



PERFORMANCE REVIEW

SPECIAL DEVELOPMENT FUND CYCLE IV

Final Report

September 2000



IDMAG

INTERNATIONAL DEVELOPMENT
MANAGEMENT ADVISORY GROUP, Inc.



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Abbreviations

ACS	Association of Caribbean States	MDB	Multilateral Development Bank
AR	Appraisal Report	MFI	Micro-Finance Institution
ASYCUDA	Automated System for Customs Data	MGP	Micro-finance Guarantee Program
BMC	Borrowing Member Country	MIS	Management Information System
BNTF	Basic Needs Trust Fund	MSE	Micro and Small Enterprise
BVI	British Virgin Islands	MTN	Multilateral Trade Negotiations
CARICOM	Caribbean Community	NAFTA	North American Free Trade Agreement
CARICAD	Caribbean Centre for Development Administration	NDF	National Development Foundation
		NDB	National Development Bank
CCL	Consolidated Line of Credit	NRMU	OECS National Resources Management Unit
CDB	Caribbean Development Bank	NDC	National Development Corporation
CDF	Comprehensive Development Framework	OAS	Organization of American States
CDERA	Caribbean Disaster Emergency Relief Agency	OCR	Ordinary Capital Resources (CDB)
CFTC	Commonwealth Fund for Technical Cooperation	OECD	Organisation for Economic Cooperation and Development
CIDA	Canadian International Development Agency		
CIAC	Community Implementation and Advisory Committee	OECS	Organization of Eastern Caribbean States
		OPEC	Organization of Petroleum Exporting Countries
CLOC	Consolidated Line of Credit	OSFR	Other Special Fund Resources (CDB)
CPA	Country Poverty Assessment	PAHO	Pan American Health Organization
CTCF	Canadian Technical Cooperation Fund	PIM	Project Implementation and Management
CTCS	Caribbean Technological Consultancy Services	PIU	Project Implementation Unit
CVSS	Council of Voluntary Social Services	PPA	Project Preparation and Appraisal
DAIDB	Dominican Agricultural and Industrial and Development Bank	PPI	Portfolio Implementation Performance Index
		PPM	Project Preparation and Management
DFID	Department for International Development	PQR	Portfolio Quality Rating
DFI	Development Finance Institution	PREU	Poverty Reduction and Environment Unit
DFC	Development Finance Corporation	PSIP	Public Sector Investment Program
DOWASCO	Dominica Water and Sewerage Corporation	R&D	Research and Development
EC	Eastern Caribbean	RNM	Regional Negotiating Machinery
ECLAC	U.N. Economic Commission for Latin America and the Caribbean	SDF	Special Development Fund (CDB)
		SDF (U)	Unified Special Development Fund (CDB)
EDF	European Development Fund	SDP	Shelter Development Program (CDB)
EDI	Economic Development Institute	SIMAAP	Social Impact Action Amelioration Program
EDUTECH	Education Sector Enhancement Program	SIRF	Shelter Infrastructure Revolving Fund
EIA	Environmental Impact Assessment	SLS	Student Loan Scheme (CDB)
EU	European Union	SME	Small or Medium-sized Enterprise
FAO	Food and Agriculture Organization	SMP	Special Mortgage Program (CDB)
FIU	Financial Intermediaries Unit (CDB)	SSEDP	Small-Scale Enterprise Development Program
FTAA	Free Trade Area of the Americas	TCI	Turks & Caicos Islands
GTZ	Deutsches Gesellschaft für Technische Zusammenarbeit (Germany)	UNCTAD	United Nations Conference on Trade and Development
		UNDP	United Nations Development Program
GUYWA	Guyana Water Authority	USAID	United States Agency for International Development
HIPC	Heavily Indebted Poor Countries Debt Initiative		
IDA	International Development Association	UTECH	University of Technology
IDB	Inter-American Development Bank	UWI	University of the West Indies
IFAD	International Fund for Agricultural Development	WASA	Water and Sewerage Authority (St. Lucia)
		WB	World Bank
IMO	International Maritime Organization	WHO	World Health Organization
IT	Information Technology	WTO	World Trade Organization
JMI	Jamaica Maritime Institute		
JSIF	Jamaica Social Investment Fund		

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Executive Summary

Clear guidelines were provided for the fourth funding cycle of the Special Development Fund. The major priority was *poverty reduction*, with a planned increase in programming from 25 per cent in SDF III to at least 40 per cent in SDF IV, and an indicative allocation of 45 per cent. Other priority themes were *human resource development*, the category of *environment, water supply and waste management*, and *institutional strengthening*. Some flexibility was provided for *other essential infrastructure*, a category that had previously represented an important part of SDF programming, but with substantially reduced funding.

Outcomes in overall program terms have been consistent with the planning framework. *Poverty reduction programming* has reached 55 per cent, including recent substantial responses to natural disasters, but even without this factor the level was above target. *Human resource development programs* have been somewhat higher than planned, and there has been a strong increase in the level, number and range of interventions in *governance and institutional strengthening*, although a shortfall from the ambitious planning allocation. Program levels for *environment, water supply and waste management* have been roughly on target, with a small shortfall in dollar terms. *Other infrastructure* has been given the substantially lower priority that was intended.

Countries receiving assistance have been those for which priority was given, with a clear emphasis on countries in Group 3 and Group 4. The planning allocation for Group 4, however, has been only partly used, reflecting implementation difficulties and what might be described as a performance-based assessment of how best to proceed, with emphasis on strengthening implementation of existing projects rather than commencing new projects for the time being.

The sharply increased priority for *poverty reduction* has required development of a stronger basis for policy and program development through *country poverty assessments*, where the Bank has taken some leadership, with the support of other key donors, and a number of country assessments have been prepared under the responsibility of in-country assessment teams. This process has been partly completed, and is still underway. It deserves a priority in the Bank's work, together with the increasing use of the Bank's *country strategies* to focus on action-oriented priorities for assisting the poor and the development of country-specific strategies for poverty reduction.

In our approach to reviewing this part of the SDF program, we have applied the *three pillars of poverty reduction* now generally used by other MDBs – *broad-based growth* to generate efficient income-earning opportunities for the poor, *targeted programs* to improve welfare directly, and *safety nets* of special benefit to the poor.

The principal SDF IV program areas under this theme are the *Basic Needs Trust Fund* and a similar program in Jamaica for *social and community investment, micro and small scale enterprise* (including a new program for micro-finance guarantees), *rural enterprise*

development, low income housing finance, and a major safety net program for natural disasters. These programs are responsive to the poverty reduction objective, and in some cases are innovative and experimental. The Basic Needs Trust Fund has shown its value, and the improvements made during SDF IV have strengthened effectiveness and achievement of objectives, although we have suggested some additional further effort on targeting. In the other program areas, we have been generally impressed with program design, and in some instances positive outcomes can already be identified. Further effort, however, is needed to improve targeting to the poorest.

Among our recommendations are that the Bank give a high priority to completing its work on the articulation of a new poverty reduction strategy, and that the use of a *poverty prism* and what we call a *vulnerability prism* be introduced as a central feature of the design, implementation and evaluation of all projects. This would be consistent with the Bank's recently established mission statement in its *Strategic Plan*.

Human resource development is a feature of a number of the Bank's programs. We have focused in this category on *secondary and post-secondary education, student loan financing, distance education, and technology.* Support for basic education at the primary level has been reviewed separately under poverty reduction programming, and other related programs have been considered under other themes.

These various HRD programs have addressed the objectives set for SDF IV, sometimes in innovative ways, and provide a good basis for further programming in future.

Among our recommendations is that the student loan program, which has made a substantial and well-recognized contribution to post-secondary education in the region, should be reviewed in terms of policy and the appropriate balance of funding for human resource development in the future, including whether a part of the program might be designed so as to better target the poor.

Environment, water supply and waste management includes four program areas: *targeted environmental interventions, waste management, water supply, and disaster mitigation.* There have been some interesting and valuable initiatives, including support for environmental impact assessment training for DFIs and others in the BMCs. The Bank's own environmental guidelines and procedures appear to be sound. Regional approaches for the OECS countries, as in training and the OECS solid waste management project, have been noteworthy. Disaster mitigation programs, as in St. Lucia, can make a valuable contribution in protecting and improving basic facilities, consistent with both the poverty and vulnerability prisms.

An environmental impact evaluation of the Bank's overall operations would be timely and useful. This should aim to establish, *inter alia*, whether the selection of projects submitted to a full environmental impact analysis has been appropriate and whether the EIAs have been well focused, and can serve also as a tool in increasing public awareness of the environmental problems of the region.

An important area of SDF programming has been in the field of *governance and institutional strengthening.* We have grouped such technical assistance interventions into five program areas: *direct delivery of public services, economic management, governance structures and processes, civil society, and the private sector.*

The broad objective has been to improve the performance of the public sector in the delivery of public services, particularly where there is a linkage with the planning and implementation

of the public sector investment program, including projects in which the CDB itself would expect to be involved. The program has also extended, however, to more general issues of the policy and institutional framework for public sector management.

There has been a strong emphasis on strengthening the institutional capacity of development finance institutions, program delivery ministries, and various administrative agencies. In addition, however, there has also been some support for macro-economic policy development and budget reform, improving economic and social statistics, strengthening financial management, improving standards and, more recently, aspects of public sector reform and national governance.

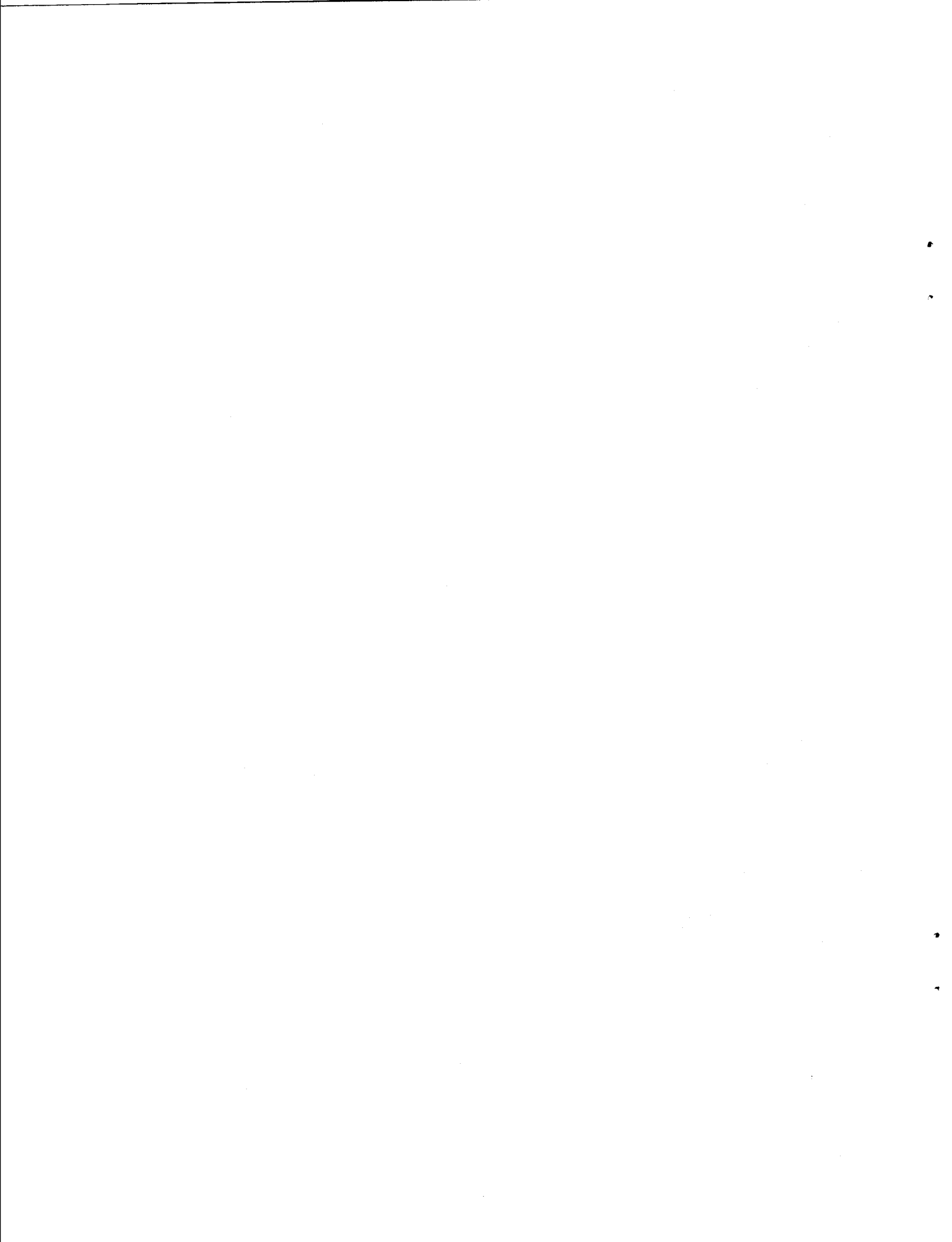
Support for the private sector has included the "flagship" *Caribbean Technological Consultancy Services (CTCS)*, which has an impressive record, with strongly positive demonstrated outcomes and impacts.

