4:
ST. VINCENT & THE GRENADINES PBLs (2009 and 2010)

CARIBBEAN DEVELOPMENT BANK:
POLICY-BASED LENDING PROGRAM

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APPENDIX A: THEORY OF CHANGE

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SOURCES

ABBREVIATIONS

ASYCUDA	Automated System for Customs Data
BMC	Borrowing member country
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CIDA	Canadian International Development Agency
CIT	Corporate income tax
CPA	Country performance assessment
CSP	Country strategy paper
DeMPA	Debt Management Performance Assessment (World Bank)
DMU	Debt Management Unit
ECCB	Eastern Caribbean Central Bank
ECCU	Eastern Caribbean Currency Union
FAA	<i>Finance Administration Act (SVG)</i>
GDP	Gross domestic product
GOSVG	Government of St. Vincent and the Grenadines
HRD	Human resource development
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
IMF	International Monetary Fund
MDB	Multilateral development bank
MOFEP	Ministry of Finance and Economic Planning (SVG)
NBFI	Non-banking financial institution
NCB	National Commercial Bank
NIS	National Insurance Services
OECS	Organisation of Eastern Caribbean States
OIE	Office of Independent Evaluation (CDB)
PBL	Policy-based loan
PCR	Project completion report
PCVR	Project completion validation report
PFM	Public finance management
PIT	Personal income tax
PSE	Public-sector enterprise
PSR	Project supervision report
SRU	Single regulatory unit
SVG	St. Vincent and the Grenadines
USD	U.S. dollar
VAT	Value-added tax
XCD	Eastern Caribbean dollar

PURPOSE OF THE CASE STUDY

This case study forms part of an overall evaluation of CDB Policy Based Lending over the period 2006 to 2016. As part of the methodology to test the theory of change for PBL lending (Appendix A), four country case studies were selected. Although experiences outlined in the individual cases may not be representative of that of all Borrowing Member Countries (BMCs), the sample was selected to cover two larger economies (Jamaica and Barbados), and two smaller ones (St. Vincent & The Grenadines, and Grenada). The willingness and availability of governmental officials to participate, and the number of loans held with the CDB also figured in the selection decisions.

St. Vincent and the Grenadines (SVG) received two CDB PBLs. The first was related to the stabilization of the financial markets, and the second was focussed on reform efforts. The first loan of \$25 mn was approved in July 2009 and disbursed in two equal tranches in September 2009 and November 2010. The second loan was approved in August 2010 and disbursed in a single tranche in December 2010.

METHODOLOGY AND DATA COLLECTION

General Approach – Theory-based Evaluation

A Theory of Change was re-constructed by the evaluators after interviews with stakeholders in May 2017. It was intended to reflect the intent of CDB’s policy-based lending, and to identify the assumptions inherent in the PBLs reviewed (see Appendix A of this report for the model, and Appendix A of the main report for full details). These assumptions were then tested to determine the extent to which they held, or not, in practice. Conclusions were drawn regarding programme effectiveness, as well as what improvements could be made to better achieve desired outcomes. The assumptions tested can be grouped into three categories:

Table 1: Theory of Change Assumptions Being Tested

Category	CDB-focussed Assumptions	SVG-focussed Assumptions
Quality of loan preparation process	<ul style="list-style-type: none"> • Appropriate support is offered to GOSVG • Instrument is harmonized • Prior actions negotiated • PBL aligns with local context • Assessment is appropriate 	<ul style="list-style-type: none"> • PBL complements local priorities • PBL is harmonized with other PBLs
Appropriateness of conditions	<ul style="list-style-type: none"> • Conditions of support are clear • Conditions of support are met (CDB carries out its responsibilities) 	<ul style="list-style-type: none"> • Access to technical support is appropriate • Prior actions are negotiated • Investments in capacity building are enabled • Appropriate risk mitigation strategies are deployed
Observable effects	<ul style="list-style-type: none"> • Funds are timely/Processing of contracts works well • Monitoring framework in place • CDB implementation conditions are appropriate 	<ul style="list-style-type: none"> • Prior actions and other conditions are met • Reforms are seen as useful and sustainable • GOSVG maintains and builds on capacity

Furthermore, the evaluation considered the availability of evidence to identify short and medium-term impacts arising from the PBLs, whether intended or not. In doing so, the model recognized the following external factors as having a known confounding influence on the PBL’s efficacy:

- 2008 Global Financial Crisis
- Severe economic downturns affect local economies
- Demands to diversify local economies
- Persistent debt overhang
- Limited willingness to extend credit

The evaluation used both qualitative and quantitative data. Quantitative data was mainly macroeconomic in nature, including data from the Government of SVG (GOSVG), CDB, the World Bank, the International Monetary Fund (IMF), and other sources delineated in Appendix B. Qualitative data included a range of documentation and a large number of interviews. Notably, much of the evidence that would have been needed to assess medium-term results did not exist or was inconsistent. Where possible, the evaluation team triangulated the findings by corroborating qualitative data with quantitative data. Where the data differed across sources, the evaluation team used the data deemed most reliable and complete, and discounted the remainder.

Data Collection Strategy

The evaluation team undertook an extensive document review in two phases (extensive general comparative literature review, and targeted literature review per case); performed a significant number of semi-structured interviews over two phases; and assessed quantitative macroeconomic data. Data sources included:

- Semi-structured interviews with CDB directors, CDB development partners, board directors, SVG government officials, a National Insurance Services officials, and other SVG stakeholders (e.g. the Building and Loan Society). See Table 2 below for details.
- Economic data from CDB, GOSVG, IMF, and the World Bank;
- CDB appraisal reports, country strategy papers (CSPs), country performance assessments (CPAs), previous PBLs;
- CDB implementation documentation (e.g. project supervision reports (PSRs), project completion reports (PCRs), project completion validation report (PCVRs);
- GOSVG documentation (e.g. reform plan, poverty assessment),
- Multilateral development bank (MDB) reports and papers, and
- Other documentation (e.g. previous MDB PBLs).

Table 2: Interviews

Organization	Position of respondent	# of interviews	Date of interview(s)	Subject of Interview
CDB	Directors of Board (&Alts)	23	Oct-2015	All BMC PBLs
CDB	Directors/Deputies	2	May-2017	All BMC PBLs
CDB	Directors of Board	4	May-2017	All BMC PBLs
CDB	Analysts	3	May-2017	All BMC PBLs
ECCB	Governor	1	May-2017	All BMC PBLs
MOFEP	Director General	1	Aug-2015	SVG PBLs
MOFEP	Senior Executives	2	Aug-2015	SVG PBLs
MOFEP	Analyst/Programme Officer	1	Aug-2015	SVG PBLs
MOFEP	Accountant General	1	Aug-2015	SVG PBLs
Other Ministries	Senior Executives	5	Aug-2015	SVG PBLs
NIS	Executive Director	1	Aug-2015	SVG PBLs
Other SVG stakeholders	Senior Executives	5	Aug-2015	SVG PBLs

A table showing questions and data sources is available in Appendix B.

The first interviews were conducted in August/September 2015; a second round of validation interviews with CDB officials took place in May 2017. The interview and document review questions related to the evaluation of PBL instruments were focused on ownership, internal and external influences, flexibility, the conditions precedent to disbursement, the results framework, technical assistance, and the role of MDBs. These were followed with questions related to the results achieved; their sustainability; unintended consequences or downstream effects of the conditions; and contextual factors that could have affected the results.

CONTEXT AND CONDITIONS

Country Profile

St. Vincent and the Grenadines is a small Caribbean nation in the southern part of the Windward Islands of the Lesser Antilles. It is composed of a main island (St. Vincent) and a chain of smaller islands (the Grenadines). At the time of the 2009 PBL, the population was 109,253.³⁴⁷ Approximately 90% live in St. Vincent, with the remainder residing in the Grenadines.

The total land area is 389 km², of which St. Vincent is 344 km². There is a large active volcano on the north of St. Vincent, La Soufrière, which last erupted in 1979. The island is situated in “hurricane alley,” a region of high hurricane activity, and is vulnerable to other natural disasters such as flooding, landslides, drought, and tsunamis.

SVG is a member of the Organisation of Eastern Caribbean States (OECS), an “inter-governmental organisation dedicated to economic harmonisation and integration, protection of human and legal rights, and the encouragement of good governance between countries and dependencies in the Eastern Caribbean.”³⁴⁸ It is also a member of the Eastern Caribbean Currency Union (ECCU), which has existed since 1965 and uses the Eastern Caribbean dollar (XCD) as a common currency, valued at 2.70 XCD per USD since 1976.

When the PBLs were being considered, almost all children were enrolled in primary and secondary school, with approximately 91% of eligible children completing primary school. Secondary school completion was approximately 91% in the 2008-09 school year.³⁴⁹ Literacy rates in 2007/2008 were about 84%.³⁵⁰ SVG was ranked by the United Nations Development Programme’s Human Development Index (HDI 2008) at 91st out of 179 countries in 2009 and 99th in 2016.³⁵¹

Economic and Social Conditions since 1990

SVG is an upper-middle income country, with a 2010 per capita GDP of XCD18,151.60 or (USD6,722). The poverty rate fell between 1995 and 2007/2008, from 37.5% to 28%, with indigence falling from 26% to 3.3%. A further 18% of the population, however, was close to the poverty line. Although poverty has not been assessed since, CDB concluded in 2014 that “it is reasonable to assume that the levels of poverty and vulnerability have increased” beyond the 2007/2008 estimates.³⁵² Inequality, measured using the Gini coefficient, fell from 0.56 to 0.40 between 1998 and 2008.³⁵³ Some primary causes of poverty in SVG include the decline of the banana industry, the lingering effects of the global economic crisis beginning in 2008, and the limited reach of the social safety net.³⁵⁴

³⁴⁷ CDB, “Financial Sector Stabilisation Loan - Divestment of Commercial Bank: St. Vincent and the Grenadines (President’s Recommendation No. 828),” Paper BD 30/10 Rev. 1 (St. Michael, Barbados, 2010).

³⁴⁸ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” Paper BD 23/09 (St. Michael, Barbados, 2009), 7.

³⁴⁹ World Bank, “Data: St. Vincent and the Grenadines,” 2015, <http://data.worldbank.org/country/st-vincent-and-the-grenadines>.

³⁵⁰ OECS, “About the OECS,” 2017, <http://www.oecs.org/homepage/about-us>.

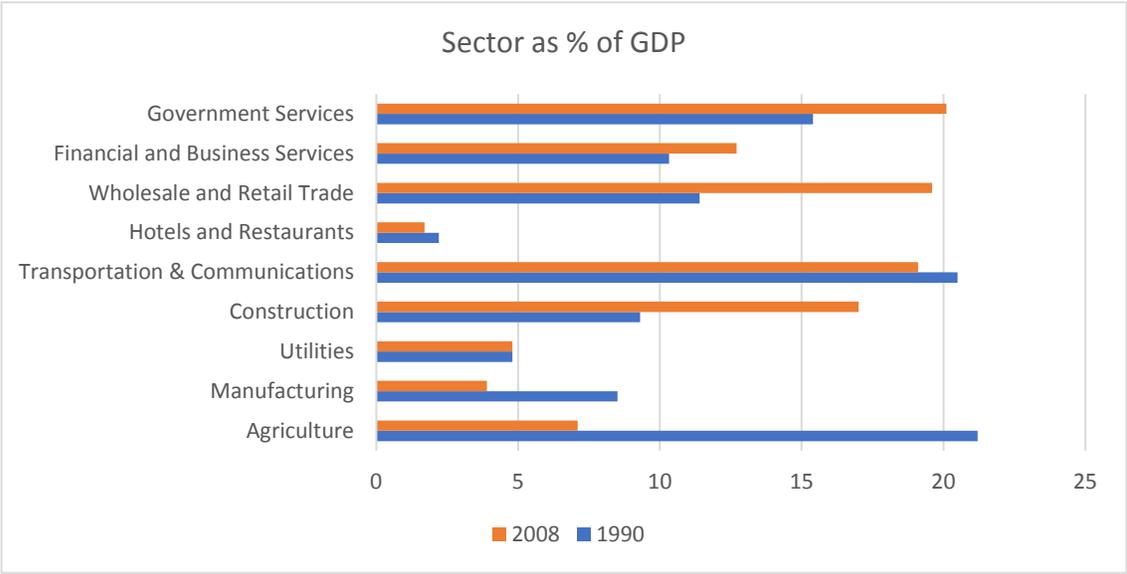
³⁵¹ UNESCO, “Education for All 2015 National Review: St. Vincent and the Grenadines” (Kingstown, St. Vincent and the Grenadines, 2015).

³⁵² Kairi Consultants Ltd., “St. Vincent and the Grenadines Country Poverty Assessment 2007/2008, Vol. 1” (Tunapuna, Trinidad and Tobago, 2009).

³⁵³ United Nations Development Programme, “Human Development Reports: Grenada,” 2016, <http://hdr.undp.org/en/countries/profiles/GRD>.

³⁵⁴ CDB, “Country Strategy Paper: St. Vincent and the Grenadines,” Paper BD 14/14 (St. Michael, Barbados, 2008).