Under *civil society* we have included some modest but thoughtful and potentially high impact interventions in support of strengthening credit unions and other non-governmental organisations.

There is good evidence of positive results in SDF programming in relation to governance and institutional strengthening. It would now be appropriate, however, to undertake a reassessment, as a basis for developing the policy framework for the way ahead. The Bank's current work on preparing a policy review in this field is, therefore, timely. Such a review provides an opportunity for developing a stronger policy framework, including priorities in the area of small technical assistance grants for regional organisations, where a stronger focus is needed. Staff supervision is an important function in ensuring the effectiveness of technical assistance interventions, and limited resources require establishing priorities and avoiding becoming over-extended.

Other infrastructure has seen a sharply reduced priority during SDF IV, as the focus has shifted to other themes. Previous interventions have often shown good results, however, and for the future we suggest use of the poverty and vulnerability prisms where such infrastructure may seem to merit consideration for SDF support.

The report begins by providing some background and setting out the approach that has been used in the study. It then presents an overview of SDF IV activities, and a series of chapters dealing with each of the five themes. Two concluding chapters deal with some other performance issues and some comparative indicators of corporate-level performance, and provide a summary of findings and recommendations, including some dealing with implementation performance and with strengthening future reporting on SDF operations.



CHAPTER 1: INTRODUCTION AND SETTING

1.1 Background and Purpose of the Study

The Special Development Fund – or, more correctly, the *Unified Special Development Fund* – provides an important part of the financing for the operations of the Caribbean Development Bank.¹ The Fund's resources are in turn provided by direct contributions from governments, committed in a series of four-year funding cycles, of which the fourth (*SDF IV*) was intended to cover the years 1996 to 1999 and has in practice extended into the year 2000.

For each funding cycle, the Contributors have provided increasingly detailed policy guidance. For SDF IV, the policy framework drew on the themes and priorities of preceding cycles, but established a substantially greater emphasis to poverty reduction, and correspondingly less to social and economic infrastructure, except in relation to human resource development and the environment (which included water supply and waste management). Emphasis was also placed on institutional strengthening and technical assistance generally, and – as in the past – on the use of SDF resources for those countries perceived to be in particular need of concessional resources to support their development. The priority program areas or themes are shown in Box 1-1, and of these poverty reduction was given the greatest emphasis.²

Box 1-1: The SDF IV Themes

- Poverty reduction
- Human resource development
- Environment, water and sanitation
- Institutional strengthening
- Other essential infrastructure

Performance Assessment

In the report setting the framework for SDF IV, Contributors indicated their interest in assessing the performance and impact of SDF-financed operations.³ They have laid further emphasis on the importance of evaluation and performance assessment in annual meetings of the Contributors.⁴

An initial evaluation study, *Assessing Performance and Improving Program Quality*,⁵ was completed for the first meeting of Contributors under SDF IV in 1996. A number of other studies, including a mid-term evaluation of the Basic Needs Trust Fund, and similar evaluations of the Caribbean Technological Services Network (CTCS) and two important Rural Enterprise Development projects, have been undertaken since or are currently underway.⁶ The present report builds upon this work, but takes an overall perspective on SDF performance during the fourth funding cycle.

The study team was instructed by the Bank to report objectively on the Bank's performance in the use of SDF resources and, where possible, to identify or provide insights into outcomes or impacts. The study team was also asked to highlight strengths and weaknesses that might help to inform the development of a project lending and technical assistance strategy for the next cycle of SDF operations, should Contributors agree to a further replenishment, and to consider how ongoing monitoring and evaluation or performance assessment might be strengthened as part of the framework for the next replenishment.⁷

1.2 Scope and Methodology

The study was undertaken from March to May 2000 by a team of three independent evaluators. Its objectives were to review the performance of SDF operations during SDF IV, the extent to which these operations have responded to the priorities set by Contributors, the relevance of SDF-financed activities to the established goals and objectives, and the expected results or actual outcomes of SDF projects.

Attention was given to linkages with the Bank's operations as a whole and with other sources of assistance, and to the inter-relationships of different types of programming in pursuing goals such as poverty reduction and institutional strengthening. The responses to special problems of the Borrowing Member Countries (BMCs), such as vulnerability to natural disasters and economic shocks, and the potential for broader impacts through supporting regional solutions and the joint efforts of different partners, were further factors reviewed, as was the general efficiency and effectiveness of CDB operations, insofar as these impact on the use of SDF resources.

Poverty-related initiatives were examined in the context of changing approaches among development agencies on what is relevant to poverty reduction, and what levers are likely to be effective. The evaluation team also kept in mind the inherent difficulties that all agencies have experienced in working in this field.

SDF IV projects are in most cases still being implemented. In many instances, therefore, it is too soon to be definitive on outcomes or impacts, and the study has tried to compensate for this by reviewing some SDF projects in the relevant areas that were undertaken under earlier cycles. Where possible, however, selected SDF IV projects are discussed in terms of their outcomes or expected outcomes, and in the case of small-scale projects, such as those supported by the Basic Needs Trust Fund (BNTF), this has in some cases been easier to do.

The themes set for SDF IV (see Box 1-1) were taken as the framework for the study. Program area definitions were developed that would be useful both for purposes of the current study and potentially for future programming, particularly in pursuing poverty reduction and the development of appropriate safety nets, and in the evolving area of governance and institutional strengthening.⁸

The SDF IV program classification developed for the study is set out in Appendix 1. It covers the four years 1996 to 1999 as well as the first six months of 2000. For purposes of comparison, SDF III projects were grouped on the same basis, and this is set out in Appendix 2.

The study team undertook a review of the program as a whole, with particular attention to each of the five SDF IV themes, through documents and reports, existing evaluation studies, and discussion with projects staff. A number of issues and types of programming were selected for further analysis, and five countries were chosen for field visits, with a range of projects identified for review in the field. The objective was to provide a reasonable coverage of projects in each of the thematic areas, and also in terms of providing insights into particular programming issues and likely problems of project quality. These included projects with known difficulties, as well as projects likely to illustrate the effectiveness (or otherwise) of particular types of programming.

Field Visits

Field visits were made to Belize, Dominica, Guyana, St. Lucia, and Turks & Caicos Islands. Interviews and, where possible, site visits, were undertaken for some 45 projects (viewing BNTF country programs as single project groups). These included representative projects in the areas of poverty reduction, human resource development, governance and institutional strengthening, environment, water supply and waste management, other infrastructure, and regional co-operation, including in the latter case projects based in Barbados.

Evaluation Issues

Some of the evaluation issues addressed were:

- Did SDF IV programming respond to the objectives set by Contributors? Has it been relevant to those objectives, and how effectively has it addressed them?
- What are some of the outcomes of SDF operations in the various thematic areas?
- Have there been changes in operational programming that have facilitated the focus on poverty reduction and other SDF IV objectives?
- Has SDF IV programming been used in cooperation with other sources of external funding (including the Bank's Ordinary Capital Resources, as well as resources from other agencies and governments) to support the agreed objectives?
- Have there been difficulties in implementation, or other issues of project quality that have affected performance? Are there steps that might be taken to address such performance issues?
- To what extent have project supervision or monitoring and mid-term evaluation (as well as post-evaluation) been used in maintaining or strengthening project quality?
- Are there other insights that can be gained into the issues of project quality?
- Is there significant scope for further SDF programming in the various theme areas that would justify a further replenishment?

1.3 Evolution of the Special Development Fund

The Special Development Fund has been an integral part of CDB operations since the Bank's establishment in 1970. The CDB's charter created a framework for both *ordinary capital resources*, based on subscribed capital and funds that might be borrowed against the security of its capital and reserves, and *special funds resources*, to be contributed or provided separately. The charter also established a *Special Development Fund*, to be used to make or guarantee loans of high development priority, with longer maturities, longer deferred commencement of repayment, and lower interest rates than those applicable to the Bank's ordinary operations.¹⁰

Initial funding for the SDF in 1970 and the resources for its early replenishments were provided by a number of countries on various terms, and with varying procurement and other conditions. These variations in the terms and conditions of different contributions created considerable complexity and some inefficiencies in SDF operations.

The *Unified Special Development Fund* was created in 1983 to overcome the weaknesses in such funding arrangements, and was based on the principle of consistent terms, objectives and procurement conditions, with contributions to be interest-free for an indefinite term and provided on a multi-year basis. A new round of funding was contributed, with *all except one of the Bank's members participating*, and non-members were invited to participate as well. A

supplementary governance structure was also agreed, based on an Annual Meeting of SDF Contributors, with non-member Contributors invited to participate as observers in meetings of the Bank's Board of Directors and Board of Governors.

This first round of funding covered the four years ending in 1987, and subsequent replenishments were agreed for 1988-91 (*SDF II*), 1992-95 (*SDF III*) and 1996-99 (*SDF IV*).

Eligibility for access to SDF resources was related to the disadvantages imposed on BMCs by the limitations of relative market size,¹¹ a number of social and economic indicators, and absorptive capacity. Special attention was paid to certain types of projects, including economic infrastructure, lines of credit to financial intermediaries for productive sector projects and student loans, housing in particular cases, and agricultural projects to benefit small farmers and other low-income groups.

In *SDF II*, Contributors agreed that priority attention should be given to employment-intensive projects benefiting the poorest groups in the poorest BMCs. There was also recognition of the importance of technical assistance to support CDB loan operations and to provide economic policy advice. The Bank's BMCs were grouped into four country groups, with suggested funding levels in each case for certain categories of assistance, and with varying financial terms to be applied to SDF loans for countries in the different groups.

For *SDF III*, Contributors provided that the resources provided would be channelled to high priority development activities mainly in the poorer countries, and that a "judicious proportion of the resources" was to be used to finance projects that would benefit the poor directly. Resources were to be channelled into projects that, among other things, alleviated poverty, improved the earning capacity of women and the unemployed, enhanced rural development, provided critical basic needs and encouraged increased competitiveness, enterprise development and industrialisation.¹²

A *Small-Scale Enterprise Development Program (SSEDP)* was established to promote small-scale productive enterprises and to benefit women, unemployed craftsmen, low-income producers, and entrepreneurs with limited access to credit. It was also agreed that SDF would now take on principal responsibility for the Basic Needs Trust Fund (BNTF),¹³ which was to finance social development projects and support community participation in development.

Emphasis was placed on technical co-operation, including in areas such as national economic management, economic and sector policy advice, formulation of sector strategies, project identification, feasibility studies and training, as well as improving the environment for private sector development and strengthening infrastructure management.

Indicative allocations were provided for essential economic infrastructure, social infrastructure, lines of credit, and technical assistance, as well as for the *Disaster Rehabilitation Program*, which was part of the CDB's response mechanism for natural disasters. Twenty-five per cent was allocated for poverty alleviation, including BNTF, skills training, rural electrification, industrial estates, SSEDP, housing and agriculture.