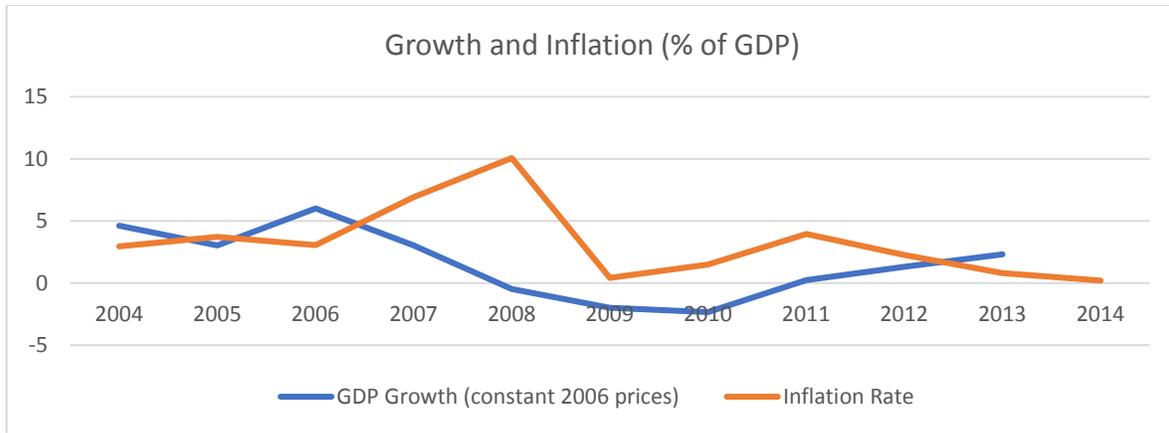
Like most Caribbean countries, SVG is a small, open island economy. It has shifted from dependence on agriculture to greater diversification. This has been due to several factors, including the liberalization of the international market in bananas, diseases affecting bananas and other crops, and the effects of severe weather events including hurricanes, drought and flooding. The IMF estimates that the average natural disaster in SVG causes about 5.5% of GDP in damages, resulting in a typical drop of about 2% in growth the year of the disaster.³⁵⁵ SVG’s average damage per year was estimated at 1.1% of GDP in a 2016 IMF working paper. The figure is rising as climate change impacts increase.³⁵⁶



(Source: CDB)

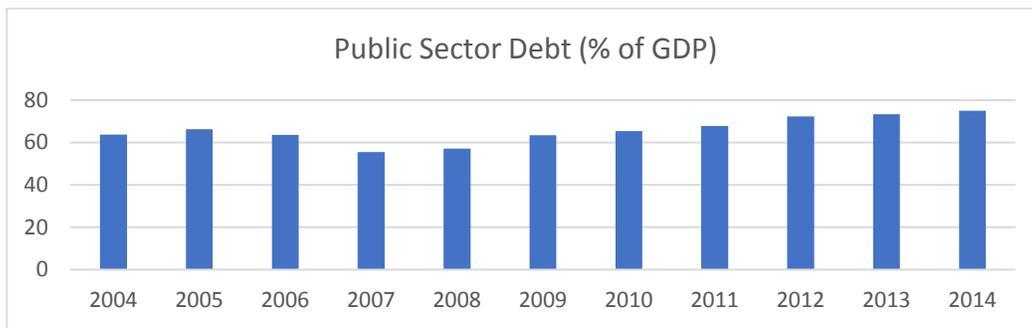
Remittances are significant, representing 3.9% of GDP in 2008 and 4.3% in 2009.³⁵⁷ The government has been working to increase tourism. Unfortunately, these efforts have not yet had the desired effects, as visitors arriving per year have not returned to pre-2008 levels. It is hoped that this will change with the completion of the Argyle International Airport, which was commenced in 2008 and completed in 2017. Economic performance has fluctuated considerably. Growth averaged 5.6% per annum in the 1980s, 3.4% in the 1990s, and approximately 4.3% from 2000 to the start of the global financial crisis of 2008. The country fell into recession in 2008, with the growth dropping to 1.6% in 2008 and then contracting by 2.2% in 2009, 3.4% in 2010, and 0.4% in 2011. Despite weathering the crisis better than many of its neighbours, growth during the recovery has been slow, rising to 2.5% in 2013, but then falling by 0.2% in 2014.³⁵⁸ Thus, while growth has at times been robust, and has generally outpaced most other Caribbean island countries, it has not enjoyed a strong recovery since 2008.

³⁵⁵ Kairi Consultants Ltd., “St. Vincent and the Grenadines Country Poverty Assessment 2007/2008, Vol. 1.”
³⁵⁶ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816).”
³⁵⁷ International Monetary Fund, “St. Vincent and the Grenadines: 2016 Article IV Consultation - Press Release; Staff Report,” IMF Country Report (Washington, DC, 2016).
³⁵⁸ Sebastian Acevedo, “Gone with the Wind: Estimating Hurricane and Climate Change Costs in the Caribbean,” WP/16/199, 2016, 19.



(Source: CDB)

At the time of the 2009 and 2010 PBLs, GOSVG had seen an increase in outstanding public-sector debt, increasing to 81% of GDP in 2005 before declining to 66% of GDP in 2008. The cancellation of a large debt in 2007 helped to rebalance the debt portfolio by reducing the proportion of external debt from 67% in 2004 to 51% by 2008. This notwithstanding, debt service payments remained skewed towards the external debt (66% in 2008). The ratio of debt service to recurrent revenue increased from 19.4% in 2004 to 21.1% in 2008.³⁵⁹



(Source: IMF)

The global economic slowdown resulted in falling government revenue while at the same time increasing demands on social safety net spending. The GOSVG opted to temporarily reduce corporate taxes for the hotel sector to prevent bankruptcies and further job losses. This led to increases in the deficit, and required increased borrowing when sovereign interest rate spreads were increasing.

Use of Non-CDB PBL-related Instruments

There is no evidence that GOSVG has made use of PBL and PBL-type instruments (such as structural adjustment programmes) from the World Bank, IMF or the Inter-American Development Bank in the past. Instead, borrowing has been to support specific projects including, for example, the Emergency Recovery

³⁵⁹ World Bank, "Personal Remittances, Received (% of GDP)," *International Development Association*, 2017, <http://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=VC>.

and Disaster Management Programme ³⁶⁰ and the HIV/AIDS Prevention and Control Programme ³⁶¹. Perhaps as a result, there has been no need to harmonize conditions with other lending institutions. Previous non-PBL type loans have focussed on disaster resilience and health. In addition, the IMF identified areas for improvement and reform in 1999 that are relevant to this case study. These include:

- Trimming the public-sector wage bill,
- Reducing the burden of public-sector debt,
- Eliminating tax exemptions,
- Strengthening the financial sector,
- Economic diversification, and
- Eliminating protective tariffs.

GOSVG indicated a commitment to these reforms, with some caveats.

FINDINGS

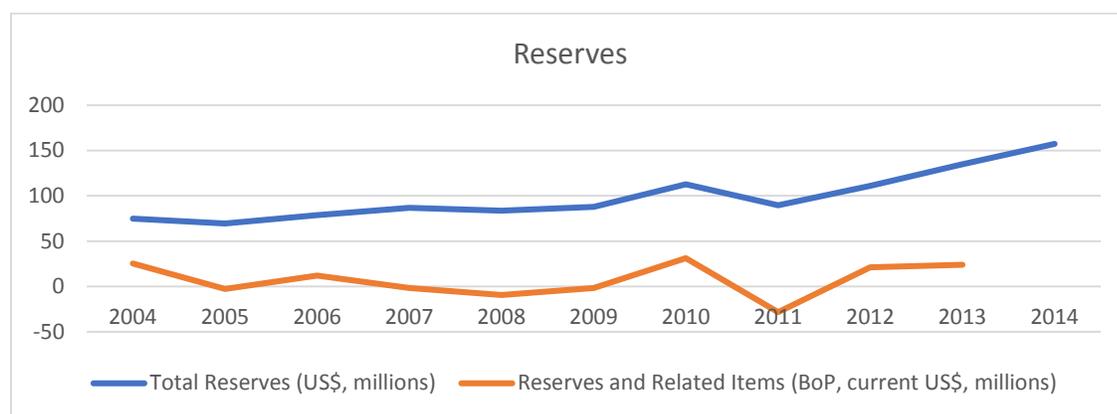
X. PBL Design Process and Appropriateness

Rationale for Using CDB Instrument

Key Finding: *The evidence shows that the rationale for applying for both PBLs was primarily to address a rapidly deteriorating fiscal situation during the global economic crisis, although the PBLs also provided an opportunity to support the implementation of needed reforms. The reforms were consistent with CDB objectives for SVG. Both PBLs include the assumption that improving GOSVG financial management and debt dynamics would have positive effects for growth and poverty reduction. The 2010 PBL was also intended to prevent the failure of the National Commercial Bank (NCB), and to avoid local and regional effects that would arise from a collapse of NCB.*

2009 PBL

The appraisal report for the 2009 PBL indicated that it was intended to support fiscal reforms that were aimed at enhancing public-sector operational efficiencies, improving the tax system, and mitigating any adverse effects of the global economic crisis.³⁶²



³⁶⁰ World Bank, “Data: St. Vincent and the Grenadines”; International Monetary Fund, “St. Vincent and the Grenadines: 2016 Article IV Consultation - Press Release; Staff Report.”

³⁶¹ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816).”

³⁶² World Bank, “St. Vincent and the Grenadines - Emergency Recovery and Disaster Management Program Project (OECS),” Report No. PID8714 (Washington, DC, 2000).

(Source: World Bank)

GOSVG was facing unsustainable loan servicing with reserves dropping steadily, ultimately requiring emergency lending at high rates to cover spending. GOSVG's Ministry of Finance and Economic Planning (MOFEP), in a letter dated April 28, 2009, noted that the global downturn had led to large declines in tourism and direct foreign investment, a slowing of remittances, and an increase in social welfare spending. Accordingly, SVG requested a PBL to support its planned reforms, which "will help to improve fiscal balances, thereby facilitating the maintenance of fiscal sustainability. Importantly, improvement in the fiscal position would be instrumental in helping to undertake our social programmes geared towards cushioning the impact of the global financial crisis on the most vulnerable in society."³⁶³

From the perspective of CDB, the appraisal report indicated that "the implementation of policy reforms that seek to strengthen governance structures and improve economic management systems in support of its macroeconomic and social development programme" could be achieved by helping "to improve revenue policy and administration; enhance expenditure management systems, including those covering social programmes; strengthen the oversight of PSEs [public-sector enterprises]; and enhance growth and improve competitiveness."³⁶⁴ It also made a comparison with PBLs used in other BMCs, noting that "While most of the previous PBLs [for other BMCs] were principally aimed at restoring macroeconomic imbalances in the affected economies, the proposed PBL for SVG is primarily geared towards supporting GOSVG's efforts to stave off a worsening of its debt dynamics ushered in by the effects of the global recession."

The PCVR stated that the PBL an appropriate instrument as it was able to disburse funds quickly to address the liquidity constraints of the government.³⁶⁵

2010 PBL

The 2010 PBL was intended to support reforms to the financial sector – specifically by reducing the public-sector debt held by the National Commercial Bank (NCB) and thereafter privatizing the bank.³⁶⁶ SVG's rationale for requesting the PBL, as indicated in a letter dated 6 May 2010, was "largely prompted by the financial sector turbulence within the ECCU which has been a direct result of the global financial crisis."³⁶⁷ The increase in the non-performing public-sector debt at NCB significantly affected the viability of the Bank. As such, the aim of the PBL was to reduce exposure of NCB to GOSVG debt, improve liquidity and loan quality at NCB, and help ensure financial sector stability and the preservation of the population's confidence in the banking sector. In addition, it would allow GOSVG to reduce debt servicing costs and dedicate a larger portion of its budget to those expenditures that facilitate growth and reduce poverty.³⁶⁸ GOSVG's letter notes that the slowdown in economic activity and the global financial crisis had affected finances at a time when social spending was rising "to mitigate the effects of the crisis on the poor and vulnerable in our society."³⁶⁹ Many citizens of SVG held accounts in NCB, and would have sustained

³⁶³ World Bank, "Loan Agreement L7251-VC - Conformed," Loan Number 7251-SV (Washington, DC, 2004).

³⁶⁴ Caribbean Development Bank, "Policy-Based Loan - St. Vincent and the Grenadines (President's Recommendation No. 816)."

³⁶⁵ *Ibid.*, 2 Appendix 2.1.

³⁶⁶ *Ibid.*

³⁶⁷ CDB Office of Independent Evaluation, "Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines" (St. Michael, Barbados, 2016).

³⁶⁸ Caribbean Development Bank, "Financial Sector Stabilisation Loan - Divestment of Commercial Bank: St. Vincent and the Grenadines (President's Recommendation No. 828)."

³⁶⁹ CDB Office of Independent Evaluation, "Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines" (St. Michael, Barbados, 2016), 2 Appendix 3.1.

personal losses increasing their vulnerability to poverty. This would have further increased social spending costs to GOSVG and caused its financial position to deteriorate further.

CDB was concerned about a loss of confidence in the banking sector in the broader ECCU region, which had already seen the collapse of the CL Financial Group in Trinidad and Tobago. Preventing a possible contagion and run on banks was a key goal.³⁷⁰

The PCVR was satisfied with the rationale for the PBL and indicated that CDB addressed critical issues and constraints appropriately. However, there is no evidence that alternatives were discussed, and, internal to GOSVG, four SVG respondents indicated that the decision to privatize NCB was made by the Prime Minister, and considered a *fait accompli* by GOSVG staff.

Relevance of PBL Instrument

Key Finding: *An effort was made to link both the 2009 and 2010 PBLs with CDB's 2008 Country Strategy Paper (CSP), although the links were more explicitly made for the 2009 PBL. The 2010 PBL was most relevant to the immediate danger presented by NCB's potential collapse.*

2009 PBL

The 2009 PBL was aligned with both the CDB country strategy for SVG and GOSVG's growth and development agenda. Specifically, CDB intended the PBL to strengthen public-sector management, promote social development by supporting efforts to reduce poverty, and facilitate economic diversification. The relevant country agenda items were increasing public-sector savings by improving fiscal management, facilitating economic diversification, and promoting social development including human resource development and poverty-reduction initiatives. The level of complementarity between the targeted areas between the PBL and other activities undertaken by CDB in Saint Vincent and the Grenadines was high. See Appendix C for a list of GOSVG development objectives, CDB objectives for SVG, and PBL objectives.

One GOSVG respondent suggested that the information that was provided in the PBL and the conditions agreed upon could have been more aligned with the spirit and overall objective of the national plan. Three other GOSVG respondents expressed the view that CDB's approach was a "take it or leave it" which also affected the analysis, the prior actions, and ownership of the reforms.

CDB's appraisal report indicated that its level of harmonization with other development partners was high, and that prior actions, where applicable, were harmonized with the work of the IMF, the Caribbean Regional Technical Assistance Centre (CARTAC), the Canadian International Development Agency (CIDA), and the Eastern Caribbean Central Bank (ECCB). The appraisal report also indicated that CDB officials worked collaboratively with officials from ECCB, CDB and GOSVG³⁷¹.

2010 PBL

The stated purpose of the 2010 PBL was to promote private sector development in SVG, reduce poverty, and prevent deterioration of the financial position of SVG. However, the primary intent of the PBL, as demonstrated by the focus in the analysis and by GOSVG, CDB Board minutes, and five CDB respondents

³⁷⁰ Caribbean Development Bank, "Financial Sector Stabilisation Loan - Divestment of Commercial Bank: St. Vincent and the Grenadines (President's Recommendation No. 828)"; CDB Office of Independent Evaluation, "Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines."

³⁷¹ Ibid., 2 Appendix 3.1.

(speaking to the SVG PBLs, and others), was stabilizing the NCB and improving GOSVG's debt dynamics. It was broadly consistent with CDB's country strategy for SVG and with GOSVG's country reform agenda – specifically increasing public-sector savings by improving fiscal management. In addition, the PCVR indicated that the design of the intervention to be consistent with the broader assistance strategy by ECCB, the CARTAC, CIDA, IMF and World Bank, as outlined in the Country Strategy Paper 2008–2011.³⁷²

PBL Country Assessment Process

Key Finding: *The analysis for both PBLs focussed primarily on macroeconomic data, and included some social context and potential impacts on poverty. In both cases, some respondents expressed concern about shortcomings in application analysis, approval, and disbursement, which could have been avoided with more consultation.*

2009 PBL

The country assessment process for the 2009 PBL focussed primarily on macroeconomic data, included social context (including a brief overview of the 2007/2008 Country Poverty Assessment), and GOSVG's reform programme. The latter focussed on fiscal reforms, including revenue policy, expenditure management, debt management, and private sector enterprise management, enhancing growth and improving competitiveness. There was a short section on sustainable poverty reduction.

The link between improved debt conditions, finances and poverty reduction was based on several assumptions, including that the global financial downturn would remain stable or improve, giving GOSVG greater fiscal space, and that GOSVG would have the capacity and willingness to use these funds to alleviate poverty. One of the respondents disagreed, suggesting that the two-pronged approach of increased fiscal efficiency and improved social targeting seemed contradictory. According to four SVG respondents, the goal of improved standards of living and poverty reduction could not have been achieved through the PBL. Linked to this were concerns by eight SVG respondents that the analysis and decisions made did not consider the views of GOSVG staff and those who represented groups who might be affected by the reforms. The data that might have been obtained could have provided a better perspective of the situation on the ground and possible unintended consequences. In addition, GOSVG officials suggested that the alignment of the PBL with GOSVG's reform programme was limited, because the government's programme was more comprehensive, the timelines were more flexible, and the targets less stringent.

2010 PBL

The analysis for the 2010 PBL indicated that GOSVG needed help to save NCB by restructuring the public-sector debt portfolio at the bank, thus averting the loss of confidence in the financial system. The explanation provided a clear link between the problem statement and the solution.

The appraisal report for the PBL indicates that it was designed in “close consultation” with GOSVG and NCB authorities³⁷³. The PCVR indicated that the problems and opportunities were adequately assessed and that the PBL had addressed the associated macroeconomic programme of reform³⁷⁴. The data that was used

³⁷² Caribbean Development Bank, “Financial Sector Stabilisation Loan - Divestment of Commercial Bank: St. Vincent and the Grenadines (President's Recommendation No. 828).” See Appendix D for a list of GOSVG development objectives, CDB objectives for SVG, and SVG objectives.

³⁷³ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President's Recommendation No. 816),” 16.

³⁷⁴ CDB Office of Independent Evaluation, “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines.”

dealt with the issue at hand – figures related to the divestment as well as the banking and non-banking financial sector – was of high quality.

However, one SVG respondent expressed concern that there was little discussion regarding the National Insurance Service (NIS), an actor that played a major role in the divestment process. In addition, the lessons learned identified were not specific to SVG or from the similar divestment of a nationally-owned bank. It was unclear to the respondent why conditionalities for updating legislation and policies for the non-banking financial sector were included in a PBL targeted at the divestment of the NCB.

PBL Applications, Negotiation, and Review Process

Key Finding: *The more complex 2009 PBL took less time to obtain Board approval than the 2010 PBL. The disbursements after approval were efficient in both PBLs. In both PBLs, GOSVG respondents argued that SVG’s weak negotiating position influenced the nature of conditions accepted.*

2009 PBL

GOSVG requested the PBL in April 2009 and the PBL was presented to CDB’s Board approximately one-month later. CDB’s response to the request made by GOSVG and the turnaround time was efficient. The time between approval and disbursement of the first tranche was three months and three days. Moreover, there was no lag time between meeting the conditions precedent for the first tranche and receiving the funds. The disbursement for the second tranche was one month and eight days after the original expected date, due to difficulties completing conditions. However, one CDB respondent expressed concern that the fast turnaround time made it impossible to circulate the proposed PBL with GOSVG, and receive constructive feedback.

There was some criticism of the negotiation process:

- Two SVG respondents indicated that some conditions were “non-negotiable” and that this effected GOSVG’s ownership.
- One SVG respondent observed that CDB wrote the final terms and conditions without GOSVG verification, and gave less than a week for GOSVG to respond – which it was not able to do.
- Eight respondents (SVG and CDB combined) noted that decisions were made by the SVG’s Prime Minister without consultation.

GOSVG respondents argued that the negotiation process between GOSVG and CDB was balanced in favour of the CDB, which allowed weak assumptions to go unchallenged. For example, it was suggested by the CDB that the 2010 elections jeopardized the achievement of the prior conditions for the cadastral survey, the land tax system and the merger between the public-sector pension scheme and the NIS. GOSVG officials disagreed, but despite assurances did not succeed in influencing the nature of the conditions.

2010 PBL

CDB’s response to the request made by GOSVG for the 2010 PBL time was also efficient. The time between approval and disbursement was 28 days. Moreover, there was a lag time of only five days between meeting the conditions precedent and receiving the funds. However, CDB officials had to submit the request three times to CDB decision-makers before the PBL was approved. In this process, differences between early drafts and the final appraisal report suggest that new conditions for legislative and institutional reforms were added to the original proposal. The repeated submissions resulted in a delay of four months.

As with the 2009 PBL, four SVG respondents indicated that the decision for divestment was taken by the Prime Minister, and that further review and consultation with stakeholders to identify alternatives and refine

conditions would have been beneficial. The PCVR concurred with this assessment.³⁷⁵ Despite this, the PCVR concluded that “the architects of this project were careful to ensure that there was an appropriate match between implementation capacity, buttressed by the adequate component of technical assistance and the volume of activities to be undertaken.”³⁷⁶

PBL Expected Outcomes and Measurement Strategy

Key Finding: *The 2009 PBL appraisal report included a logic model with assumptions and a results matrix with indicators upon which the prior actions were based, but lacked clarity of outcomes, logical coherence, and appropriate indicators. The 2010 PBL contained a results matrix with outcomes, but no logic model. See Appendix E for a list of outcomes for both PBLs.*

2009 PBL

The 2009 PBL appraisal report included a logic framework matrix and results matrix. The logical framework matrix containing indicators, targets and means of verification. PBL outcomes and “Country Level” outcomes were identified in the results matrix. The stated purpose of the PBL was to improve the standard of living and reduce poverty levels through sustained and balanced growth. However, as only one of the prior actions address either of these directly, sustained growth and poverty reduction can be interpreted as ultimate outcomes to which the prior actions were intended to contribute.

The logical framework matrix adds a purpose: To improve the management of public sector resources. The logical framework matrix outputs can be interpreted as medium-term outcomes, due to targets being set in 2013. There are verifiable quantitative indicators. However, so can the country level outcomes, although they lack indicators. PBL outcomes are consistent with short-term outcomes, although some of the indicators are prior actions. The PCR was conducted using six outcomes, which were based on the themes in the results-based framework matrix

Table 3: Comparison of Results Framework, Logical Framework and Indicative Policy Matrix for Disbursement

Results Framework Matrix Outcome Themes	Logical Framework Matrix Outputs	PCR Outcomes
Expenditure management	Improved expenditure management	Improved expenditure management through strengthened legal and institutional framework and enhanced transparency
PSE management	Improved management of PSEs	Increase monitoring of PSEs
Revenue policy and administration	Higher tax revenue as a percentage of GDP	Improved revenue policy and administration
Public debt management	Improved debt management	More dynamic system of debt management
Sustainable poverty reduction		Sustainable poverty reduction
Enhancing growth and improving competitiveness		Enhancing growth and improving competitiveness

³⁷⁵ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” 10.

³⁷⁶ “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 5.

Accordingly, the evaluation adopted the following as medium-term outcomes:

- Improved expenditure management;
- Improvement of revenue policy and administration / higher tax revenue as a percentage of GDP;
- Improved debt management;
- Improved management of PSEs;
- Enhancing growth and improving competitiveness; and
- Sustainable poverty reduction.

PBL outcomes were treated as short-term outcomes. (see Appendix E for a complete list). Short-term indicators were largely qualitative, with some containing terms difficult to measure (e.g. “minimise”, “improve” or “optimise”) and a number being prior actions. Medium term indicators included both qualitative and quantitative indicators.

The PCVR concluded that, “The expected outcomes were not clearly articulated... Both results matrices lacked clarity of outcomes and logical coherence (clear results chain) and appropriate indicators.”³⁷⁷ Some indicators were inadequate. For example, there was no quantitative target for the output on improving PEFA scores by 2013.

Included in the logic model assumptions were an absence of major internal shocks, continued strong investor confidence in SVG, diversification of the economic base, adequate political commitment to the reforms, adherence to newly implemented systems and institutional arrangements, timely implementation of the reforms, and availability of adequate financial and other resources (such as technical assistance). The text of the appraisal report³⁷⁸ contains several other assumptions within the analysis, some of which are explicit and others that are implied. These include continued low or negative growth, low external demand for agriculture, low inflation, continued poor performance in the tourism sector, and the likelihood that GOSVG spending would be a driver for growth.³⁷⁹ In addition, it was assumed that GOSVG would prudently manage public finances, felt ownership for the programme, would remain committed to and had the institutional capacity for the reforms.³⁸⁰ It also assumed that improved planning, and efficiencies created would be reinvested in poverty reduction measures.³⁸¹

With respect to outcomes, both CDB and GOSVG respondents made key comments regarding the intent of the PBLs. One CDB official noted that the goal was “very much to get the money out the door,” and that the most important issue was to reduce debt and debt servicing charges, and that “everything else is secondary.” Four GOSVG officials indicated that the PBL was meant to deal with fiscal stability, and to release funds for investment in development. This evidence and the focus of the appraisal reports, PSRs, the PCR, and the PCVR suggests that debt and debt servicing charge reduction was the primary short and medium-term intended outcome of the 2009 PBL.

2010 PBL

The 2010 PBL appraisal report contained a results-based framework matrix with country and PBL-level outcomes, but no logical framework matrix. Included were key constraints and outcome indicators. In order

³⁷⁷ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” 20.

³⁷⁸ “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 5.

³⁷⁹ *Ibid.*, 4.

³⁸⁰ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816).”

³⁸¹ *Ibid.*, 12.

to assess the achievement of outcomes, this evaluation treats PBL outcomes as short-term outcomes and country level outcomes and medium-term outcomes. Medium-term outcomes were:

- Ensure financial sector stability and preserve confidence in the banking sector;
- Improvement in the legal and institutional framework for management of NBFIs; and
- Improvement in the monitoring mechanisms for NBFIs.

For a complete list of short- and medium-term outcomes, see Appendix E.

Both qualitative and quantitative indicators were identified for PBL-level outcomes, but not country-level outcomes. The outcomes and indicators for the divestment of NCB were logically coherent. Many indicators and outputs (i.e. prior actions) for NBFIs reforms were identical. The PCVR also expressed concern that project outputs and outcomes were not sufficiently differentiated.³⁸²

There are implied assumptions in the results matrix and the analysis. These included steady political and public will to complete the divestment of NCB (and not reverse the take-over), timely action by SVG, sufficient technical and financial resources, an absence of external shocks, weak or negative growth in 2010 and 2011, and that the external account balance of GOSVG would continue to deteriorate in the medium-term. Overarching these was the assumption that the NCB was near collapse, and that the divestment was urgently needed to prevent the resulting effects on Vincentians.

PBL Prior Actions

Key Finding: *The 2009 PBL had a relatively large number of diverse prior actions (21). The 2010 PBL was more focussed and had 13 conditionalities. The results matrix was coherent with strong links between prior actions. (See Appendices C and D for lists of prior actions.)*

2009 PBL

The 2009 PBL results-based framework matrix had 21 prior actions organized under six themes: expenditure management (6), public sector enterprise management (3), revenue policy and administration (7), public debt management (3), sustainable poverty reduction (1), and enhancing growth and improving competitiveness (1). A comparison with the policy matrices later in the document revealed that two indicators did not have associated prior actions, and one prior action did not have an associated indicator. The policy matrices had nine prior actions in the first tranche and 13 in the second. Two prior actions required legislative action while four others required significant implementation effort (e.g. cadastral survey) or the standing up of new units. Two (implementing the VAT and ASYCUDA) had already been completed in 2007.

Three CDB respondents noted that while many of the prior actions may have appeared realistic when assessed individually, there would have been benefit in greater consultation, particularly on issues of limited GOSVG capacity (both fiscal and technical) at a time of economic and political uncertainty.

2010 PBL

The 2010 had 6 prior actions and 7 post-disbursement conditions. All prior actions and conditions were strongly linked with the objective of transforming the national bank and the non-banking financial sector. The only enforceable condition was the signing of an agreement between a third party and the NCB,

³⁸² CDB Office of Independent Evaluation, “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 2.

allowing flexibility for the remaining prior actions. The prior actions were realistic as the transformation was already linked to other reform areas the government acting upon.