1.4 The SDF IV Framework

The policy direction for *SDF IV* provided that SDF resources would continue to be used to advance the Bank's aims and objectives and channelled to high priority development activities with high socio-economic returns but financial returns that were low or difficult to capture, and to the poorest countries with limited creditworthiness. At least 40 per cent of SDF IV resources, however, were to be directed to activities aimed at poverty reduction, and the

program areas or themes for SDF IV were further refined and narrowed. Somewhat greater attention was also to be given to gender issues.¹⁴

The five themes are:

- *Poverty reduction,*
- *Human resource development,*
- *Environment, water and sanitation,* covering environmental protection, natural resource management, water supply, waste management and disaster mitigation,
- *Institutional strengthening,* particularly in the public sector, but also including enhancement of private sector productive capacity, and
- *Essential socio-economic non-financially self-liquidating physical infrastructure.*

Suggested areas of intervention for each of these themes were identified, as shown in Box 1-2. These were, however, to be further defined on the basis of studies on poverty assessment, environmental action programs, infrastructure needs, educational reform strategies and individual sectors.

Box 1-2: The SDF IV Program Mandate – Indicative Areas of Intervention

1. Poverty Reduction

- Rural and urban community development.
- Small-scale enterprise credit and associated TA.
- Continuation of BNTF, for employment generation and improved quality of life of the poor.
- Skills training for youth and the unemployed.
- Shelter upgrading for low-income households.
- Programs to address gender issues.

2. Human Resource Development

- Improvements to physical infrastructure for basic education.
- Instructional material and equipment.
- Increasing access to post-secondary education.
- Improving quality and relevance of basic education.
- Improvements to institutional and management arrangements to enhance cost-effectiveness of the education sector.
- Promoting analysis of HRD policies and generation of policy options.
- Student loans.

3. Environment and Sanitation

- Coastal zone and watershed management.
- Natural hazard management and mitigation.
- Updating of environmental action programs.
- Management of solid and liquid wastes.

- River retraining/ cleaning & clearing of waterways.
- Rural and urban water supply storage systems.
- Environmental impact assessment costs of capital projects.

4. Institutional Strengthening

- Strengthening public sector institutions to analyse, reformulate and manage policies/programs.
- Continuing support for CTCS network, with greater emphasis on cost-recovery.
- Strengthening public sector agencies to improve cost-effectiveness and become self-financing.
- Targeted training in project and macro-economic management.
- Development of efficient capital markets.
- Applied empirical research at macro-economic and sector levels.

5. Essential Socio-Economic Non-financially Self-liquidating Physical Infrastructure

- Rehabilitation of main, feeder and access roads.
- Limited support for air and sea transport infrastructure, linked to cost recovery strategies.
- Rural power and electricity systems.

40% of SDF 4 resources are to be focused on poverty reduction, and adequate attention is to be given to gender issues in project design and implementation.

-- Resolution and Report of Contributors, December 1995

Projects and programs could be either stand-alone or components of projects that promoted one or more of the SDF IV themes. To the extent possible, projects were to be conceived within overall country assistance strategies and be consistent with an acceptable macro-economic framework.¹⁵

Indicative or planning allocations were made for the various themes and for each of the country groups, as well as for individual economic sectors. The planning framework also indicated the overall CDB financing levels envisaged for each sector, including the Bank's Ordinary Capital Resources (OCR) and Other Special Fund Resources (OSFR), as well as SDF. A summary of the SDF planning allocations is shown in Table 1-1.

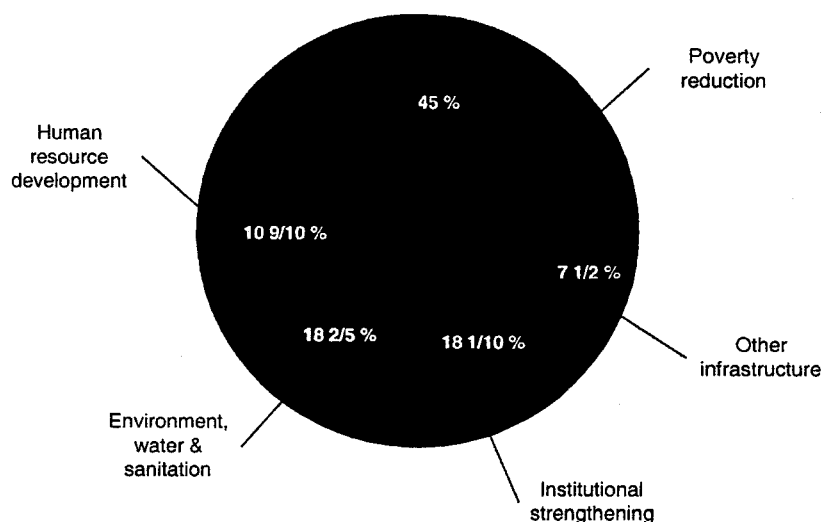
Table 1-1: SDF IV Planning Allocations
\$ million

Theme	Group 1	Group 2	Group 3	Group 4	Regional	Un-allocated	TOTALS
Poverty Reduction	2.0	4.0	50.0	9.0	4.0	3.0	72.0
Human Resource Development	-	-	17.5	-	-	-	17.5
Environment, Water & Sanitation	1.0	3.0	22.5	3.0	-	-	29.5
Institutional Strengthening	1.0	1.0	13.0	6.0	3.0	5.0	29.0
Other Essential Infrastructure	-	-	1.0	1.0	-	10.0	12.0
TOTALS	4.0	8.0	104.0	19.0	7.0	18.0	160.0
<i>of which: grants</i>	-	-	14.0	7.0	3.0	6.0	30.0

Source: Resolution and Report of Contributors, October 1995.

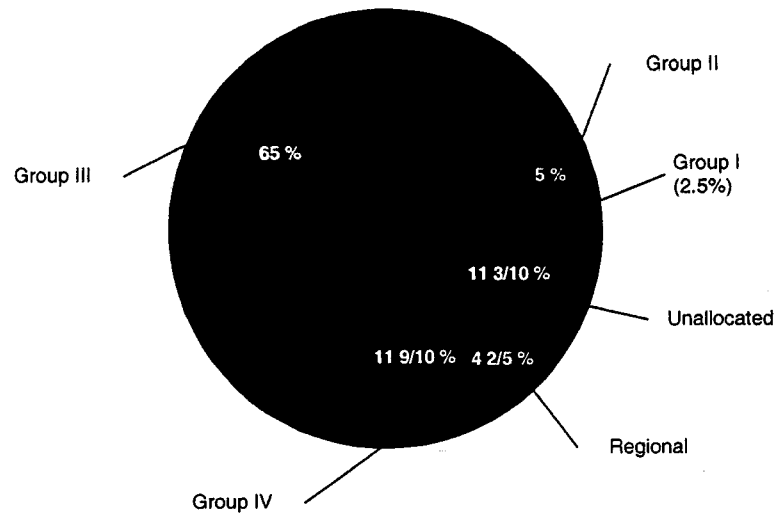
The program was to complement the Bank's other financing, and was expected to represent about *one-third of total CDB financing* over the period, which was a lower percentage than in previous SDF cycles. The SDF planning allocations are shown in percentage terms in Figure 1-1 by theme and in Figure 1-2 by country group.

Figure 1-1
SDF IV Planning Allocations by Theme



SDF funds could be blended with other CDB resources to finance aspects or components of projects that were eligible for such financing. The proportion of project costs that could be financed from SDF was not to exceed 80 per cent for countries in Groups 1 and 2 and 90 per cent for Groups 3 and 4 (country groups are discussed further below).

**Figure 1-2
SDF IV Planning Allocations
by Country Group**



Country Eligibility

Access to Special Development Fund resources was originally governed by the distinction in the *Articles of Agreement* between less developed and more developed countries, and by the definition of these terms adopted by the Caribbean Community in 1973.

Beginning in 1984, a more operationally flexible classification was developed for the use of SDF resources and to guide the blend between SDF and OCR resources at the country level. Further refinements and adjustments were made over time, reflecting factors such as relative poverty, creditworthiness and the economic situation, availability of alternative sources of development finance, and the desirability of some CDB operations in each BMC. The country groups increased to four in number, and countries were shifted between different groups according to changes in circumstances.

A major review of the country classification was undertaken in 1991 in the context of the SDF III replenishment, using both quantitative and qualitative criteria. The four-category classification was retained, and a matrix with seven indicators was used to group countries into categories.¹⁶ Five countries were moved between categories. The result is shown in Box 1-3.

No further adjustments were made for SDF IV, and the same classification has continued to date. As with previous replenishments, the country classification determines the level of funding to which the country (as part of the

**Box 1-3
Country Classification SDF III - IV**

<i>Group 1</i> Barbados Bahamas Cayman Islands Trinidad	<i>Group 2</i> Anguilla Antigua & Barbuda British Virgin Islands
<i>Group 3</i> Belize Dominica Grenada Jamaica Montserrat St. Kitts & Nevis St. Lucia	St. Vincent & the Grenadines Turks & Caicos Islands
	<i>Group 4</i> Guyana

country group) has access, the "blend" of SDF and OCR funds considered broadly appropriate, the maximum share of a project's costs that can be financed from SDF, and the terms on which SDF lending can be made available.

The terms agreed for SDF IV varied from 2 per cent to 5 per cent for the rate of interest, from 5 to 10 years for the grace period, and from 10 to 30 years for overall maturity. In terms of the grant element, the range was from 30 per cent for Group I to 70 per cent for Group IV.

Table 1-2 shows the relationship between overall CDB planning figures (*Col. 2*) and the SDF IV planning allocations (*Cols. 3, 4 & 5*), i.e. the projected "blending" at country level. The terms matrix is also shown (*Cols. 6 to 9*), as well as some country comparisons (*Cols. 10 & 11*).

Table 1-2: Total CDB Financing, SDF IV Country Group Allocations and SDF IV Lending Terms

	Total CDB Financing	SDF IV Allocations			SDF Lending Terms				SDF IV Financing Per Capita	SDF IV Average Allocation per BMC
		Total SDF	Grant Portion	Per cent of Total CDB	Interest Rate	Grace Period	Maximum Maturity	Grant Element		
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
		\$ million		%	%	years		%	\$	\$ million
Category										
Group 1	110.0	4.0	--	3.6%	5%	5	10	30.8%	2.19	1.00
Group 2	35.0	8.0	--	22.9%	4%	5	25	46.6%	87.62	2.67
Group 3	250.0	104.0	14.0	41.6%	2.5%	10	30	66.3%	34.34	11.56
Group 4	27.0	19.0	7.0	70.4%	2%	10	30	70.7%	24.73	19.00
Regional	12.0	7.0	3.0	58.3%	2.5%	7	25	61.3%	--	--
Private Sector	40.0	--	--	0.0%	--	--	--	--	--	--
Unallocated	18.0	18.0	6.0	100.0%	--	--	--	--	--	--
TOTALS	492.0	160.0	30.0	32.5%	-	-	-	-	-	-

Source: *Report of Contributors*, December 1995.

Blending of SDF and OCR for Countries and Projects

The "blending" of SDF and OCR resources on both a country and a project basis has been a characteristic of CDB operations since the Bank's establishment.¹⁷ Such blending was part of the original role envisaged for the SDF, and is explicitly provided for in the *SDF Rules* and various replenishment agreements.

A framework for blending at the country level has been provided in each replenishment, and for SDF IV is shown in Table 1-2. This is based both on country considerations and on the differing types of projects that can be financed by each source of funds.

Blending at the project level reflects specific project considerations, particular components of a project that may be more suitable for SDF financing (as with institutional strengthening), the availability of SDF resources within country group and country allocations (an increasing constraint in recent SDF cycles), and the desire to spread limited concessional resources over a number of projects (in some cases to broaden the Bank's influence on institutional or policy issues). It also reflects the desire to "leverage" resources on conventional OCR terms for purposes that might otherwise be entirely eligible for SDF (as with basic education), i.e. to

support a larger program with perceived high socio-economic returns than can be financed from available SDF resources, or than the country might feel able to finance on harder OCR terms.

For SDF I to III, rather more than 35 per cent of SDF loan projects were blended with OCR funds, and on a dollar basis the percentage was about the same. If disaster response and structural adjustment lending (specifically provided for under earlier SDF cycles) are excluded, together with lending for Group IV (SDF-only), the percentage of SDF financing blended at the project level with OCR was just under 50 per cent. The percentage has varied between country groups, with the percentage of blended resources highest for Groups 1 and 2, and with Group 4 receiving only SDF.¹⁸ It also varied according to the particular sector. The framework for SDF IV provided for blending at the project level to continue.

The present study has been undertaken against this background, with special attention to the objectives set for SDF IV.

Endnotes

¹ References to the Special Development Fund are to the Unified Special Development Fund unless the context suggests otherwise.

² *Report and Conclusions of Negotiations for SDF 4*, page 2, contained in *Resolution of Contributors to SDF 4*, December 1995.

³ *Ibid.*, para. 2.

⁴ See, for example, *Report of Proceedings, Sixteenth Annual Meeting of Contributors*, May 11, 1999 (SDF 4/17 AM-2, April 2000).

⁵ *Assessing Performance and Improving Program Quality*, April 1996.

⁶ Other similar mid-term evaluations are also planned.

⁷ This last assignment is touched on in this report, but is also the subject of a further study being completed separately.

⁸ The totals for the different categories differ slightly from those used in the CDB's *Special Development Fund Annual Report 1999 and Financial Projections 2000-2003*. The principal differences are the inclusion of *primary education* in poverty reduction programs, consistent with current practice in other MDBs, as well as *disaster response*, which is an important safety net for the poor, who are likely to be disproportionately affected by natural disasters. *Disaster mitigation* projects, which are designed to avert the consequences of natural disasters and have a somewhat broader role, are classified under the environment theme. *Institutional strengthening activities* of various kinds have been grouped in the governance and institutional strengthening category, to provide a more accurate reflection of SDF-supported activities of this type. Technical assistance activities that are closely related to individual projects, however – as, for example, of a design type – are classified separately under the relevant sector or theme.

⁹ Using some of the generally accepted factors governing project quality, as these have emerged from the project quality reviews of the various MDBs.

¹⁰ Article 8 of the *Articles of Agreement*.

¹¹ The Bank's charter provides for special and urgent attention to the needs of the less developed member countries of the region, and these were initially defined (by CARICOM and the CDB) as the smaller territories, which at the time had significantly lower average per capita incomes and were heavily dependent on grant financing.

¹² *Resolution and Report of Contributors*, adopted May 7, 1991.

¹³ The Basic Human Needs program was begun in 1979 with funding from USAID as well as SDF, and became the BNTF in 1984, with funding also provided by both USAID and SDF. The BNTF is discussed further in Chapter 3.

¹⁴ *Report and Conclusions of Negotiations for SDF 4*.

¹⁵ *Ibid.*, paras. 9 and 11.

¹⁶ Factor weighting reflected per capita income, domestic savings ratio, external or public debt ratio, export ratio in terms of GDP, unemployment rate, concentration of export products, and a composite (and more qualitative) indicator for physical and financial infrastructure and natural resource base.

¹⁷ The presentation of lending levels and sector operations has often been expressed in terms of CDB operations as a whole, without distinction between OCR and SDF. A similar consolidation appears in the program overview in the Bank's annual report.

¹⁸ *Assessing Performance and Improving Project Quality*, prepared by IDMAG for the CDB, April 1996, pp. 35-37.

CHAPTER 2: OVERVIEW OF SDF IV

2.1 Program Levels and the SDF IV Themes

SDF IV operations over the four years 1996 to 1999 reached a total of \$130.5 million in terms of project approvals.¹ By mid-2000, this had risen to \$154.6 million, as against an indicative program level of \$160 million at the time of SDF IV negotiations.² These figures include grant and loan financing, as well as \$6.6 million in debt relief for Guyana under the Heavily Indebted Poor Countries Debt Initiative (HIPC).³

In terms of the five program areas or themes (including debt relief), the breakdown is as shown in Table 2-1.

Table 2-1: SDF IV – Project Approvals by Program Theme⁴

	\$ million					
	1996	1997	1998	1999	2000 (1 st half)	Totals
Poverty Reduction	31.3	4.5	17.8	10.6	20.9	85.2
Human Resource Development	1.1	8.7	2.8	7.8	-	20.4
Environment, Water Supply & Waste Management	0.1	7.7	2.9	9.3	2.6	22.6
Governance & Institutional Strengthening	3.3	3.4	3.6	3.2	0.6	14.1
Other Infrastructure and Debt Relief	-	0.1	5.6	6.7	-	12.4
Totals	35.8	24.4	32.7	37.6	24.1	154.7

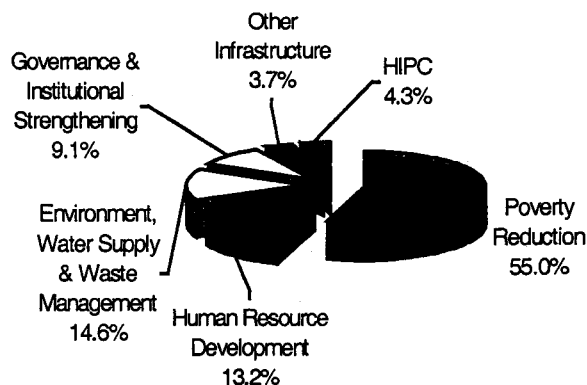
Source: SDF Performance Review Database May 2000 (see Appendix 1).

Totals may not add because of rounding.

The most striking figure is for poverty reduction programs, at \$85.2 million. This includes \$5.1 million for basic education and \$ 25.4 million in response to natural disasters. Our definition of this category is explained in Chapter 1⁵ and discussed further in Chapter 3.

Figure 2-1 shows these results in percentage terms.

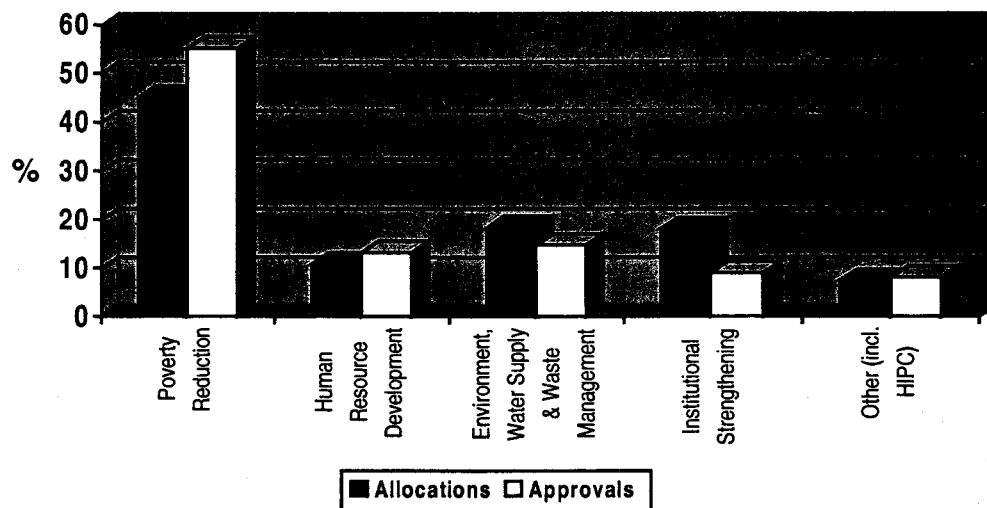
Figure 2-1: SDF IV Project Approvals by Theme
percentages



Planning Targets and Results

Programs included under *poverty reduction*, at 55 per cent, were well above the minimum target of 40 per cent, and higher also than the planning allocation, which was 45 per cent of the indicative program (see Figure 2-2). In part, this reflects the large disaster response element resulting from Hurricane Lenny in 1999, representing \$20.3 million of the total. (As explained further in Chapter 3, natural disasters may disproportionately affect the poor, and we consider important parts of the Bank's policy on disaster management to be comparable to safety nets, and, therefore, properly counted under poverty reduction programs.) Even if the comparison is made, however, on the basis of the original 4-year period 1996-1999 – which would exclude the Hurricane Lenny factor – project approvals in the poverty reduction category would still be above target, at 49 per cent.

Figure 2-2: SDF IV Allocations and Approvals by Theme



The *human resource development* share of the program was slightly higher than the planning allocation, and that for *environment, water supply and waste management* somewhat lower, but if account is taken of the discrete nature of a small number of capital projects in each case, the programs in these two areas can be considered to be roughly on target.

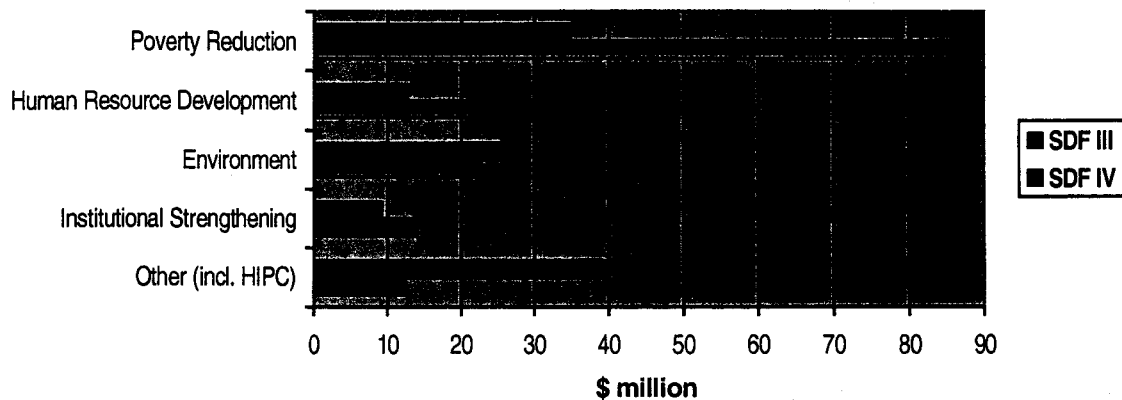
In the area of *governance and institutional strengthening*,⁶ there was a substantial shortfall from the SDF IV planning allocation but this still represented a significant increase over SDF III. The increase over SDF III was not only in dollar terms but, as discussed further in Chapter 6, in the number and range of interventions, including new areas such as public sector reform and civil society.

In the *Other* category shown in Figure 2-2, approximately half of actual approvals is accounted for by *other essential infrastructure*. This category has provided flexibility to continue some financing for essential infrastructure other than what might be included under basic education, human resource development, and environment, water supply and waste management. The intention, however, was for a shift in priorities to other areas, and the results in terms of project approvals reflect this policy decision. The chart shows both other infrastructure and HIPC under *Other*, and without HIPC there would be a decline measured even against the planning allocation.

Shifting Emphasis from SDF III

Figure 2-3 illustrates the extent of change in aggregate terms from SDF III for each of the SDF IV themes.⁷ The changes are broadly reflective of the intentions of Contributors. By any standard, there has been a substantial increase in programming for poverty reduction. There was also a significant increase in that for HRD and for institutional strengthening. The sharp reduction in the *Other* category (even including HIPC) reflects the shift in priorities, already noted, away from infrastructure other than for HRD (largely for education), poverty reduction, and the environment, water supply and waste management category.

Figure 2-3: Project Approvals by Theme - SDF III and SDF IV



2.2 Country Groups

Access to SDF resources is governed by the four-group country classification set out in Chapter 1. These country groups are intended to reflect per capita incomes, unemployment and other socio-economic factors, including vulnerability. A country's classification determines the level of SDF resources to which it may have access, the approximate "blend" of SDF and OCR funds, the maximum share of a project's costs that can be financed from SDF, and the terms on which SDF loans are made.