PBL Risk Mitigation Strategies

Key Finding: *The 2009 PBL contained both general and PBL-specific risks and mitigation strategies. Mitigation relied heavily on technical assistance. The 2010 PBL stated risks were more generic, as were mitigation strategies.*

2009 PBL

Both general and PBL-specific risks were identified. General risks included:

- Natural hazards. Mitigation: Participation in the Caribbean Catastrophe Risk Insurance Facility (CARICRIF) as well as ongoing efforts to mainstream disaster risk reduction in the agriculture sector.
- Adverse International Developments. Mitigation: “The reforms supported by the PBL will likely help to address this vulnerability by improving the ability of future public sector interventions to squarely address such vulnerabilities in their design.”³⁸³
- Implementation Capacity. Mitigation: The package of technical assistance (TA) support by the development partners should mitigate this risk. Moreover, ownership of the reform programme, underpinned by the fact that the reform agenda has been driven, in large measure, by GOSVG, should help to mitigate this risk.

PBL-specific risks were contained in the results-based framework matrix³⁸⁴ and included several themes:

- Policy reform burden and slippage in the implementation of key reforms. Mitigation: technical assistance and “strong commitment to policy reforms.”
- Limited fiscal resources impacting hiring/training of staff with appropriate qualifications. Mitigation: Technical assistance.
- Organizational resistance to change. Mitigation: Technical assistance and “clearly established guidelines.”
- Prolonged or deepened recession. Mitigation: None.

2010 PBL

As with the 2009 PBL, both general and PBL-specific risks were identified. General risks were:

- Political policy reversal. Mitigation: None, although MOU already signed.
- Financial. Mitigation: Lower cost of multilateral financing.
- Natural hazards. Mitigation: Establishment of “Hazards Mitigation Council” and development of mitigation policies and plans, and membership in CARICRIF.

The results-based framework matrix also included PBL-level risks:³⁸⁵

- Lack of political will to complete divestment of NCB. Mitigation: Disbursement of PBL is contingent on sale of NCB.
- Strong public opposition to sale of bank. Mitigation: Ongoing commitment to improve public sector governance.

³⁸³ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” vi.

³⁸⁴ CDB, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” Paper BD 23/09 (St. Michael, Barbados, 2009), i–iv.

³⁸⁵ CDB, “Financial Sector Stabilisation Loan - Divestment of Commercial Bank: St. Vincent and the Grenadines (President’s Recommendation No. 828),” 14–16.

- Reversal of take-over decision by strategic partner after completion of due diligence exercise. Mitigation: None.
- Policy reform burden and slippage in the implementation of key reforms. Mitigation: “Ongoing support from development partners and strong commitment to improve governance.”³⁸⁶
- Insufficient technical and financial resources to complete tasks. Mitigation: Provision of technical assistance by CARTAC.

No risks were identified for the country-level outcome statements, and potential losses from the NCB divestment (e.g., more GOSVG borrowing in the international market, losses in potential sources of revenue) were not included in the analysis.

PBL Technical Assistance

Key Finding: *There was a modest level of importance attached to technical assistance in the 2009 PBL, while for the 2010 PBL CDB officials paid increased attention to the provision of technical assistance.*

2009 PBL

The appraisal report outlines technical assistance that would be provided by CDB, such as institutional strengthening at the Statistics Department, building in-house capacity to prepare and implement economic strategies, and Poverty Reduction Strategy. In addition, it sets out parallel technical assistance that was offered by the World Bank, CARTAC, CIDA/ECCB, ECCB, European Union, International Labour Organization, IMF and the Organization of American States. No costing was provided in the appraisal report.

2010 PBL

The appraisal report for the 2010 PBL provided the description of technical assistance that was required and offered by the CARTAC, ECCB, and the IMF. CDB proposed to provide parallel technical assistance to conduct a study. The PCVR agreed that the technical assistance given was “adequate to the activities to be undertaken.”³⁸⁷

Harmonization of Processes with other Lending Institutions

Key Finding: *There was a lack of evidence of coordination between lending institutions in the PBL appraisal reports and PCRs, although the 2010 PBL was aligned with the position taken by other international institutions.*

2009 PBL

One CDB respondent and the PCR indicated that the prior actions of the 2009 PBL were consistent with the kind of prior actions agreed by lending institutions in other BMCs. However, no evidence was presented to support this.

³⁸⁶ Ibid., 15.

³⁸⁷ “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 5.

2010 PBL

The PCVR stated that GOSVG's divestment of NCB was consistent with its commitment to the ongoing Financial Sector Reform Programme and the continuing support of ECCB, CARTAC, CIDA, IMF and World Bank whose guidance on reform programmes provided the framework for the design of the measures.³⁸⁸ It is expected that with takeover by the East Caribbean Financial Holding Company, an institution with "proven management expertise," there will be a greater ability for the NCB to meet ECCB's prudential targets and maintain confidence in the banking sector.³⁸⁹

XI. Appropriateness of the Conditions

CDB Expectations

Key Finding: *CDB's expectations were set out in the terms and conditions for both PBLs. However, disbursement of 2009 PBL funds when some conditions were not yet achieved was criticised.*

2009 PBL

The 2009 PBL terms and conditions set out the conditions for disbursement of each tranche, terms of repayment, and other conditions, including CDB's right to suspend or cancel the loan should a part of the programme not be carried out. However, the PCVR concluded that in disbursing funds when all conditions were not met, "the Bank effectively undermined its leverage to incentivise the pace of the remaining reforms by not imposing a penalty for non-completion in a timely manner. The utility of the PBL in accelerating policy reform was thus undermined."³⁹⁰

2010 PBL

The 2010 PBL terms and conditions set out the conditions for disbursement of funds, terms of repayment, and other conditions, including CDB's right to suspend or cancel the loan should a part of the programme not be carried out.

Monitoring Prior Actions Implementation

Key Finding: *The monitoring of prior actions was intermittent, with gaps in the project supervision reports for the 2009 PBL and no PSRs for the 2010 PBL. Nonetheless, CDB appeared to be aware of the status of conditions.*

2009 PBL

CDB officials maintained a schedule to follow-up on the continued achievements of certain prior actions. There were seven project supervision reports (PSRs) between August 2010 and February 2013, although there no reports between February 2011 and February 2013. The PCVR criticized the supervision as "intermittent" with "insufficient outcome reporting,"³⁹¹ and there appeared to be problems with CDB capacity to monitor that were later identified by CDB's Board. However, when delays in several prior

³⁸⁸ Ibid., 4.

³⁸⁹ CDB / OIE, "Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines."

³⁹⁰ "Executive Summary: PCVR: Policy Based Loan St. Vincent and the Grenadines," 5.

³⁹¹ Ibid., 4.

conditions emerged, these were considered in the context of the overall economic environment and attempts to accommodate the difficulties made.

In addition, the PCVR for the 2009 PBL observed, "...the establishment of entities cannot be considered to be evidence of policy reform. If they are part of the reform agenda whose effectiveness is to be monitored and evaluated, there needs to be appropriate indicators and a system to follow up if these agencies are being effective in implementing the reform mandate they are responsible for."³⁹²

2010 PBL

CDB officials maintained a schedule to follow up on the continued achievements of certain prior actions. The follow-up was concentrated on pressing problems in implementation. There were no PSRs.

PBL Technical Assistance Implementation

Key Finding: *Technical assistance was offered in both the 2009 and 2010 PBLs to assist in the completion of some conditions. The extent of this assistance is not documented.*

2009 PBL

Problems obtaining technical assistance were identified in the first PSR, but not thereafter. The PCR and OIE validation did not cite the absence of technical assistance as a factor in the non-completion of prior actions.

2010 PBL

The PCVR indicated that CDB provided technical assistance and worked closely with GOSVG to expedite the prior actions. Assistance was also provided by CARTAC and ECCB to develop standardised reporting forms for non-banking financial institutions (NBFIs).

Addressing Adjustments to the Results Framework

Key Finding: *There were no changes to either PBL's results framework, despite the fact that conditions could not be met.*

2009 PBL

There were no adjustments to the results framework, even though four prior actions were delayed, with two of those ultimately abandoned and included in a later programme of reforms. The PCVR noted: "Weaknesses included poor management for results with incompatible results matrices and poor project logic; not following on the M&E conditions of the loan agreement, intermittent supervision and insufficient outcome reporting."³⁹³ It also indicated that disbursing funds when some prior actions were incomplete undermined the bank's leverage in ensuring timely reforms. At the same time, however, the decision was based on CDB's assessment that GOSVG's efforts were being undermined by the economic crisis.

2010 PBL

There were no adjustments to the results framework even though the legislative changes could not be accomplished. This was not noted in any reports.

³⁹² Ibid., 5.

³⁹³ Ibid., 4.

Robustness of Risk Mitigation Strategies

Key Finding: *Both PBLs identified risks and some mitigation strategies, although some risks were missed. The severity of the economic downturn was underestimated, contributing to the granting of the second tranche of the 2009 PBL despite prior actions not being completed.*

2009 PBL

The risk mitigation strategies proved unable to address the risks that emerged. Specifically, no risk mitigation was identified for a prolonged or deepening recession, although the steps that were taken to provide the second tranche of funding in the absence of some prior conditions could be interpreted as a *de facto* mitigation strategy. The mitigation strategy related to adverse international developments was vague: “The reforms supported by the PBL will likely help to address this vulnerability by improving the ability of future public-sector interventions to squarely address such vulnerabilities in their design.”³⁹⁴ The difficulties with inter-agency GOSVG coordination were not identified as a potential risk.

2010 PBL

The risk mitigation strategies for capacity constraints with respect to reforms pertaining to the regulation of NBFIs proved inadequate. None of the legislative actions were accomplished, due partly to capacity constraints and partly to political opposition. Capacity constraints also delayed the SRU for NBFIs.

XII. Observable Effects Resulting from Implementation of Conditions

Degree of Success Achieving Prior Actions

Key Finding: *For the 2009 PBL, all the first tranche prior actions were completed prior to disbursement. Of the second tranche prior conditions, three were delayed and one not completed. Final dates of completion were unclear for some prior actions. The 2010 PBL completed all but two conditions, which were associated with legislative changes.*³⁹⁵

2009 PBL

The first tranche prior conditions were completed by August 2009. Two had already been completed two years prior to the PBL, and some others were already in progress as part of GOSVGs reform agenda. There were difficulties meeting four of the prior actions for the second tranche. These include:

- Completed cadastral survey: Delayed and rescheduled to November 2010; completed in May 2011. The CDB revision in scope and PCR cited “significantly more work than originally estimated” and unfavourable weather.³⁹⁶

³⁹⁴ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines (President’s Recommendation No. 816),” iv.

³⁹⁵ See Appendices C and D for a list of the prior actions and conditions, and their status, for both the 2009 and 2010 PBLs.

³⁹⁶ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions,” Paper BD 23/09 Add. 1 (St. Michael, Barbados, 2010), 5; EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 2013, 23.

- Change land tax evaluation system to market-based: Not completed; PCR suggests completion in 2015-16. According to CDB's 2010 project revision, the effect of the delay was mitigated by greater revenues resulting from the completed cadastral survey.³⁹⁷
- Retain consultant to undertake study examining feasibility of merging the public-sector pension scheme and the NIS (pension rationalization study): Not completed. The reason cited for the delays was that the several revisions to the terms of reference were required for the consultant's work due to the scope and complexity of the project. It was also felt that several options should be considered.³⁹⁸
- Completed Poverty Reduction Strategy: Not completed; PCR suggests completion in 2015-16. Delayed due to GOSVG capacity constraints. CDB agreed to provide technical assistance and the completion date was delayed several times.³⁹⁹

In general, the CDB characterized the delays in the PBL conditions as, "attributed to several factors, including: (i) inadequate engagement by the Ministry of Finance and Economic Planning (MOFEP), the stakeholder responsible for leading some of the policy reforms; (ii) human resource deficiencies within GOSVG; and (iii) the deteriorating external environment which led to cash flow difficulties for GOSVG."⁴⁰⁰ Three respondents expressed the view that, given the election in 2010, the dates for some conditions were unrealistic, and would have to wait until after the election. In addition, it was noted that although the prior actions may have looked reasonable individually, taken together and in the context of capacity and the global economy, they were not fully achievable.

The CDB Board accepted the delays on the basis that GOSVG was facing severe adverse circumstances, but was nonetheless making steady progress.⁴⁰¹ In addition, Board minutes dated October 20-21 (meeting #243) suggest that the success of the 2010 PBL may have played a role in convincing CDB Board officials of the sincerity of COSVG reform efforts.⁴⁰² For this reason, and to mitigate the effects of the deepening economic crisis, it agreed to provide the second disbursement to GOSVG in advance of the completion of these conditions. Evidence on the final completion dates of the delayed conditions was incomplete.

2010 PBL

The six prior conditions were completed before the disbursement of funds. Of the remaining seven post-disbursement conditions, there were three that were delayed or not met. These include:

- New *Insurance Act* and accompanying regulations to be proclaimed by December 2011: Not completed.
- New *Co-operative Societies Act* proclaimed by December 2011: Delayed. Act passed in 2012 and was awaiting proclamation when the PCR was written. Unclear when/if proclamation occurred; 2015 PCVR cites it as completed.

³⁹⁷ CDB, "Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions," 5-6; EKT & Associates Ltd., "Project Completion Report: Policy-Based Loan St. Vincent and Grenadines," 15.

³⁹⁸ CDB, "Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions," 6-7.

³⁹⁹ *Ibid.*, 7.

⁴⁰⁰ "Project Supervision Report 2012-09-05 PRN: 3473 (Period 2012-01-01 to 2012-06-30)" (St. Michael, Barbados, 2012), 7.

⁴⁰¹ "PBL - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions," 8.

⁴⁰² CDB, "Excerpts from Minutes of Meetings of CDB's Board of Directors Re: Discussions Surrounding CDB's Policy Based Operations" (St. Michael, Barbados, n.d.), 32.