Project approvals for the various country groups during SDF IV are shown in Table 2-1, which also shows the breakdown by the five themes.

Table 2-2: SDF IV – Project Approvals by Country Group
\$ million

	Group 1	Group 2	Group 3	Group 4	Regional	Totals
Poverty Reduction	-	4.6	65.1	10.7	4.8	85.2
Human Resource Development	-	5.3	13.9	0.4	0.7	20.4
Environment, Water & Sanitation	-	0.1	21.7	-	0.9	22.6
Institutional Strengthening	0.4	1.1	6.7	0.5	5.2	14.1
Other Infrastructure and Debt Relief	-	-	5.7	6.6	0.1	12.4
Totals	0.4	11.1	113.1	18.2	11.7	154.7

Source: SDF Performance Review Database May 2000.

Totals may not add because of rounding.

The country group totals are shown as percentages in Figure 2-4.

Figure 2-4: SDF IV Project Approvals by Country Group

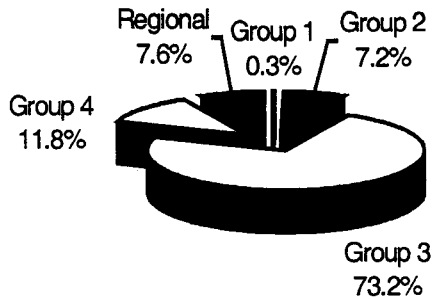
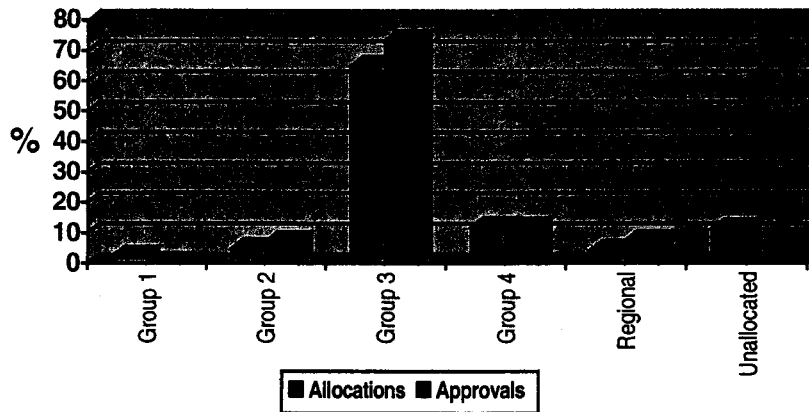


Figure 2-5 compares the original allocations in percentage terms with the results in terms of project approvals. Resources have been used largely for countries in Group 3 and Group 4, as was the intention. The relative shares broadly reflect the original planning levels, if account is taken of the use of the 11.3 per cent that was left unallocated in terms of country groups.

Figure 2-5: SDF IV Allocations and Approvals by Country Group

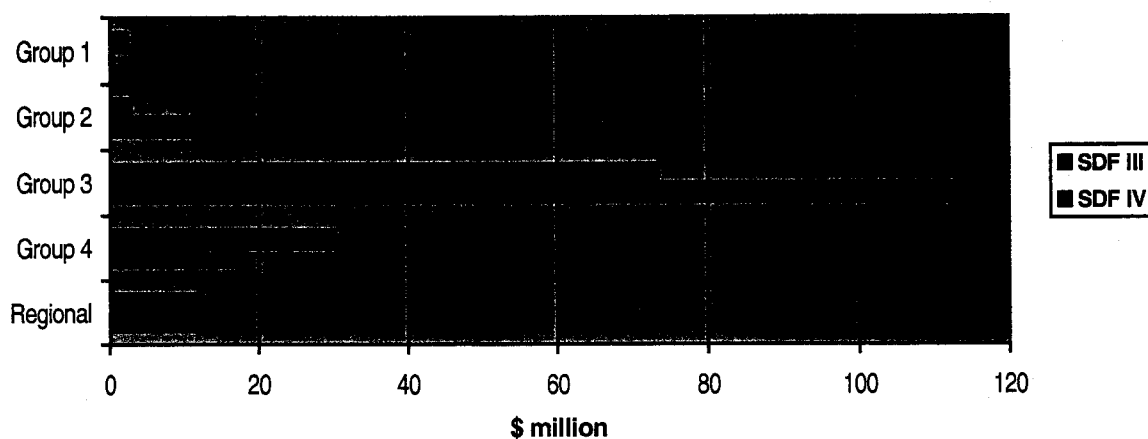


Note: Net approvals for Group IV includes HIPC.

The unallocated share has been used for Groups 2 and 3 and for regional programming. The small allocation for Group 1 has been largely unused, presumably reflecting the relative scarcity of concessional resources. Constraints on program delivery have been characteristic of the one Group 4 country, and without the HIPC grant, there would have been a shortfall from the planned level of assistance.

A comparison with SDF III, in terms of the dollar level of project approvals, is provided in Figure 2-6. Results in these terms are influenced by the discrete or “lumpy” character of particular projects, the needs and priorities of particular countries, availability of counterpart funding, issues of performance and other factors. The virtual disappearance of funding for Group 1 and the large increase for Group 3 are the most striking results in terms of country groups, although the decline shown for Group 4 is also worth noting. Program issues in the case of Group 4 are related to both program development and project implementation, and are discussed further in later chapters of the report.

**Figure 2-6: Project Approvals by Country Group
SDF III and SDF IV**



SDF Operations at the Country Level

Comparisons can also be made at the level of individual countries, although these should be treated with caution, as there is a high degree of “lumpiness” in capital projects, and special factors such as the unexpected incidence of natural disasters can account for substantial differences between countries and from one period to another. Table 2-3 shows project approvals by country during both SDF III and SDF IV. Regional projects are not included.

Table 2-3: SDF III and SDF IV Project Approvals by Country
In percentages, with population comparison in thousands

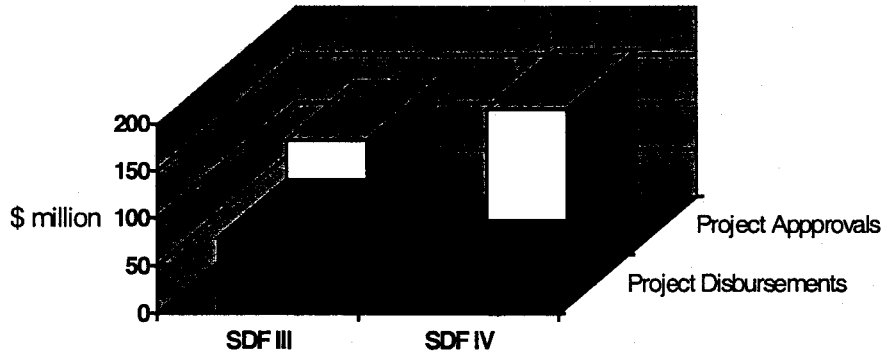
BMC	SDF III	SDF IV	Population
	(percentages)		(000)
Group I			
Barbados	1.02	0.07	267
The Bahamas	0.13	0.17	293
Cayman Islands	0.24	-	36
Trinidad and Tobago	0.47	0.03	1282
Group II			
Anguilla	0.61	2.29	12
Antigua and Barbuda	0.05	4.43	70
British Virgin Islands	1.65	0.49	20
Group III			
Belize	5.10	15.08	238
Dominica	13.73	14.78	76
Grenada	3.84	7.33	100
Jamaica	7.43	9.35	2565
Montserrat	2.66	0.43	4
St. Kitts and Nevis	7.53	10.20	41
St. Lucia	10.16	9.12	152
St. Vincent & the Grenadines	8.35	3.96	112
Turks & Caicos Islands	1.82	2.29	24
Group IV			
Guyana	24.96	11.76	782
Regional	10.25	7.59	--
TOTALS	100.00	100.00	--

2.3 Disbursements

Disbursements generally follow a certain profile over time, depending on the type of project, country-specific circumstances, and particular factors that may affect the starting date and rate of implementation. Disbursements on SDF IV projects, therefore, can be expected to take a certain period to get underway, and for projects approved most recently, disbursements would be expected to take place largely in subsequent years. Some types of grant projects, such as technical assistance and direct training, however, tend to disburse more quickly.

The expected pattern is reflected in Figure 2-7, which shows all disbursements on both SDF III and SDF IV projects *as of a single date*, March 31, 2000. SDF III projects, as would be expected, are much closer, on average, to full disbursement. Further discussion of disbursements is provided below and in later chapters.

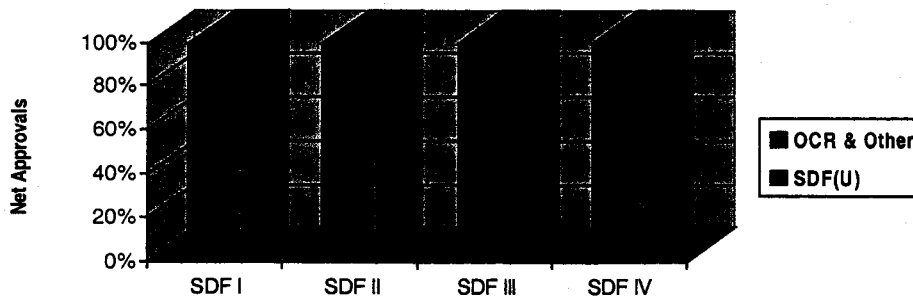
Figure 2-7: Approvals and Disbursements for SDF III and SDF IV Projects
as of March 31, 2000



2.4 SDF in Relation to Overall CDB Operations

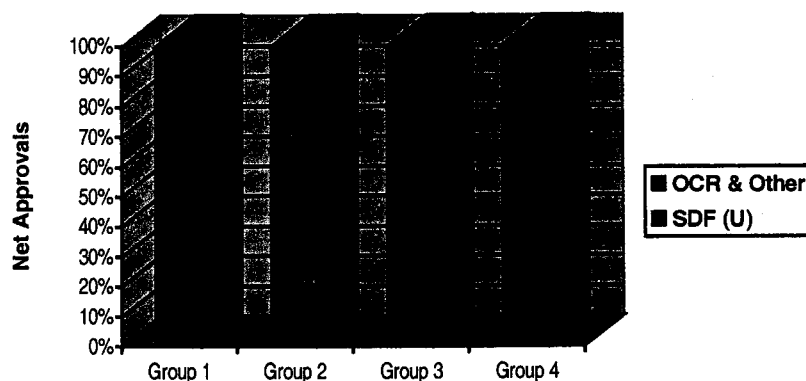
SDF has been an integral part of the Bank's operations since the institution's establishment, and has been seen as necessary to allow the Bank to undertake a range of activities in keeping with its mandate, including in all of its BMCs, and in sectors where socio-economic returns are judged to be high, but where direct financial returns are low or difficult to capture, or characterized by long gestation periods.

Figure 2-8: SDF as a Proportion of CDB Operations



SDF has financed a substantial proportion of total CDB operations, although declining over time as the relative scarcity of SDF resources has increased. This is shown in Figure 2-8. The share during the SDF IV period, at 37.7 per cent, still represents more than a third of the Bank's operations. For BMCs in Group 3 this share is higher, at 45.3 per cent, and in the case of Group 4 (Guyana) SDF accounts for all of the Bank's program (see Figure 2-9).

Figure 2-9: SDF IV as a Proportion of CDB Operations by Country Group



Blending

As in previous SDF cycles, SDF resources have been “blended” with other CDB financing, particularly from Ordinary Capital Resources, for individual projects (as well as for countries). The basis for such blending has been discussed in Chapter 1 (Section 1.4, final sub-section).

Some 38 per cent of SDF IV loan-financed projects (23 out of 60) were blended with OCR or other resources, and in value terms 45 per cent of loan approvals were for blend projects. Table 2-4 shows overall SDF loan operations,⁸ the number of blend projects, the total CDB financing for such projects, and the SDF loan amounts used in such blended operations, as well as breakdown by the five SDF IV themes. Blended projects were primarily for *poverty reduction, human resource development, and environment, water supply and waste management*.