- Update to harmonize *Money Services Business Act* and regulations with ECCB: Not completed. PCR indicates that “GOSVG has expressed reservations... since it is of the opinion that current legislation is adequate.”⁴⁰³
- Single regulatory unit (SRU) for NBFIs in place by 2011: Delayed; completed in 2012. The reason for delay cited was difficulty finding qualified staff for the office.⁴⁰⁴

The failure to harmonize the *Money Services Business Act*, and to proclaim into law the *Co-operative Societies Act* were flagged as a significant concern by the PCVR, citing the failure of banks in the region, and the fact that credit unions and the Building and Loan Association have assets amounting to 13% of SVG’s GDP.⁴⁰⁵

Short-term Outcomes

Key Finding: *Short-term outcomes were not identified for either PBL, although this evaluation treated the majority of PBL outcomes as short-term. For the 2009 PBL there was a lack of direct evidence for the achievement of short-term outcomes. For the 2010 PBL, the primary short-term outcomes were met, with some gaps. GOSVG and CDB expressed overall satisfaction with the results and outcomes of both PBLs, although more so for the 2010 PBL.*⁴⁰⁶

2009 PBL

The OIE validation of the PCR notes that it “did not provide an assessment of the extent to which each outcome was achieved.”⁴⁰⁷ These factors, along with the use of qualitative standards that are impossible to definitively assess (i.e. using words such as “minimise” and “optimising potential”), make any precise determination of the achievement of outcomes challenging. One respondent at CDB confirmed that this was a common problem at CDB and other development banks, particularly with early PBLs. IDB made a similar assessment.⁴⁰⁸ However, there is some evidence:

- With respect to the legislative and policy framework in support of PFM, there were substantial changes which the PCVR notes should enhance accountability and transparency, with sustainability in theory buttressed by participation in OECS economic union “against the backdrop of the Eight Point Stabilisation and Growth.”⁴⁰⁹
- With respect to budget control systems, oversight, and transparency, there was no specific evidence available to the evaluation on enhanced budget preparation and monitoring skills and closer integration of budgeting and strategic planning, although the prior actions for these outcomes were achieved. The PCVR concludes that “GOSVG made steady progress towards improved expenditure management and debt management and to a limited degree revenue administration,”⁴¹⁰ and CDB respondents noted that there were new efficiencies on the “expenditure side,” though most of the effect was on the “revenue side.”

⁴⁰³ Caribbean Development Bank, “Project Completion Report: Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” Paper BD 30/10 Rev. 1 (St. Michael, Barbados, 2013).

⁴⁰⁴ CDB Office of Independent Evaluation, “Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines” (St. Michael, Barbados, 2015), 8.

⁴⁰⁵ *Ibid.*, 14.

⁴⁰⁶ See Appendix E for a list of short and medium-term outcomes for the 2009 and 2010 PBLs.

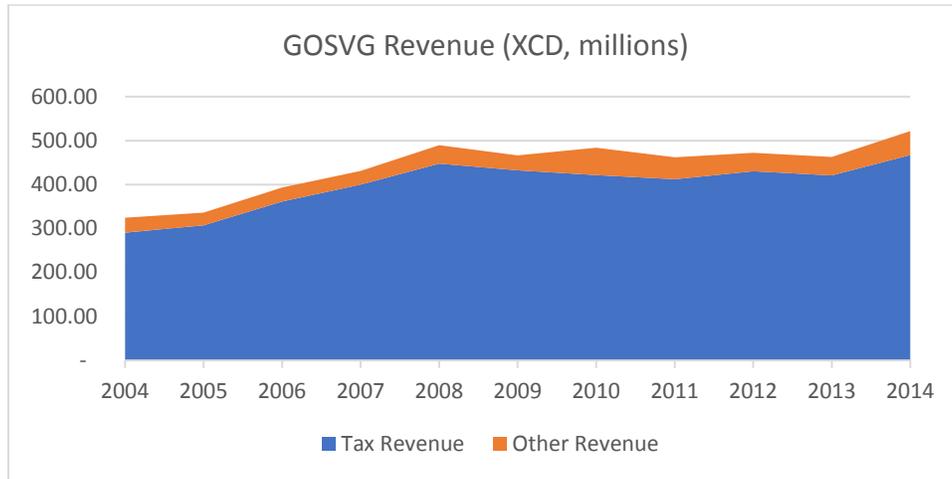
⁴⁰⁷ “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 4.

⁴⁰⁸ Inter-American Development Bank, “Design and Use of Policy-Based Loans at the IDB” (New York, 2015), 37.

⁴⁰⁹ CDB Office of Independent Evaluation, “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 4.

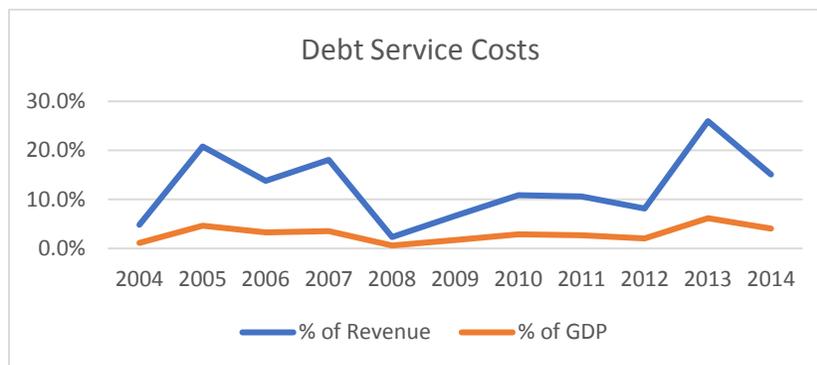
⁴¹⁰ *Ibid.*, 3.

- With respect to improvements to tax administration, the PBL conditions and indicators were met, albeit with delays. As noted above, CDB was confident that the reforms would increase revenue.



(Source: CDB)

- With respect to improvements in finance costs and governance of debt management, a substantial portion of the PBL funds were used to partially pay off an outstanding overdraft, immediately improving country reserves and debt servicing charges. It is not possible to isolate the effects of the PBL regarding debt-to-GDP ratios or on the deficit, although the funds did have an immediate effect on debt servicing costs. In absolute terms, the deficit increased, but this was a result of increased social spending necessitated by the severe economic downturn. An institutional DeMPA assessment, using World Bank methodology, was completed in 2010.



(Source: CDB)

- With respect to the monitoring of PSEs, MOFEP officials indicated that reports were not being submitted in a timely fashion.⁴¹¹ This undermined the medium-term outcome of reducing the economic drag of PSEs.
- With respect to optimising the potential for SVG as a tourism destination, the planned Tourism Authority was established and an e-readiness assessment done.
- With respect to poverty reduction, the planned Poverty Reduction Strategy was substantially delayed.

⁴¹¹ EKT & Associates Ltd., "Project Completion Report: Policy-Based Loan St. Vincent and Grenadines," 17.

The PCVR indicated that performance on the PBL was “marginally unsatisfactory” on balance.⁴¹² Six GOSVG respondents were concerned with the severity of the prior actions required, and the effect on potential government-led growth efforts, which decreased their satisfaction.

2010 PBL

Those conditions pertaining directly to the divestment of NCB were either met or mostly met, leading the PCR⁴¹³ and PCVR⁴¹⁴ to conclude that the associated short-term results were achieved. The PCR noted, however, that although NCB’s financial position improved greatly, it failed to achieve the standards of ECCB’s prudential guidelines in a few areas, such as cash reserves to deposits ratio and the ratio of unsatisfactory assets to total loans and advances.⁴¹⁵ Specific evidence includes:

- With respect to reducing NCB’s non-performing loans by \$10) mn, the PCVR determined that loans equalling \$100,525,300 were cancelled, meeting the target.⁴¹⁶
- With respect to outcomes requiring the reduction of NCB public sector exposure to 20% of loans outstanding, the inflow of new capital, and the transfer of operational control of NCB, the PCVR concluded that these were achieved prior to disbursement.⁴¹⁷
- With respect to the protection of depositors’ holdings, the PCR concluded that outcomes had been partially met. The cash reserves to deposits ratio remained far short of the target (6.6% vs target of 25.6%), but the target for total loans to total deposits was surpassed (82.5% vs target of 79.7%).⁴¹⁸
- With respect to legislative reforms, outcomes were not met. Two acts were not passed (the *Insurance Act* and *MSB Act*) and another was only partially achieved at the time of the PCR.⁴¹⁹ However, the PCVR also noted that the failure to implement all regulations was mitigated to a degree by the support of international development partners and lending institutions whose programmes provided the framework for the design of the conditions, and the takeover by the ECHB.
- With respect to the SRU and timely reporting on NBFIs, both were achieved as all the prior actions were accomplished and either implemented or being implemented at the time of the PCR. The GOSVG management response to the PCVR criticism on the late establishment of SRU was: “The importance of ensuring that SRU was properly established with the right legal infrastructure and the right mix of personnel, could have been compromised by making it a prior condition to disbursement of PBL.”⁴²⁰

Finally, the PCVR notes that, “the PBL has contributed to an improvement in the country’s debt dynamics by the replacement of commercial debt with lower cost multilateral debt, and helped to generate fiscal space

⁴¹² CDB Office of Independent Evaluation, “Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines.”

⁴¹³ EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 19.

⁴¹⁴ CDB Office of Independent Evaluation, “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 4.

⁴¹⁵ Caribbean Development Bank, “Project Completion Report: Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines.”

⁴¹⁶ CDB Office of Independent Evaluation, “Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 8.

⁴¹⁷ Ibid.

⁴¹⁸ Ibid., 9.

⁴¹⁹ Ibid., 7.

⁴²⁰ CDB Office of Independent Evaluation, “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 8.

through lower debt servicing costs.”⁴²¹ Overall, both CDB and GOSVG respondents were satisfied with the achievement of results.

Medium-term Outcomes

Key Finding: *For the 2009 PBL, there was a lack of direct evidence for the achievement of medium-term outcomes. However, available evidence suggests that it was not fully successful in meeting its medium-term objectives, and that reforms may not be sustainable. The 2010 PBL, on the other hand, met its primary medium-term outcome of financial sector stability, and preservation of confidence in the banking sector. Other medium-term outcomes were partially met.*

2009 PBL

Given the severity of global economic impacts on SVG, it is difficult to attribute medium-term outcomes solely to CDB’s 2009 PBL. However, using the indicators set out in the appraisal report, the 2009 PBL was largely unsuccessful in achieving its objectives.

- With respect to revenue improvements, GOSVG failed to meet the target of 32.4% of GDP by 2013. Tax revenue was 21.6% in 2013 and is projected to be 24.3% in 2017.⁴²² Property tax yield also failed to meet its target of 0.5% of GDP by 2013, and remaining static at 0.2%. However, the value added tax (VAT) and revenue systems improved because of efficiencies from the ASYCUDA system, although there was room for improvement as the Customs and Excise Department had been having difficulty meeting targets. However, the changes in land tax evaluation to a market-based system were not made as planned, instead using cadastral survey data to expand the property tax base. Two respondents indicated that this affected tax revenues, with increases in revenue of \$2.3 mn rather than the \$10 mn anticipated. Nonetheless, GOSVG assured CDB that this would not compromise the programme, and CDB was satisfied that this represented a partial achievement of the outcome.⁴²³
- With respect to expenditure management, there was no data available to the evaluation on PEFA scores. However, the PCVR noted that, “GOSVG made steady progress towards improved expenditure management and debt management and to a limited degree revenue administration.”⁴²⁴ Supporting this assessment, the evaluation found that the legal and institutional framework for PFM improved, as the *Finance Administration Act* (FAA) helped streamline expenditures and limited independent financial actions by ministries. There was no data to assess whether transparency or effectiveness of the process had improved.
- With respect to debt management, one target was to maintain an average effective interest rate on central government debt of 5.5%. No direct evidence was available to the evaluation, although IMF figures in Article IV reports suggest that it was met as the weighted averages of domestic debt and nominal external debt appear to have remained below 5%.⁴²⁵ There was no evidence available on

⁴²¹ Ibid., 4.

⁴²² International Monetary Fund, “St. Vincent and the Grenadines: 2016 Article IV Consultation - Press Release; Staff Report.”

⁴²³ EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 20.

⁴²⁴ CDB Office of Independent Evaluation, “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 3.

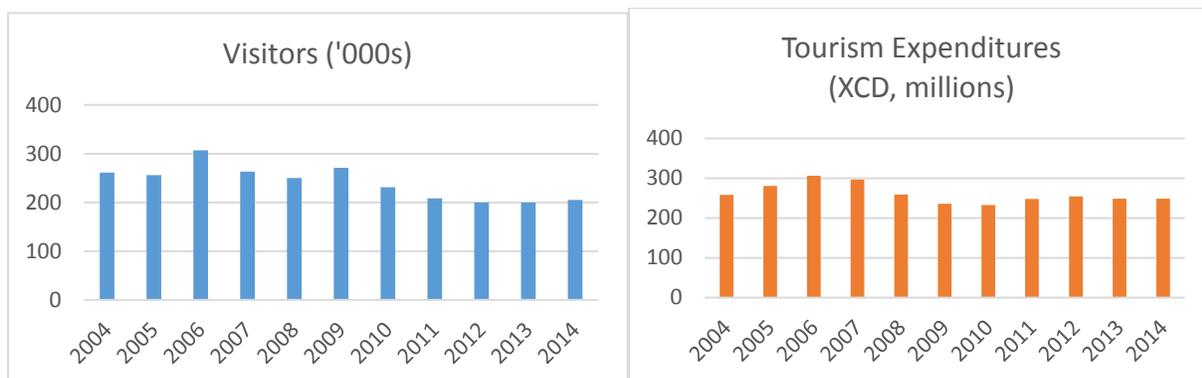
⁴²⁵ International Monetary Fund, “St. Vincent and the Grenadines: 2014 Article IV Consultation - Press Release; Staff Report,” IMF Country Report No. 15/259 (Washington, D.C., 2015); International Monetary Fund, “St. Vincent and the Grenadines: 2016 Article IV Consultation - Press Release; Staff Report.”

possible improvements to SVG’s DeMPA scores, although a baseline rating was reported completed in the PCR.⁴²⁶

- With respect to the management of PSEs, the PCVR noted that “A major outcome not achieved was improved monitoring of PSEs which reduces the overall impact of the suite of policy reforms.”⁴²⁷ The PCR noted that “it is not now possible to determine whether or not PSEs are operating at a higher level of efficiency.”⁴²⁸

Considering other measures, the PCVR also noted that “The other unachieved outcomes were enhanced growth and competitiveness and sustainable poverty reduction.”⁴²⁹

- There was no evidence that the establishment of the Tourism Authority improved economic diversification or produced any noticeable increase in the number of tourist visits. The action was taken during a global economic downturn which affected all tourist destinations, and SVG has still not recovered to pre-2008 levels.
- The overall social safety net remained the same. The poverty study allowed GOSVG to better target the poor by removing those who were not eligible and by developing an array of better targeted/designed public assistance programmes (four instead of one) that were staggered and triggered by specific conditions. A GOSVG respondent suggested that determining the success of the programme should include a consideration of whether those enrolled were able to graduate from the programme and obtain jobs. Beyond this, as observed in the PCVR, there is not enough information to assess the effect of policies on equity, social inclusion, or poverty reduction.



(Source: CDB)

The PCVR expressed scepticism about the sustainability of reform under this PBL: “Sustainability should rest on the reforms being mainstreamed into the Government’s processes and having the desired effects of containing expenditure, managing and reducing debt and maintaining transparent government operations, rather than continued reliance on loans.” It concluded that because of “limited results obtained for the outcomes related to growth and competitiveness and effective monitoring of PSEs, it seems unlikely that these aspects of the PBL will be felt in the long-term.”⁴³⁰

⁴²⁶ EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 16.

⁴²⁷ CDB Office of Independent Evaluation, “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 3.

⁴²⁸ EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 17.

⁴²⁹ CDB Office of Independent Evaluation, “Executive Summary: Project Completion Validation Report: Policy Based Loan St. Vincent and the Grenadines,” 3.

⁴³⁰ CDB / OIE, “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 3.

2010 PBL

The 2010 PBL had three country level outcomes, which this evaluation treats as medium-term outcomes.

- With respect to ensuring the stability and preserving confidence in the banking sector, the PCRV indicated that the PBL prior actions “significantly enhance the bank’s ability to meet ECCB prudential targets and maintain confidence in the banking sector.”⁴³¹ No other evidence was available. However, given that the transition of NCB to a new operator was successful, and CDB’s satisfaction with results (as stated in the PCR), it is reasonable to assume that this was met.
- With respect to improving the legal and institutional framework for management of NBFIs, this was not met. As noted above, several key acts were not passed. The PCVR concludes that this may have been due to a lack of “in-depth discussions on both the substance and relevance of the proposed actions during the appraisal and design stages.”⁴³² This statement appears consistent with the evidence of six respondents, in which they suggested greater consultation would have better identified risks.
- With respect to improving the monitoring mechanisms for NBFIs, the PCRV as satisfied with the progress, but made a note of caution: “Any extended delays in getting the new oversight body operational could severely impact the capacity of the Ministry to supervise its operations. This is particularly critical in the case of credit unions as a group and the Building and Loan Association, each with sizable assets, amounting to approximately 13% of GDP.”⁴³³

As noted in the section on prior actions, the PCVR expressed some concerns that outcomes might be compromised by disbursing funds in advance of completion of conditions; and that “the terms and conditions of loans should not preclude post disbursement monitoring.”⁴³⁴

PBL Domestic Programme Effects

Key Finding: *SVG officials reported detrimental effects for local programmes.*

2009 PBL

Nine SVG respondents indicated that fiscal restraint limited the ability of Invest SVG, the Tourism Authority, the Ministry of Agriculture, the Ministry of Social Development and Family Services, and others to spend on programmes that might stimulate growth. Because the SVG government was occupied with satisfying many of the conditions of the PBL, resources were diverted from local programmes. There was no specific evidence provided validating such reductions, or detrimental effects on programme delivery.

2010 PBL

GOSVG respondents noted that the divestment would minimize the ability of GOSVG to borrow internally, and that GOSVG’s options became limited to either borrow from MDBs or from the international market.

⁴³¹ CDB / OIE, “Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 15.

⁴³² “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines.”

⁴³³ CDB/ OIE, “Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 14.

⁴³⁴ CDB/ OIE, “Executive Summary with Management Response: Validation of Project Completion Report on Financial Sector Stabilisation Loan - Divestment of Commercial Bank, St. Vincent and the Grenadines,” 5.

CONCLUSIONS

This evaluation of the 2009 and 2010 SVG PBLs finds that the overall design and implementation of the 2009 PBL suffered from more weaknesses than the 2010 PBL, given that the latter was more focused. Both PBLs were launched at the depth of the global economic downturn, which had multiple effects on the analysis and negotiation of the PBLs, as well as their implementation. It appears that external shocks and capacity constraints played a role in the delays or missed conditions. Recognizing this, CDB intervened to disburse the much-needed funds, demonstrating its flexibility in management of the instrument. In addition, it provided some technical assistance.

PBL Design Process and Appropriateness

With respect to the quality of the design process for the PBLs, some CDB assumptions held, while others did not. For CDB focussed assumptions:

- Appropriate support was offered to SVG.
 - CDB responded quickly to the GOSVG request for the 2009 PBL, but more slowly to the 2010 PBL. It recognized the severity of the economic downturn and the effects it was having on GOSVG's debt dynamics, social conditions (especially poverty), and the viability of NCB. Technical assistance was offered, although it appears that adjustments to the level of technical assistance had to be made later.
- The instruments were consistent with other PBLs.
 - The 2009 and 2010 PBLs were complementary. However, there is not enough evidence to conclude that they were explicitly harmonised with any programmes or reform prescriptions from other MDBs.
- The case for the 2009 PBL conditions was based on a weak and inconsistent results framework and logic model, leading to a large number of unfocused conditions. This was exacerbated by a negotiations process in which GOSVG representatives felt themselves to be in a weak position. The 2010 PBL was much more focussed, with a clear link between prior actions and desired outcomes – although GOSVG's negotiating position again appeared to be from a position of weakness.
- The 2009 PBL was moderately aligned with local conditions, and it was consistent with the 2008 country strategy paper. The 2010 PBL was aligned with the local context.
- The 2009 PBL assessment was appropriate. It included a thorough analysis of the macroeconomic conditions. But some assumptions were overly optimistic, capacity constraints were not adequately anticipated, and some risks were not identified. The 2010 PBL assessment was focussed and addressed the immediate concerns regarding the possible failure of NCB, including possible economic effects at the local and regional level.

With respect to GOSVG focussed assumptions:

- The 2009 PBL could have been better aligned with local priorities.
 - It was more limited in scope than the GOSVG reform plan, with more ambitious timelines, and missed some local context. The NCB-related prior actions for the 2010 PBL were aligned well with local priorities, but there was less alignment with legislative reforms.
- The instruments were similar in form and content to PBLs in other BMCs, and the 2009 and 2010 PBLs were complementary in seeking to improve debt dynamics, PFM, and reduce poverty.

In sum, the evaluation found that the experience of the 2009 and 2010 PBLs indicated the need for greater consultation and collaboration with GOSVG local stakeholders, which would have contributed to improving the focus and coherence of the results matrix and logic model supporting the PBL. These weaknesses undermined GOSVG ownership, and led to the inclusion of some conditions that were not achievable. In addition, it made the measurement of outcomes very difficult.

Appropriateness of Conditions

The evaluation found that some CDB assumptions held, while others did not:

- Behaviour expectations were clear in both PBLs. Prior actions and terms of the PBLs were clearly set out in the terms and conditions. This was undermined, to a degree, by the granting of 2009 PBL second tranche funding in the absence of completion of some prior actions, and by the inability to enforce compliance for some 2010 PBL conditions. However, these concessions also demonstrated flexibility on the part of CDB, and allowed risks to the programme to be mitigated.
- The evaluation found that conditions of support were mostly met for both PBLs. CDB intervened to provide technical support to assist in the completion of some conditions, and was flexible in the disbursement of funds when GOSVG had difficulties completing the 2009 PBL second tranche conditions.

With respect to GOSVG focussed assumptions:

- SVG was able to access technical assistance to facilitate implementation of some conditions, but still lacked capacity to achieve them all, partly because of the large number – especially as both the 2009 and 2010 PBLs were running at the same time. There is no evidence as to how much this assistance cost or how it affected GOSVG's budget. The findings suggest that pressures to meet the prior actions of both PBLs affected GOSVG's ability to deliver some social programmes and local growth initiatives.
- GOSVG was not able to meet all conditions required for the 2009 PBL's second tranche, nor all those expected after the disbursement of funds for the 2010 PBL. Progress on these post-disbursement conditions was generally slower than expected in the design of the PBLs, though it only stopped completely for two. As noted, this was partly due to capacity constraints, but the evidence suggests that a lack of ownership contributed.
- SVG appeared willing to invest in capacity building, but the pace of change required by the two PBLs proved to be too great.
- Risk mitigation strategies proved to be unequal to the challenges faced by GOSVG during the prolonged economic downturn experienced during the 2009 PBL implementation period, and to a lesser degree during the 2010 PBL's legislative reforms.

Weaknesses in the PBL design process, based on unsupported assumptions, contributed to shortcomings in the implementation, and in turn the failure of assumptions relating to appropriateness of the conditions. For SVG, the evaluation found that a more gradual approach to reform with fewer conditions facilitated through focussed programmatic PBLs would have been more likely to lead to appropriate and achievable conditions.

Observable Effects Resulting from Implementation of Conditions

With respect to the observable effects arising from the conditions, there was a general lack of evidence. This made assessment difficult. In general, weaknesses in the design process and appropriateness of conditionalities affected PBL implementation, which led to some unachieved conditions, weak monitoring, and an inability to determine whether reform outcomes had been achieved in the medium-term.

Specifically, for CDB:

- Funds were delivered in a timely fashion for both PBLs, facilitating debt restructuring and the privatization of NCB, although delays in the approval of the 2010 PBL created risks.
- Monitoring during the life of the 2009 PBL was intermittent, and, other than the PCR, there is almost no evidence of monitoring for the 2010 PBL. Neither PBL included monitoring following the end of the PBL to determine whether longer term outcomes were achieved.

For GOSVG:

- Positive short-term effects included changes to the legal framework for PFM, improved tax administration, immediately improved debt dynamics, and averting the worst-case scenario of an NCB collapse.
- However, in the medium-term, there was no evidence of enhanced growth or competitiveness, the VSAT led to lower than expected revenue increases, and there was no improvement to the regulation of NBFIs.
- Some reforms for the 2009 PBL were not viewed as helpful by GOSVG respondents or sustainable by the PCVR. The 2010 PBL reforms were seen as useful and sustainable (excluding incomplete conditions).
- There is no evidence to determine whether SVG has maintained or built on capacity in the areas of intended reform.

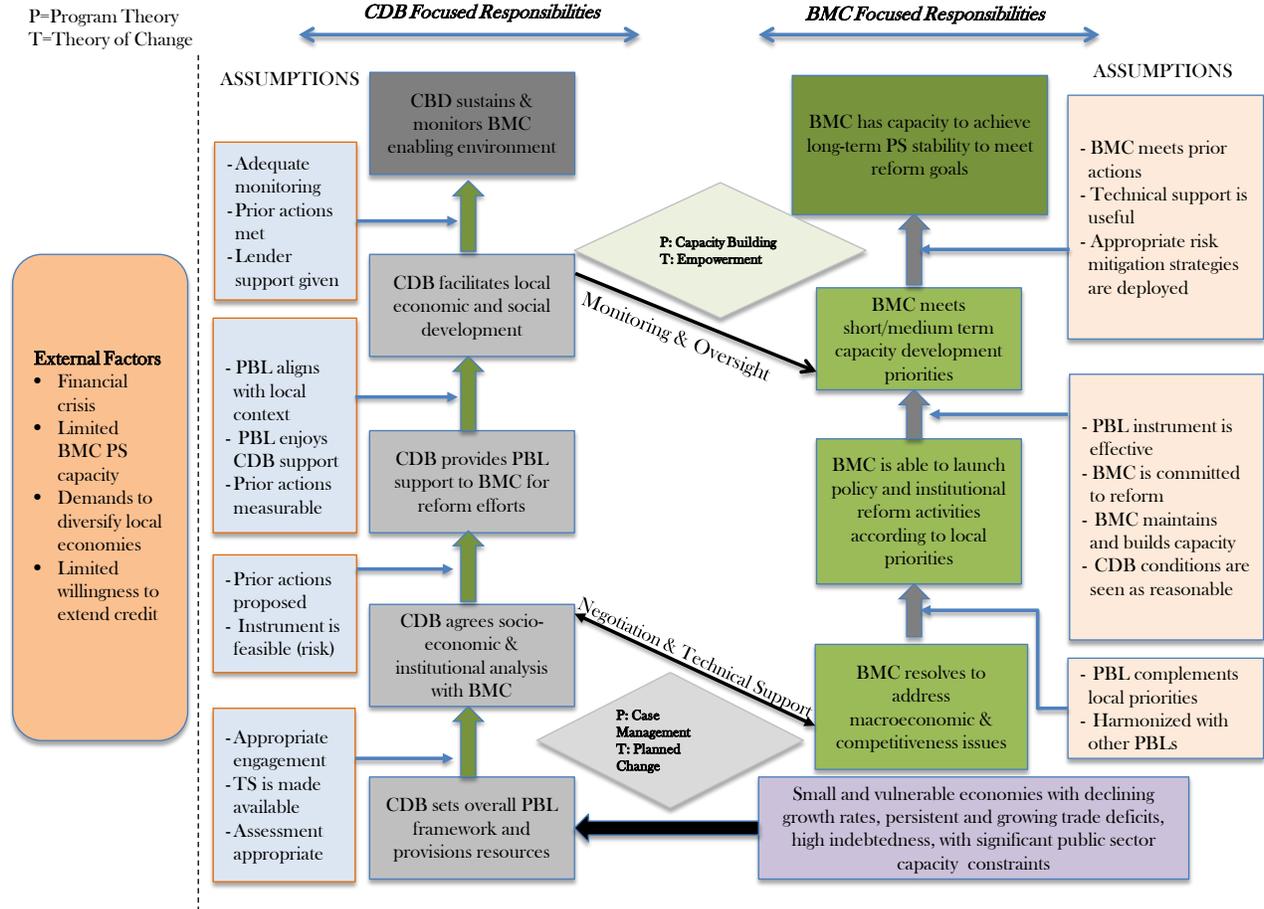
General Comments and Lessons

Shortcomings in the 2009 PBL (and to a much lesser degree the 2010 PBL) appear to be the result of a number of factors. The evaluation found that CDB was still learning to use PBL instruments, leading to weaknesses in design, while GOSVG had to contend with capacity constraints in implementing two PBLs at the same time while navigating the global economic crisis. Several patterns emerged from the evidence that could be used to inform future PBLs.