Table 2-4: SDF IV Blended Loans by Theme

Theme	Total SDF Lending			Blended Projects		
	No. of Projects	Loan Approvals	No. of Blended Projects	Total Blended CDB Lending	Blended SDF Loans	SDF as % of Total
(1)	(2)	(3)	(4)	(5)	(6)	(7)
	#	\$000	#	\$000	\$000	%
Poverty Reduction	23	39,700	6	46,900	22,400	48
Human Resources Development	15	19,300	11	32,200	13,400	42
Environment, Water Supply, Waste Management	9	21,200	5	44,300	16,900	38
Governance and Institutional Strengthening	12	4,000	-	-	-	-
Other Infrastructure	1	5,600	1	7,500	5,600	75
Totals	60	89,800	23	130,900	58,300	45

Source: SDF Performance Review Database May 2000

Excludes regional and grant-financed projects

In terms of Country Groups, blended loan financing was used only in Groups 2 and 3, since Group 4 is SDF-only and there was no SDF loan financing in Group 1. Twenty of the 23 blend projects were in Group 3, and this accounted for \$117.3 million of the \$130.9 million in total CDB lending for blend projects.

Table 2-5: SDF IV Blended Loans by Country Group

	Total SDF Lending			Blended Projects		
	No. of Projects	Loan Approvals	No. of Blended Projects	Total Blended CDB Lending	Blended SDF Loans	SDF as % of Total
(1) <i>Country Group</i>	(2) #	(3) \$000	(4) #	(5) \$000	(6) \$000	(7) %
Group 1	-	-	-	-	-	-
Group 2	10	6,200	3	13,600	4,800	35
Group 3	49	78,500	20	117,300	53,500	46
Group 4	1	5,100	-	-	-	-
TOTALS	60	89,800	23	130,900	58,300	45

Source: SDF Performance Review Database May 2000

Excludes regional and grant-financed projects

As suggested in Chapter 1, the use of blending is partly to “stretch” available SDF funds over a larger number of interventions, partly to reflect the differences in project components, and partly to “leverage” other funds into social sector projects. Differences can occur between countries in different country groups and at different points in the SDF cycle.

SDF operations under each of the individual program themes are viewed in the chapters that follow.

Endnotes

¹ Project approval figures used in this report are net of cancellations up to the date of preparation of the data in May 2000.

² The additional contribution from China, which became a member of the Bank after SDF IV was negotiated, has increased funds available for commitment and allowed SDF IV to continue well into the year 2000.

³ The figure of \$130.5 million for 1996-1999 compares with \$123.4 million cited in the *Special Development Fund Annual Report 1999*, April 2000, Table 2.3, with the addition of \$6.6 million for the HIPC initiative, which was financed from SDF accrued net income, and \$549,000 in training, which is accounted for separately in the SDF annual reports. The objective in the present report is to be as complete as possible in reviewing the use of SDF(U) resources.

⁴ Program data presented in this and the following chapters are based on the information and classification in Appendices 1 and 2, referred to in the notes as the *SDF Performance Review Database May 2000*. The figures include project approvals *through the first half of 2000* (the last Board meeting before June 30th having been held at the time this report was prepared) and *disbursements as of March*. As explained further in Chapter 3, natural disasters disproportionately affect the poor, and we consider important parts of the Bank's policy on disaster management to be comparable to safety nets, and, therefore, properly counted under poverty reduction programs. *31, 2000*.

⁵ See Note 8 to Chapter 1.

⁶ The term *governance and institutional strengthening* is used in the report to reflect the nature of SDF programming in this field, including strengthening of economic management and program delivery as part of the task of strengthening governance. It also includes some interventions in areas such as public sector reform and local government reform.

⁷ It should be noted that the SDF IV themes did not apply to SDF III, which had its own policy framework, as discussed in Chapter 1. Grouping the SDF III program according to these categories, therefore, has been done only for purposes of comparison, i.e. to show the extent of the changes in some areas, and (in the chapters below) to assist in the review of results or outcomes for the type of projects under the SDF IV themes, since projects actually approved in SDF IV are in most cases still under implementation. The classification for SDF III is provided in Appendix 2 and the SDF III data for Figure 2-3 is shown in the table below.

SDF III – Project Approvals by SDF IV Program Theme \$ million

	1992	1993	1994	1995	Totals
Poverty Reduction	18.8	4.8	4.0	7.2	34.8
Human Resource Development	6.5	3.5	0.1	2.6	12.7
Environment, Water Supply and Waste Management	3.0	5.1	8.9	8.1	25.1
Governance and Institutional Strengthening	3.2	2.5	1.9	1.6	9.2
Other Infrastructure and Debt Relief	-	6.0	29.5	3.4	39.4
Totals	37.5	45.4	18.3	20.0	121.2

Source: SDF Performance Review Database May 2000 (see Appendix 2).

Totals may not add because of rounding.

⁸ The figures in the table exclude regional projects and all grant-financed projects, including HIPC debt relief, and are, therefore, lower than figures in earlier tables.

CHAPTER 3: POVERTY REDUCTION

3.1 An Evolving Strategy

Increasing emphasis has been given to poverty reduction in recent SDF replenishment cycles. This was reflected in the *Directional Plan/Strategy – CDB to the Year 2000*, which strengthened poverty alleviation as a part of the Bank's mission,¹ and in the SDF III guidelines, which stated that SDF was to “*help alleviate the widespread poverty in some countries... by expending a judicious proportion of the resources to benefit the poor directly...*”²

The emphasis on poverty reduction was carried further in SDF IV,³ which centred the use of SDF resources on five themes, of which the most important is poverty reduction, in a broad social context including gender issues and the concerns of indigenous peoples. The policy was developed further in a social policy paper at the start of SDF IV, in which CDB staff set out elements of an anti-poverty strategy that integrated the Bank's broad development mandate and its social agenda.⁴ In many respects the views put forward in that paper, and in the guidelines for SDF III and SDF IV, anticipated the *Comprehensive Development Framework* that has been developed by the World Bank.

The CDB has also developed a new *Disaster Management Strategy*, which addresses a critical safety net issue for many BMCs.⁵ It has also supported basic education – which is important for poverty reduction – as part of the OECS Education Reform Strategy.

The Bank's current mission statement, set out in the *Strategic Plan 2000-2004*, makes a clear commitment to poverty reduction: “*CDB intends to be the leading Caribbean development finance institution, working in an efficient, responsive and collaborative manner with our borrowing members, towards the systematic reduction of poverty in their countries, through social and economic development.*”⁶

In the present study we have defined “poverty reduction” activities in the context of SDF IV to include the three pillars now generally used in multilateral development bank (MDB) documents on this subject⁷ – *broad-based growth, targeted programs to improve the welfare of the poor directly, and safety nets* (see Box 3-1).

Poverty Assessments

Country poverty assessments (CPAs) have been developed for a number of the Bank's BMCs by national governments and the CDB, with support from some of the principal donors active in the Caribbean. These assessments throw light on the extent of poverty among member countries and show the scale of the problems to be addressed. They also provide essential information needed to enable national governments to formulate social policy and to assist the CDB and national organisations to target and design programs such as the *Basic Needs Trust Fund (BNTF)* and *Rural Enterprise Development* projects.

The assessments have found substantial pockets of poverty in each country, as well as large variations, both from one country to another and within countries. By December 2000, the CDB plans to have assisted six of the nine BNTF beneficiary countries in completing CPAs. Of the others, only Montserrat will not have conducted some form of poverty assessment, and this is largely the result of a volcanic disaster suffered by that country (although a social welfare review was conducted for that country by DFID).

Box 3-1: The Three Pillars of Poverty Reduction

Pillar 1: Broad-based growth to generate efficient income-earning opportunities for the poor. Such growth depends on a good macroeconomic environment, effective institutions, wise investment of scarce resources, and markets that provide appropriate incentives. It also requires consideration of the types of economic development that will include the poor. Sound macroeconomic frameworks and economic efficiency are essential to the poor, as well as the rest of the community, but the poor also need a special effort to broaden growth to include them. There are ways to make economic growth more “poor friendly” by emphasizing labour-intensive projects – for example in industrial estates or service industries. One of the ways in which the CDB supports broad-based growth is by blending SDF funds with ordinary capital resources to encourage poor-friendly public investments.

Pillar 2: Targeted programs to improve welfare directly. These include access to safe drinking water, sanitation in poor communities, basic education, health care, housing and local community facilities and services. Targeted welfare programs are needed to provide the basic necessities for poor families.

Pillar 3: Safety nets to manage catastrophic risks to the welfare of the poor. In the Caribbean, these risks are typically natural hazards (hurricanes, landslides), health (epidemic disease), and economic (pest threat to monoculture crops, and market/political risks to undiversified economies). Such safety nets include emergency assistance during a disaster, restoration of basic services, and rehabilitation. In countries where many people are barely above the poverty line, and can be thrown back into poverty by catastrophes that come all too regularly, safety nets are extremely important.

The planning for poverty assessments began in 1993, when the CDB commissioned consultants to undertake conceptual and methodological studies for the design and conduct of such studies using a participatory approach. The Bank convened a donor group to guide and review this work, partly to ensure that the methodology developed would be acceptable to the major donors. During SDF IV, the CDB has assisted five of the smaller BMCs to produce poverty assessments, with the support of CIDA, DFID and UNDP. These were St. Lucia⁸, Belize⁹, Turks & Caicos Islands,¹⁰ St. Vincent & the Grenadines¹¹ and Grenada.¹² An assessment for St. Kitts & Nevis is underway, and assessments are planned for Anguilla, British Virgin Islands, and Dominica. The CDB itself has contributed to the assessments in several ways, including staff time to manage the studies.

All of the assessments have been collaborative efforts, with an in-country national assessment team taking responsibility. The methodologies have been similar, identifying the *poor* as those belonging to households with a shortfall of income to meet their basic needs, and the *indigent* as those without the essential wherewithal to meet even basic food needs for a healthy existence.

Other MDBs have provided assistance to the larger BMCs for similar poverty assessments. Guyana, Jamaica and Trinidad & Tobago have been assisted by the World Bank, which published a study entitled *Poverty Reduction and Human Resource Development in the Caribbean*,¹³ drawing together information from the various country studies, including those sponsored by the CDB. A series of reports covering themes such as poverty and health, education, gender and employment were commissioned by CDB, with financial assistance from DFID, and presented to a specially convened meeting of policymakers and researchers from the BMCs. The World Bank also published a report on *Strategies for Reducing Poverty in Guyana*.¹⁴ In addition, the Inter-American Development Bank provided support for a study in Barbados.

These various assessments have found substantial percentages of the population in each country to be income-poor, ranging from 25 to 37.5 per cent (see Table 3.1).

Other studies have estimated levels of poverty for Guyana above 40 per cent¹⁵, Jamaica between 25 and 30 per cent¹⁶, and Trinidad and Tobago between 20 and 25 per cent.¹⁷ In 1996 the World Bank estimated that approximately 38 per cent of the total population of the Caribbean – more than seven million people – are poor (25 per cent excluding Haiti).¹⁸ This places the Caribbean somewhat better off than sub-Saharan Africa and South East Asia in terms of poverty levels, but worse off than East Asia or Eastern Europe.

Table 3-1: Poor or Indigent as a Percentage of the Population

Country	Poor	Indigent
Belize ¹⁹	33%	13.4%
St. Lucia ²⁰	25%	7%
St. Vincent & the Grenadines ²¹	37.5%	25.7%
Grenada ²²	32.1%	12.9%
Turks & Caicos Islands ²³	26%	3.2%

Sources: See endnotes indicated

The incidence of poverty is highest in Belize, Dominica, Guyana, Haiti and Jamaica. Poverty levels are lowest in Antigua & Barbuda, the Bahamas, Barbados, and St. Kitts & Nevis. Income distribution is less equal overall than, for example, Latin America.²⁴ Income inequality is of concern because it has been linked, in other contexts, with persistent poverty and economic or political instability.