- The PBLs were highly effective at relieving the immediate financial pressures that GOSVG faced in 2009 and 2010.
- A single tranche PBL with policy actions that were focussed, consistent and complementary, and with a clear and consistent results framework, led to more ownership and success by GOSVG in achieving conditions and short-term outcomes.
- Although progress was slower than planned, GOSVG remained committed to a programme of reform. Some of these reforms had been advised in the past, and action taken. However, the pace was increased with the use of PBLs.
- SVG respondents maintained that more consultation during the PBL design process could have led to greater BMC ownership.
- Technical assistance should be included in planning, and be appropriate to the complexity and number of conditionalities faced by a BMC. In addition, technical assistance can be structured dynamically during the life of the PBL to respond to exogenous circumstances.
- CDB could improve its monitoring during and after the life of the PBL, to better ascertain the achievement of short and medium-term outcomes and to inform future PBLs.

Finally, it appears that more conditions were added to a late version of the 2010 PBL documentation leading to final approval, and that this contributed to the failure to meet some of them once the loan agreements were in place. GOSVG acquiesced out of need and had a sincere desire to comply, but the deepening economic crisis and capacity constraints impeded their ability to implement. As economic conditions worsened, and SVG officials were trying to cope with governance and other issues, onerous PBL conditions sometimes hindered rather than helped the situation. In planning and implementing the PBL, consideration could have been given to potential sub-optimal scenarios in addition to optimal ones, with a clear view of capacity constraints, and flexible arrangements for responsive technical assistance.

APPENDIX A: THEORY OF CHANGE



APPENDIX B: DATA SOURCES

Table B.1: Sources used for each question

#	Topic	#	Questions	Economic Data (from CDB, SVG, ...)	CDB interviews	GOSVG interviews	CDB PBL Proposal Documentation (e.g. appraisal reports, CSPs, CPA, prev.	CDB PBL Implementation Documentation (e.g. PSRs, PCRs, OIE	GOSVG Documentation (e.g. reform plan, poverty assessment)	MDB Reports and Papers	Other documentation (e.g. previous MDB
1	Need for Conditions	a	Was appropriate support offered to SVG?	x	x	x	x		x	x	x
		b	Was instrument harmonized with CDB and other MDB PBLs?		x	x				x	x
		c	Were the prior conditions negotiated with GOSVG?		x	x	x				
		d	Did the PBL align with the local context / complement local priorities?	x	x	x	x		x		
		e	Was the overall assessment appropriate?	x	x	x	x		x		x
2	Appropriateness of conditions	a	Were CDB's behaviour expectations clear?		x	x	x	x			
		b	Did CDB honour its promises of support / was GOSVG able to access technical support?		x	x	x	x			
		c	Was GOSVG able to meet prior actions?		x	x		x			
		d	Was GOSVG willing to invest in capacity building?		x	x		x			
		e	Were appropriate risk mitigation strategies deployed?		x	x	x	x			
3	Observable effects resulting from implementation of conditions	a	Were the funds disbursed in a timely fashion?	x	x	x		x			
		b	Was a monitoring framework in place and utilized?	x	x	x	x	x			
		c	Did GOSVG meet the prior actions and other conditions?		x	x	x	x			
		d	Did GOSVG maintain and build on its expertise?		x	x		x		x	x
		e	Did GOSVG see reforms as useful and sustainable?	x	x						
		f	Was there evidence of a short or medium-term impact arising from PBL?	x	x	x		x	x	x	x
		g	Were there unintended consequences of the PBL?	x	x	x		x			

APPENDIX C: 2009 PBL Condition Assessment

GOSVG's overall development objective encompassed the attainment of high levels of balanced and sustained growth and a reduction in unemployment and poverty. This broad growth and development agenda was premised on five main strategies. These can be mapped against CDB's major objectives for SVG (set out in the 2008 CSP) and the PBL categories (as set out in the results-based framework matrix), as follows:

Table C.1: GOSVG / CDB / PBL Objectives

GOSVG Development Objectives	CDB Major CSP Objectives for SVG	2009 PBL Objectives / Themes
(a) building a resilient and productive economic base by facilitating economic diversification, including agricultural diversification, manufacturing and export services (tourism, informatics, offshore finance)	(a) sustain and accelerate economic growth by facilitating economic diversification through infrastructural development, HRD, and promoting private sector development	F. Enhancing growth and improving competitiveness
(b) increasing public-sector savings by improving fiscal management	(d) strengthen public-sector management.	A. Improved expenditure management B. Public-sector enterprise management C. Revenue policy and administration D. Public debt management E. Sustainable poverty reduction
(c) promoting social development, including human resource development and poverty-reduction initiatives	(b) promote social development by supporting efforts to reduce poverty (by including HRD) and expanding general social services (electricity, water and security)	
(d) improving environmental management and strengthening capacity for disaster management	(c) enhance sustainable development through encouraging environmental protection and the support of disaster risk reduction and management policies	
(e) providing economic infrastructure critical to the modernisation and development of SVG		

GOSVG's obligations under the 2009 PBL were a comprehensive set of prior actions found in the following table.

Table C.2: Prior Actions Per Tranche Disbursements

Tranche 1 Prior Actions	Tranche 2 Prior actions
A. Improved expenditure management	
<ul style="list-style-type: none"> • Give effect to <i>Finance Administration Act</i> (FAA) and accompanying regulations • Train all staff from Budget Division in budgeting and forecasting techniques. 	<ul style="list-style-type: none"> • Bring new <i>Audit Act</i> into effect • Prepare medium-term strategic paper as basis for annual budget • Establish annual budget calendar and issuance of budget envelope • Publish Central Government fiscal and debt data within 90 days of end of fiscal year • Financing plan developed as part of budget, and updated quarterly
B. Public-sector enterprise management	
<ul style="list-style-type: none"> • Assign monitoring of PSEs to officer in MOFEP 	
C. Revenue policy and administration	
<ul style="list-style-type: none"> • Implementation of a VAT • Restructuring of the VAT to streamline the number of zero-rated and exempted items. • Reduction of personal and corporate income tax rates • Increase in personal income tax (PIT) threshold and reduction in the corporate income tax (CIT) and PIT rates. • Implementation of ASYCUDA World 	<ul style="list-style-type: none"> • Completed cadastral survey • Change land tax evaluation system to market-based • Establish Tax Reform Commission
D. Public debt management	
<ul style="list-style-type: none"> • Upgraded human resource development skills in Debt Management Unit 	<ul style="list-style-type: none"> • Undertake assessment of Debt Unit and Debt Management practices using World Bank DeMPA methodology • Debt management strategy approved by Cabinet
E. Sustainable poverty reduction	
<ul style="list-style-type: none"> • Complete Poverty Reduction Strategy 	
F. Enhancing growth and improving competitiveness	
<ul style="list-style-type: none"> • Establishment of Tourism Authority 	
Other: Prior actions without indicators in results matrix and not fitting any category	
<ul style="list-style-type: none"> • Undertake Information and Communication Technology (ICT) readiness assessment of public-sector (<i>fits GOSVG objective (e)</i>) • Retain consultant to undertake study examining feasibility of merging the public-sector pension scheme and the NIS (pension rationalization study) (<i>fits GIOSVG objective (b)</i>) 	

The following table illustrates the status of completion for the above noted tranche specific prior actions. The evaluation found that some prior actions were not associated with indicators in the results matrix, and that some indicators had no prior action associated with them. CDB field visit monitoring PSRs reported on some prior actions but not on others.

Table C.3: Prior Actions Status

<i>GOSVG Dev. Obj.</i>	<i>Condition</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
G. Improved expenditure management				
Increasing public-sector savings by improving fiscal management	Give effect to <i>Finance Administration Act</i> (FAA) and accompanying regulations	1	Accomplished	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
	Bring new <i>Audit Act</i> into effect	2	Accomplished 2009	Cited completed in PSR dated 2011-02-24.
	Prepare medium-term strategic paper as basis for annual budget	2	Accomplished 2010	Identified as completed in 2011-03-24 PSR.
	Establish annual budget calendar and issuance of budget envelope	2	Accomplished 2010	Identified as completed in 2011-03-24 PSR.
	Publish Central Government fiscal and debt data within 90 days of end of fiscal year	2	Accomplished 2010	Not identified as in indicator in results matrix. Identified as completed in 2011-02-24 PSR.
	Train all staff from Budget Division in budgeting and forecasting techniques.	1	Accomplished 2008	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
	Financing plan developed as part of budget, and updated quarterly	2	Accomplished 2009	Identified as completed in 2011-02-24 PSR.
H. Public-sector enterprise management				
Increasing public-sector savings by improving fiscal management	Assign monitoring of PSEs to officer in MOFEP	1	Accomplished 2009	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
	<i>Quarterly reports on PSE operations prepared within three months from September 2009</i>			<i>No prior action associated with this indicator.</i>
	<i>Annual consolidated statement of PSEs prepared within six months from FY 2009</i>			<i>No prior action associated with this indicator.</i>

<i>GOSVG Dev. Obj.</i>	<i>Condition</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
I. Revenue policy and administration				
Increasing public-sector savings by improving fiscal management	Implementation of a VAT	1	Accomplished 2007	Not tracked in PSRs.
	Restructuring of the VAT to streamline the number of zero-rated and exempted items.	1	Accomplished	<i>Not in results matrix.</i>
	Reduction of personal and corporate income tax rates	1	Accomplished 2009	This is combined with the “increase PIT threshold” condition below. See two down.
	Completed cadastral survey	2	Delayed; rescheduled to November 2010 and accomplished May 2011	Listed as incomplete until PSRs 2011-03-24, then complete (without date) in next PSR dated 2012-09-05. The cadastral survey was delayed because there was “significantly more work than originally estimated” as well as unfavourable weather ⁴³⁵ .
	Increase in personal income tax (PIT) threshold and reduction in the corporate income tax (CIT) and PIT rates.	1	Accomplished 2009	This is two conditions combined, according to results matrix.
	Implementation of ASYCUDA World	1	Accomplished 2007	Not tracked in PSRs.
	Change land tax evaluation system to market-based	2	Unknown; PCR suggests completion in 2015-16	Tracked in PSRs; identified as not completed in 2012-09-05 PSR and completed in 2013-02-12 PSR. The change in the land tax system was delayed, although, according to CDB’s 2010 project revision, the impact of the delay was mitigated by greater revenues resulting from the completed cadastral survey ⁴³⁶ .
	Establish Tax Reform Commission	2	Accomplished 2010	Identified as completed in 2011-02-24 PSR.
J. Public debt management				

⁴³⁵ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions,” 5; EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 23.

⁴³⁶ Caribbean Development Bank, “Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions,” 5–6; EKT & Associates Ltd., “Project Completion Report: Policy-Based Loan St. Vincent and Grenadines,” 15.

<i>GOSVG Dev. Obj.</i>	<i>Condition</i>	<i>Tranche</i>	<i>Monitoring Status</i>	<i>Notes</i>
Increasing public-sector savings by improving fiscal management	Upgraded human resource development skills in Debt Management Unit	1	Accomplished 2008	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
	Undertake assessment of Debt Unit and Debt Management practices using World Bank DeMPA methodology	2	Accomplished 2010	Tracked and identified as completed in 2011-03-24 PSR.
	Debt management strategy approved by Cabinet	2	Accomplished 2010	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
K. Sustainable poverty reduction				
Promoting social development... and poverty-reduction initiatives	Complete Poverty Reduction Strategy	2	Unknown; PCR suggests completion in 2015-16	Delayed due to GOSVG capacity constraints. CDB agreed to provide technical assistance and the completion date was delayed several times ⁴³⁷ .
L. Enhancing growth and improving competitiveness				
Building a resilient and productive economic base	Establishment of Tourism Authority	2	Accomplished 2009	Not tracked or identified in PSRs. Completion cited in PCR and PCVR.
Other: Prior actions not identified in results matrix				
	Undertake Information and Communication Technology (ICT) readiness assessment of public-sector	2	Accomplished	Identified as completed in 2011-03-24 PSR.
	Retain consultant to undertake study examining feasibility of merging the public-sector pension scheme and the NIS (pension rationalization study)	2	Not accomplished	Tracked in PSRs; identified as not completed in last PSR dated 2013-02-12. The reason cited for the delays was that the several revisions to the terms of reference were required for the consultant's work due to the scope and complexity of the project. It was also felt that several options should be considered. ⁴³⁸ .

⁴³⁷ Caribbean Development Bank, "Policy-Based Loan - St. Vincent and the Grenadines: Revision in Scope and Variation of Terms and Conditions," 7.

⁴³⁸ Ibid., 6-7.

APPENDIX D: 2010 PBL CONDITION ASSESSMENT

GOSVG’s overall development objective encompasses the attainment of high levels of balanced and sustained growth and a reduction in unemployment and poverty. This broad growth and development agenda was premised on five main strategies. These are mapped against CDB’s major objectives for SVG (set out in the 2008 CSP) and the PBL categories (as set out in the results-based framework matrix) in the table below. Note that while the 2010 PBL proposal makes a link between the PBL and social development, evidence suggests this to have been a secondary objective premised on the expected negative impacts of NCB collapse.

Table D.1: GOSVG / CDB / PBL Objectives

GOSVG Development Objectives	CDB Major CSP Objectives for SVG	2010 PBL Objectives / Themes
(a) building a resilient and productive economic base by facilitating economic diversification, including agricultural diversification, manufacturing and export services (tourism, informatics, offshore finance)	(a) sustain and accelerate economic growth by facilitating economic diversification through infrastructural development, HRD, and promoting private sector development	Primary: A. Structural reforms [to NCB] B. Legislative reforms [for management of NBFIs] C. Institutional reforms [to improve monitoring of NBFIs]
(b) increasing public-sector savings by improving fiscal management	(d) strengthen public-sector management.	
(c) promoting social development, including human resource development and poverty-reduction initiatives	(b) promote social development by supporting efforts to reduce poverty (by including HRD) and expanding general social services (electricity, water and security)	Secondary: As above, but premised on anticipated negative impacts of a NCB collapse on SVG citizens, and anticipated benefits arising from increasing the oversight and stability of NBFIs
(d) improving environmental management and strengthening capacity for disaster management	(c) enhance sustainable development through encouraging environmental protection and the support of disaster risk reduction and management policies	
(e) providing economic infrastructure critical to the modernisation and development of SVG		

GOSVG’s obligations under the 2010 PBL included the obligation to implement a comprehensive set of prior actions and post-disbursement conditions that were linked to these objectives. These are found in the following table.

TABLE D.2: PRIOR ACTIONS / POST-DISBURSEMENT CONDITIONS

Prior Actions	Post-disbursement Conditions
A. Structural reforms	
<ul style="list-style-type: none"> • Improvement in NCB’s liquidity and asset quality by November 2010 • Approval by ECCB and MOFEP of private stakeholder acquiring NCB shares by November 2010 • Approval of reorganization plan by NCB Board and ECCB by November 2010 • Signed MOU with strategic partner • Signed agreement with private stakeholder for transfer of majority ownership and operational control by November 2010 • NCB able to meet demands of all depositors by November 2010 	
B. Legislative reforms	
	<ul style="list-style-type: none"> • <i>New Insurance Act</i> and accompanying regulations to be proclaimed by December 2011 • <i>New Co-operative Societies Act</i> proclaimed by December 2011 • Update to <i>Money Services Business Act</i> and regulations completed
C. Institutional reforms	
	<ul style="list-style-type: none"> • SRU for non-banking financial institutions (NBFIs) in place by 2011 • Inspection manual developed by December 2011 • Performance indicators developed and communicated to all NBFIs by October 2010 • Standardized reporting forms by December 2011

The following table illustrates the status of completion for the above noted prior actions and conditions. There were no PSRs from field visits. PA identifies the condition as a prior action, as opposed to a post-disbursement condition.

TABLE D.3: PRIOR ACTIONS STATUS

<i>GOSVG Dev. Obj.</i>	<i>Condition</i>	<i>PA?</i>	<i>Monitoring Status</i>	<i>Notes</i>
B. Structural reforms				
	Improvement in NCB's liquidity and asset quality by November 2010	Yes	Accomplished 2010	Completion cited in PCR and PCVR.
	Approval by ECCB and MOFEP of private stakeholder acquiring NCB shares by November 2010	Yes	Accomplished 2010	Completion cited in PCR; PCVR does not dispute this.
	Approval of reorganization plan by NCB Board and ECCB by November 2010	Yes	Accomplished 2010	Not associated with an indicator in the results matrix. Completion cited in PCR.
	Signed MOU with strategic partner	Yes	Accomplished 2010	Completed before signing of PBL agreement; cited in appraisal report/proposal, PCR and PCVR.
	Signed agreement with private stakeholder for transfer of majority ownership and operational control by November 2010	Yes	Accomplished 2010	Completion cited in PCR; PCVR does not dispute this.
	NCB able to meet demands of all depositors by November 2010	Yes	Accomplished 2010	Completion cited in PCR; PCVR does not dispute this.
C. Legislative reforms				
	New <i>Insurance Act</i> and accompanying regulations to be proclaimed by December 2011	No	Not accomplished	2013 PCR and 2015 PCVR cite it as not accomplished.
	New <i>Co-operative Societies Act</i> proclaimed by December 2011	No	Delayed – status unknown	Act passed in 2012 and was awaiting proclamation when the PCR was written. Unclear when/if proclamation occurred; 2015 PCVR implies it was completed.
	Update to <i>Money Services Business Act</i> and regulations completed	No	Not accomplished	2013 PCR and 2015 PCVR cite it as not accomplished.
D. Institutional reforms				
	SRU for NBFIs in place by 2011	No	Delayed; accomplished in 2012	PCR cites this as completed and “SRU created and currently being staffed.” Reason for delay cited was that the search for appropriate staff for office took time. PCVR implies completion.
	Inspection manual developed by December 2011	No	Accomplished 2010	Completion cited in PCR; PCVR does not dispute this.
	Performance indicators developed and communicated to all NBFIs by October 2010	No	Accomplished	Completion cited in PCR; PCVR does not dispute this.
	Standardized reporting forms by December 2011	No	Accomplished 2010	Completion cited in PCR; PCVR does not dispute this.

APPENDIX E: SHORT AND MEDIUM-TERM OUTCOMES

2009 PBL and Country Level Outcomes

The following PBL outcomes have been interpreted as intended short-term outcomes. The indicators include the achievement of prior actions and assessments of achievement and sustainability by CDB and other stakeholders.

- Updated legislative framework in support of PFM
- Strengthened public finance policy environment in line with international standards
- Strengthened budget control systems and oversight
- Enhanced transparency and comprehensiveness of the budget
- Enhanced budget preparation and monitoring skills
- Closer integration of budgeting and strategic planning processes
- Improved financial management of PSEs
- Improved system of tax administration
- Minimise financing costs on public borrowing
- Improve governance structures in relation to debt management
- Highly transparent and robust social safety nets
- Optimising potential of SVG as tourism destination

The following country level outcomes have been interpreted as intended medium-term outcomes:

- Improved expenditure management, as indicated by:
 - Improved PEFA scores by 2013
- Improvement of revenue systems / higher tax revenue as a percentage of GDP, as indicated by:
 - Tax revenue increased to 32.4% of GDP by 2013
 - Property tax yield increased to 0.5% of GDP by 2013
- Improved debt management, as indicated by:
 - Average interest rate on Central Government debt remains below 5.5% during the period 2009-13
 - Improved scores on the ongoing DeMPA exercise by 2013
- Improved management of PSEs, as indicated by:
 - Published fiscal and debt information and consolidated financial statements of PSEs
- Enhancing growth and improving competitiveness, as indicated by:
 - The establishment of a Tourism Authority
- Sustainable poverty reduction, as indicated by:
 - The preparation and activation of a poverty reduction strategy

2010 PBL and Country Level Outcomes

The following PBL outcomes have been interpreted as intended short-term outcomes. The indicators, where not obvious, are based on the achievement of prior actions and conditionalities, as well as assessments of achievement and sustainability by CDB and other stakeholders.

- Reduction of NCBs non-performing public-sector loans by XCD100 mn
- Reduction of NCBs public-sector exposure to 20% of total loans outstanding
- Inflow of new capital and transfer of operational control of NCB through divestment
- Protection of holdings of depositors
- Updated legislative framework
- Strengthened regulatory and supervisory mechanisms
- Strengthened policy environment through improvement in governance.
- SRU operational
- Timely reporting on NBFIs

The following country level outcomes have been interpreted as intended medium-term outcomes. No indicators were identified for these outcomes; the evaluation uses the success and sustainability assessment of CDB and other stakeholders, as well as incremental success in achieving short-term outcomes, to determine whether these outcomes were met.

- Ensure financial sector stability and preserve confidence in the banking sector, as indicated by:
- Improvement in the legal and institutional framework for management of NBFIs
- Improvement in the monitoring mechanisms for NBFIs

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APPENDIX G: OVERVIEW OF PBL DISBURSEMENTS 2006-2015

Borrowing Member Country	Approved Amount	Planned Tranche Releases			Actual Releases		
		Tranche	Value	Date	Tranche	Value	Date
Pre-2013 Policy Change							
Antigua and Barbuda (2009)	30.0	First Second Third	10.0 10.0 10.0	Sep-10 Jun-11 Jun-12	First Second Third	10.0 10.0	Sept-2010 Sept-2011
St. Lucia (2008) Add Loan (2010)	30.0 15.0	First Second Third	15.0 15.0 15.0	Dec-08 Dec-09 Mar-11	First Second Third	15.0 15.0	Mar-09 Jun-10
Grenada (2009)	12.8	First Second Third	6.4 6.4	Dec-09 Nov-10	First Second Third	6.4 4.0 2.4	Jan-10 Feb-11
Belize (2007)	25.0	First Second	12.5 12.5	Mar-07 Dec-08	First Second	12.5 12.5	Aug-2007 Jan-2009
St. Kitts & Nevis (2006)	20.0	First Second	10.0 10.0	Jun-07 Jun-08	First Second	10.0 10.0	Jul-08 Sep-10
Jamaica (2008)	100.0	First Second Third	33.3 33.3 33.3	Mar-09 Mar-10 Mar-11	First Second Third	33.3 33.3 33.3	Mar-2009 Mar-10 Oct-2011
St. Vincent & Grenadines (2009)	25.0	First Second	12.5 12.5	Sep-09 Jun-10	First Second	12.5 12.5	Sept-2009 Nov-2010
Anguilla (2010)	55.0	First	55.0	Sep-10	First	55.0	Aug-2010
Barbados (2010)	50.0	First Second	25.0 25.0	Dec-10 Dec-10	First Second	25.0	Dec-2010
St. Vincent & Gren. Financial Stabilization Loan (2010)	37.0	First	37.0	Nov-10	First	37.0	Dec-2010
Total Pre-2013	399.8		374.8			347.4	

Post-2013 Policy Change							
Borrowing Member Country	Approved Amount	Planned Tranche Releases			Actual Releases		
		Tranche	Value	Date	Tranche	Value	Date
Grenada (Aug 2014) (Aug 2015) (Aug 2016)	10.0	First	10.0	Nov-14	First	10.0	Sep-14
Jamaica Fiscal Consolidation, Growth and Social Stability (December 2014)	35.0	First Second	25.0 10.0	Mar-15 Mar-16		25.0	Dec-14
Trinidad & Tobago Energy Sector Support (December 2014)	40.0	First Second	30.0 10.0	Apr-15 Dec-15	First	30.0	Dec-14
Antigua & Barbuda (2015)	30.0	First	30.0	Dec-15	First	30.0	Dec.-15
Turks & Caicos (2015)	5.0	First	5.0	Dec-15	First	5.0	Mar-16
Suriname - Energy Sector	50.0	First	50.0	May-16	First	50.0	Jun-16
Grenada (2016)	10.0	First Second	4.0 6.0	Dec-16 Dec-16	First Second	4.0 6.0	Dec-16 Dec-16
Total Post-2013	180.0		180.0			160.0	
Grand Total	579.8		554.8			507.4	87.5%

APPENDIX H: INTERVIEWS BY OFFICE

Phase 1 Interviews

A. CDB Board Directors/Alternate Directors:

- Barbados
- Belize
- Canada
- China
- Colombia
- Germany
- Grenada
- Jamaica
- St. Vincent & The Grenadines
- United Kingdom

B. CDB President's Office:

- President
- Adviser to the President

C. CDB Officials:

- Chief Risk Officer
- Chief Policy Analyst
- Director of Economics
- Economists
- Office of Independent Evaluation (OIE)

D. Barbados Country Stakeholders:

- Central Bank of Barbados
- Ministry of Finance:
 - Permanent Secretary (current and retired) Economic Affairs
 - Public Investment Unit
 - Research & Planning Unit, Division of Economic Affairs
- Prime Minister's Office

E. Grenada Country Stakeholders:

- Central Statistics Office
 - Customs
 - Grenada Authority for Regulation of Financial Institutions (GARFIN)
 - Homegrown Monitoring Committee
 - Ministry of Finance:
 - Accountant General's Office
 - Audit Division
 - Budget Office
 - Debt Management Unit
 - Deputy Permanent Secretary
 - Economic and Technical Cooperation Office
 - Inland Revenue Division
 - Macroeconomic Policy Unit
 - Permanent Secretary
 - Ministry of Social Development
 - Permanent Secretary
 - Program Managers
-

F. Jamaica Country Stakeholders:

- Auditor General's Department
- Ministry of Industry Investment and Commerce
- Ministry of Finance and Planning:
 - Economic Management Division
 - Public Enterprise Division
 - Public Expenditure Policy Coordination Division, Financial Regulations Unit
 - Strategic Human Resource Management Division
- Ministry of Local Government and Community Development
- Planning Institute of Jamaica:
 - Management Division Representative for World Bank Portfolio
 - Sustainable Development and Regional Planning Division
- Social Development Commission
- Statistical Institute of Jamaica
- Tax Administration Jamaica

G. Saint Vincent and the Grenadines Country Stakeholders:

- Bank of Saint Vincent and the Grenadines
- Customs and Excise Department
- Invest SVG
- Financial Services Authority
- Ministry of Agriculture
- Ministry of Finance and Planning:
 - Budget - DG, Finance & Planning
 - Economics - Director of Planning
- Ministry of Foreign Affairs:
 - Trade
 - ICT
- Ministry of National Mobilization, Social Development, Family, Gender Affairs, Persons with Disabilities and Youth
- Ministry of Tourism
- Saint Vincent and the Grenadines Chamber of Industry and Commerce
- Saint Vincent and the Grenadines National Insurance Services
- Saint Vincent Building and Loan Association
- Treasury Department (Accountant General's Office)

H. Non-Governmental Organizations and Businesses:

- Caribbean (NGO) Policy Development Centre (CPDC)
- Home Improvement Company

I. Other Development Partners:

- The European Commission - International Monetary Fund
 - The Inter-American Development Bank - World Bank
-

Phase 2 Interviews

• CDB Board Directors:	4
• CDB Managers:	3
• CDB OIE:	3
• CDB Analysts:	7
• BMC Finance Directors:	6
Total	23