There are often large variations within each country. This is illustrated by the poverty assessment for Turks & Caicos Islands, which found substantial variations in the percentage that is poor (see Table 3-2; note some of the populations are very small).

Table 3-2: Poverty Estimates for Turks & Caicos Islands²⁵

Islands	Poor as % of the Island Population
Providenciales	15.3%
North Caicos	60.8%
Middle Caicos	61.4%
South Caicos	45.2%
Grand Turk	32.8%

Source: See endnote indicated

In summary, the country poverty assessments found the incidence of poverty in BMCs to be unacceptable, and concluded that poverty was an *“urgent problem to be addressed”* and that *“governments are unlikely to have the resources for the required programs . . . [and] will need assistance from the Caribbean Development Bank and other agencies. . . .”*²⁶

It is also significant that income levels are relatively volatile in the Caribbean, partly because of vulnerability to natural disasters, and partly because of inherent economic instabilities in small states with highly concentrated productive sectors. Poverty reduction strategies, therefore, need to take into account not only the absolute poor, but also people close to the poverty line who can be thrust back into poverty suddenly and unpredictably.

Country Strategies

We reviewed four recent CDB country strategies²⁷ and found that poverty reduction was considered in each strategy and linked with proposed CDB activities. Coverage was good. The

strategies showed how current CDB loans and grants tie in with the poverty reduction mandate and mission statement of the Bank.

The following excerpts underline the importance of poverty reduction in the CDB country strategies:

"CDB will finance the improvement of water supply to the agriculture sector; the rehabilitation of citrus farms; lending to small and micro-enterprises; the establishment of an incubator centre for micro-enterprises; improvements in primary and tertiary education and specialized training; the provision of basic services to the poor; and initiatives to reduce watershed degradation." (Jamaica)

"CDB's intention in Belize ... is to foster faster economic growth, poverty reduction, the promotion of good governance and efficiency in public policy formulation, improved environmental management, and fostering closer economic integration with other member countries." (Belize)

"... trends resulted in an increase in poverty and unemployment as indicated in the findings of the Country Poverty Assessment ... (therefore) CDB initiatives are planned to reduce poverty and ensure that the benefits of economic growth are widespread." (St. Lucia)

"... a high level of structural unemployment continues to cause poverty and hamper social advancement. There is a considerable need to strengthen human resources and enhance labour market flexibility as part of the strategy to promote private investment and to reduce poverty." (draft strategy for Dominica)

The attention to poverty in the CDB's country strategies is significant. We observed, however, that there is a need for more in-depth social analysis, on which more incisive poverty reduction interventions could be based. Strategies should be more forward looking in two respects. They should:

1. Identify the highest priorities (types and locations of poverty to be addressed first).
2. Link these priorities to specific instruments or programs that can make the most difference in the short to medium term.

3.2 Program Overview

We have used the "three pillars" cited above in classifying SDF-financed poverty reduction activities. Categorizing poverty reduction initiatives is not an exact science. Some bilateral donors and MDBs,²⁸ for example, include controlling population growth as an element of poverty reduction.²⁹ We do not do this, at least for the Caribbean, but agree that poverty reduction should be defined holistically and not too narrowly.

Where poverty reduction efforts have been most successful in the world, broad economic growth has been at least as important a factor as direct redistribution. As an important recent MDB poverty strategy states:

"While some ambiguity may have existed in the past, there appears now to be a universally accepted view that economic growth and poverty reduction are not in conflict but are mutually reinforcing."³⁰

Much of the CDB's work is aimed at strengthening the prospects for economic growth, including support for the development of better economic policies and institutional strengthening. In addition, however, the Bank finances a range of projects that are *targeted primarily to the poor*. It is these that we are concerned with in this chapter, and the CDB resources that are used come largely from SDF, although in some cases OCR and funds from other sources are blended in, or associated with, the same projects. They cover all three of the pillars of poverty reduction.

SDF-financed poverty reduction initiatives are in a number of key areas:

- Micro and small scale enterprise development,
- Rural enterprise development,
- Low-income housing,
- Basic education,
- Disaster response and rehabilitation,
- Community infrastructure and services,
- Skills training, and
- Community organisation

An overview of these programs is provided in Table 3-3, with those financed by SDF loans and by BNTF or other grants shown separately.³¹

Table 3-3: Targeted Poverty Reduction: Program Overview

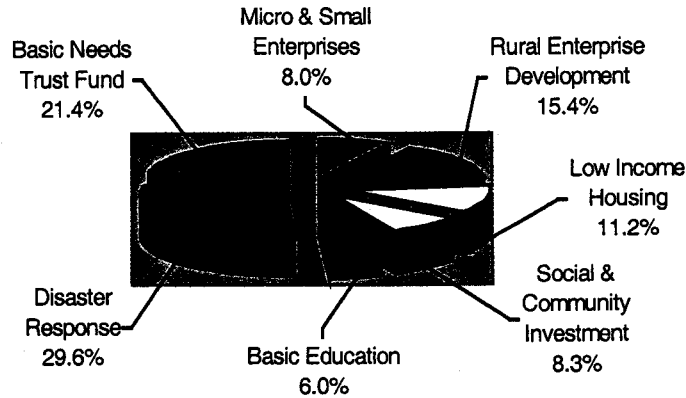
	SDF III Projects		SDF IV Projects	
	No. of Projects	Amounts Approved	No. of Projects	Amounts Approved
	#	\$ 000	#	\$ 000
SUMMARY				
Loans	12	19,120	37	65,922
Grants (Sub-projects)	174	16,692	523	19,231
TOTALS	186	35,812	560	85,153
PROGRAM AREAS				
Loans				
1. Micro & Small Scale Enterprises	6	5,920	11	6,707
2. Rural Enterprise Development	1	1,530	4	12,915
3. Low Income Housing	2	1,000	5	9,422
4. Social & Community Investment (JSIF)	-	-	1	7,005
5. Basic Education	-	-	2	5,000
6. Disaster Response	3	10,670	14	24,873
Subtotals	12	19,120	37	65,922
Grants (BNTF)				
1. Water Systems	29	3,087	94	3,325
2. Schools	37	5,328	102	3,929
3. Day Care Centers	2	73	9	359
4. Health Facilities	23	2,495	90	1,508
5. Local market/retail Facilities	2	280	14	319
6. Footpaths, Roads, Bridges, Drains	80	5,335	177	7,589
7. Skills Training & Upgrading	-	0	24	387
8. Public Awareness and Information	-	90	-	178
9. Community workers	-	0	9	250
10. Project manager (Guyana, 50%)	-	0	1	45
11. Other	1	4	1	111 ³²
Subtotals	174	16,692	521	18,000
Grants (other than BNTF)				
12. Emergency relief (CDERA)	-	-	11	540
13. Rural development	-	-	1	462
14. Basic education	-	-	2	129
15. Other	-	-	1	100
Subtotals	-	-	15	1231
TOTALS	186	35,812	560	85,153

Source: PREU, Status of BNTF IV Approvals and Disbursements; SDF Performance Review Database May 2000.

As the table shows, there have been significant changes from SDF III to SDF IV, and in terms of project approvals, there has been an increase of 137 per cent. There has also been a substantial increase – approximately 200 per cent – in the number of projects, reflecting a marked trend toward smaller projects, which in many cases can be targeted more accurately.

The various program areas are shown in percentage terms in Figure 3-1.

**Figure 3-1:
SDF IV Poverty Reduction Programs**



The largest category in dollar terms is disaster response, reflecting to a considerable extent the impact of Hurricane Lenny. Project approvals in other categories are distributed more evenly. It should be noted that, in this context, basic education is taken as primary education.³³

Most of these programs have been *loan-financed*. The principal *grant-financed* category has been the Basic Needs Trust Fund.

3.3 Basic Needs Trust Fund

What is now the *Basic Needs Trust Fund (BNTF)* began as the Basic Human Needs Program in 1979, and the CDB has had 20 years of experience with this type of community-based grants program. The goal is to assist low-income communities to improve their access to social and economic infrastructure through labour-intensive projects, which develop skills and encourage community participation. Nine BMCs are included in BNTF IV.

BNTF has been funded as follows:

First Program, 1979	\$24.5 million in grants (\$8 million SDF, and \$16.5 million USAID), and \$4 million in loans (\$2 million SDF and \$2 million from USAID).
Second Program, 1984	\$28.2 million in grants (\$8.5 million SDF, \$19.7 million from USAID).
Third Program, 1992	\$21.25 million (\$15 million from SDF + \$6.25 million in counterpart funding from recipient governments).
Fourth Program, 1996	\$18 million + \$8.6 million counterpart funding + \$800,000 from USAID for designated countries.

Drawing on the experience of previous programs, BNTV IV included several innovations, which amounted to a significant shift in philosophy. Some of the principal changes were:

- *Greater participation at the community level* (a bottom-up approach with local ownership). This included the addition of a community worker reporting to the project manager. \$1,063,000 was allocated for project managers, the community workers and publicity (about 4.6 per cent of total BNTF IV resources).
- A *Project Steering Committee* in each beneficiary country, with diverse membership, to select sub-projects and approve them when the cost is less than \$20,000, sending the records to CDB for review on a no-objection basis.
- It was hoped that the improved local presence and capability (steering committee, manager, community worker) would attract *funds from other sources*, and that this would make the effort more sustainable in the longer run.
- An *unallocated set-aside of \$3 million*, to be allocated later in the period on the basis of *country performance*.³⁴

Table 3-4: Poverty Reduction: SDF IV Grant Funding - Basic Needs Trust Fund

Activity	Amounts Approved	Amounts Disbursed	Per Cent Disbursed
	\$	\$	%
BNTF IV			
Sub-Projects	\$22,508,000	\$8,104,000 ³⁵	36%
Performance incentive allocation	\$ 3,000,000	See note ³⁵ above	
Regional seminars	\$80,000	\$45,000	56%
CDB travel	\$136,000	\$84,000	62%
Sub-project consultants	\$2,529,000	\$1,363,000	54%
Program evaluation	\$158,000	\$102,000	66%
Contingencies	\$50,000	-	-
Totals	\$28,461,000	\$9,698,000	34%

Source: Poverty Reduction and Environment Unit (PREU), June 2000.

Unlike the first two BNTF programs, the costs of BNTF III and BNTF IV have been shared by the governments concerned, according to a formula developed for BNTF III, with the government contribution deposited into a special project account.

Table 3-5: BNTF IV Sub-Project Allocations by Country³⁶

Country	No. of Sub-projects	CDB Approved Grant	Per Cent of Total
Guyana	114	\$4,110,000	26%
Dominica	66	\$1,953,000	13%
St. Lucia	69	\$1,939,000	12%
St. Vincent & Grenadines	67	\$1,897,000	12%
Grenada	77	\$1,873,000	12%
Belize	56	\$1,765,000	11%
St. Kitts and Nevis	45	\$994,000	6%
Montserrat	8	\$569,000	4%
Turks and Caicos	10	\$414,000	3%
Totals	511	\$15,514,000	100%

Source: PREU, Status of BNTF IV Program and Monitoring Indicators, Rev. 2, April 2000.

In BNTF IV, the total budget from all sources was \$28.8 million. Of this, just under \$23 million was for sub-projects, of which \$15.5 million (67.5 per cent) was from SDF and \$7.5 million (32.5 per cent) from the governments concerned. Of the balance, \$2.4 million was for sub-project consultants and \$3 million for the performance incentive allocation.

Guyana received just over one quarter of the original allocation for sub-projects (before allocation of the performance incentive), as shown in Table 3-6. Five countries received 11 to 13 per cent each, and for three other countries the allocation was 3 to 6 per cent.

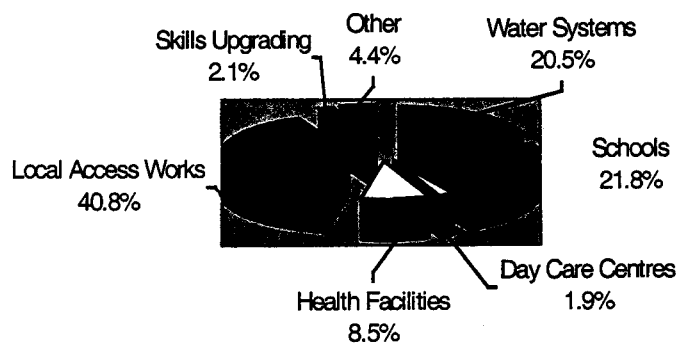
Table 3-6: BNTF IV Sub-Projects by Type of Project

Type of Sub-project	No. of Sub-projects	Amounts Approved	Per Cent
Water Systems	94	\$3,325,000	19%
Schools	102	\$3,929,000	22%
Day Care Centers	9	\$359,000	2%
Health Facilities	90	\$1,508,000	8%
Local market/retail Facilities	14	\$319,000	2%
Footpaths, Roads, Bridges, Drains	177	\$7,589,000	42%
Skills Training & Upgrading	24	\$387,000	2%
Public Awareness and Information	-	\$178,000	1%
Community workers	9	\$250,000	1%
Project manager (Guyana, 50%)	1	\$45,000	0.3%
Solid waste dump	1	\$15,000	0.1%
Totals	521	\$17,904,000	100%

Source: PREU, Status of BNTF IV Approvals and Disbursements, April 11, 2000.

The average size of a BNTF IV grant has been \$36,360, compared to \$97,076 in BNTF III. Local water supply systems have received about one fifth of the grants. Local build facilities (schools, day care centres, health facilities, market facilities) have received about 35 per cent, and small access works (footpaths, bridges, road works, drains) have received about 41 per cent. In an important sense, these are similar projects – small local works, involving the community and using local labour as much as possible. Table 3-6 and Figure 3-2 show the breakdown by type of project.

Figure 3-2: BNTF IV Grants by Type of Sub-Project



Performance Allocation

One of the important features of BNTF IV was to set aside a part of the total budget for later allocation according to individual country performance.³⁷ In December 1999, the \$3 million that had been set aside was allocated among the eligible Group 3 countries, based on a formula recommended by the mid-term evaluation consultants. The performance allocation is shown in Table 3-8. For most countries, the performance allocation differed significantly from the initial basic allocation.

Table 3-7: BNTF IV Initial and Performance Allocations

Country	Initial Allocation	Per Cent	Performance Allocation	Per Cent
	\$ 000	%	\$ 000	%
Belize	\$1,765	15.5%	\$528	17.6%
Dominica	\$1,953	7.1%	\$492	16.4%
Grenada	\$1,873	16.4%	\$467	15.6%
Montserrat	\$569	5.0%	\$122	4.1%
St. Kitts & Nevis	\$994	8.7%	\$287	9.6%
St. Lucia	\$1,939	17.0%	\$477	15.9%
St. Vincent & Grenadines	\$1,897	16.6%	\$513	17.1%
Turks & Caicos	\$414	3.6%	\$114	3.8%
Totals	\$15,512	100%	\$3,000	100%

Source: PREU, Status of BNTF IV Program and Monitoring Indicators

Program Expenditures

At the end of 1999, 481 sub-projects had been approved under BNTF IV, and 231 were completed. Of commitments of \$11.6 million, disbursements had reached \$7.6 million.

Compared with BNTF III, less was spent on school construction, partly because the CDB's education loan program using OCR expanded, and on construction of health facilities. A somewhat higher proportion was spent on other small local works such as water systems and access footpaths. Table 3-8 shows expenditures in percentage terms by type of project for both SDF III and SDF IV.

Table 3-8: BNTF III and BNTF IV Expenditures by Type of Sub-Project
(in percentages)

	BNTF III ³⁸	BNTF IV
Water Systems	19%	19%
Schools & day care	32%	24%
Health Facilities	15%	8%
Local market/retail Facilities	2%	2%
Footpaths, Roads, Bridges, Drains	32%	42%
Skills Training & Upgrading	-	2%
Public Awareness and Information	<1%	<1%
Community workers	-	<1%
Project manager (Guyana, 50%)	<1%	<1%
Solid waste dump	<1%	<1%
Totals	100%	100%

Source: PREU, Status of BNTF IV Program and Monitoring Indicators, Rev. 2, Apr. 12, 2000 and Paper BD 18/96, May 7, 1996, Appendix 1.2.

BNTF Learning

During BNTF IV, the CDB conducted four regional workshops to strengthen the institutional management of the program and to share best practices:

- Project launch workshop in Barbados, May 1997 (implementation issues).
- Workshop with assistance from JSIF personnel³⁹ in Guyana, July 1998 (skills development, participation and targeting components particularly).
- Workshop with IFAD⁴⁰ in St. Lucia, Nov. 1998 (Gender Issues in Rural Development).
- Regional Meeting, Barbados, May 1999 (mid-term evaluation and exchange of experiences).

Box 3-2: BNTF Guyana

Guyana received the largest share of BNTF IV funding – at \$5 million – of the nine countries benefiting from the program. It is the poorest of the Bank's BMCs, with an estimated 40% of the population considered poor. It is the only Group 4 country, and the only BMC eligible for exclusively SDF financing.

Our field trips included this largest (215,000 sq.km.) of the Bank's BMCs, and we were able to visit some of the BNTF sub-project sites. Guyana has 114 sub-projects, of which 40% are in education, 25% for water and 22% for roads. The program has also sponsored skills training for 43 apprentice carpenters.

The vast majority of sub-projects are a combination of school construction and/or expansion, footpaths, roads and water. The mid-term evaluation of BNTF IV ranked the Guyana program as the best and most efficiently and effectively managed. In the education sector, however, it found that sustainability might become a problem because of the lack of school equipment and a serious outflow of teachers. The Guyana program has also selected a higher share of larger projects (over \$20,000), at 90% of total sub-project value and 54% of total number. The targeting of communities has been informed by a poverty map, the only such map found during the evaluation. The number of beneficiaries was estimated at 195,000, and the employment generated at 31,384 person weeks. The sub-projects we observed bear out the reasonableness of the evaluation's positive assessment. We were impressed with the choice of projects and the usefulness of completed projects in our sample. We did not audit projects, nor examine the economy of implementation. We were, however, able to observe benefits first hand

We found a close relationship with the IDB-funded *Social Action Amelioration Program (SIMAP)*. The Bushlot Secondary School, whose expansion and renovation was financed under BNTF, is adjacent to the local primary school built by SIMAP. The Secondary School now has a capacity of 600 students. The closest other educational facilities are 12 miles away. The BNTF project manager advised us that the two programs consult and reinforce each other where feasible. While this school was in a populated area, the next sub-project site visited was more remote. The Hope Estate Primary School had been under construction for one month by the local people, and was located in a village of 200 persons about 5 miles from the main road. This will have four classrooms and provide for 70 students up to "0" level. We also visited a Nursery School built under the program, and a paved side street in Golden Grove Village, which before BNTF financing had been a mud bank.

An interesting BNTF project financed under the previous cycle was a market at Enterprise. Thirty enclosed stalls offered daily market service of fruits, vegetables and other produce to 15-20,000 people in the area. The impacts could be measured in a number of ways, including employment, micro and small enterprises, access to markets, consumer convenience, trade, transport, and environmental benefit. As the project manager stated to us, the best measure of impact of the program is the "improved quality of life that occurs".

Mid-Term Evaluation

As part of the BNTF learning process, consultants were hired in January 1999 to conduct a mid-term evaluation of BNTF IV. The team did individual country studies and an overview report, which were submitted in May 1999.⁴¹ Some of their principal conclusions were:

- The program was valuable and important. It was extremely well-received, and was making, and had the continuing potential to make, very positive contributions in each country. There was much evidence that poverty reduction, as intended by the program, can be a real output – sustainable and consistently achieved.⁴²
- The relatively fast implementation rate made possible through small grant sums and the increased autonomy in decision-making within countries had further enhanced the attractiveness of the program, particularly in relation to projects of other agencies.⁴³
- Program management staff were generally very committed to the program, and the potential that it offered. Valuable lessons had been learned from BNTF IV and previous programs.⁴⁴
- Sub-projects, while in poor communities, were, however, sometimes not sufficiently targeted to communities in greatest need.⁴⁵
- Management was significantly improved from BNTF III, but needed further strengthening in various ways. The first phase of implementation was slow. This should not again be the case, since organisational structures are in place, and experience gained.⁴⁶
- Community involvement and public information needed strengthening.

In 1999, USAID evaluated the effects of its contribution to BNTF IV under the Windward Islands Diversification Project.⁴⁷ This comprised a grant of \$800,000. Of this, \$708,000 was for projects and \$92,000 for consultant supervision for the four Windward Islands affected by the September 1997 World Trade Organisation ruling that the European Union must restructure banana preferences (Dominica, Grenada, St. Lucia and St. Vincent and the Grenadines). The findings of this evaluation included:

- *“There has been satisfactory progress with implementation albeit after an inordinately slow start. This was due to the need of the participating countries to constitute national project committees and initiate a community-based project identification and selection process consistent with the new focus of the BNTF; and the consequent delay of 6 to 12 months in preparing and submitting proposals with adequate information.”*
- *“Satisfactory community participation has taken place in various ways... (except) in Grenada where... although the communities may have identified their basic needs, the role of the parliamentary representative was too prominent...”*
- *“The team has concluded that the activity has impacted positively on the lives of the members of the beneficiary communities. This conclusion was supported by the community members whom the team met and who were effusive in their thanks.”*
- *“The assessment team also concludes that there will be some impact of the BNTF program through institutional strengthening at the community level.”⁴⁸*

The USAID evaluators concluded:

“In three of the four targeted countries, the BNTF component will contribute towards institutional strengthening at the community level through the promotion of civil society, its participation in defining local development constraints and applicable solutions, and ownership of project interventions. Most importantly, BNTF will contribute to alleviating poverty by addressing basic needs, as identified at the local level, while assisting with employment generation and economic diversification.”⁴⁹

Our Findings on BNTF IV

We either visited or reviewed fifteen BNTF IV projects in five countries - Belize, Guyana, Dominica, St. Lucia, and the Turks & Caicos Islands. On the basis of our discussions, we concur with the two earlier evaluation teams that BNTF is a valuable and important program. Given reasonable expectations of how long it takes a community-based program like the BNTF to mature, it has been a marked success.

In some cases, as in St. Lucia, where the study team paid a field visit for discussions on BNTF, among other projects, the BNTF program has served to sensitize the Government to the practical possibilities of poverty programming, and has provided a model for the design of a larger and very similar program, for which financing is being provided by other donors.

BNTF IV has funded a large number of small projects in poor communities, and has done so in ways that generate local employment, mobilize the local community, and impart some skills to participants indirectly as well as directly through explicit skill-building projects. The communities affected contain about 400,000 beneficiaries.⁵⁰ Community participation has been substantially improved compared to BNTF III.

It is inherent in the design of the program that most skills are learned mainly indirectly as part of developing and implementing a project, rather than in formal training courses. Nevertheless there has also been a significant increase in direct skills training from BNTF III (none) to BNTF IV (24 projects).

Contractors on BNTF IV projects have stated that the projects involved 66,000 person weeks of labour. In some cases local residents were not as involved in the work as they might have wished because contractors have a natural preference for their own labour gangs. Nevertheless, a reasonable degree of direct participation and self-help labour has been achieved.

Despite the innovation of Project Steering Committees that included NGOs as well as government representatives, there was in at least some cases noticeable political influence in

BOX 3-3: BNTF St. Lucia

We were able to discuss BNTF IV on our field visit to St. Lucia. Some of the program outcomes seemed quite striking:

- BNTF IV appears to have successfully initiated direct community involvement in determining needs and implementing and supervising projects.
- Projects selected have facilitated development of community organisations that have continued after the BNTF projects are completed.
- BNTF has been a major factor in increasing national awareness of the poverty issue and has provided the model for development of a new Poverty Reduction Fund for the country.
- An increase in number of projects from 7 in BNTF III to 58 in BNTF IV has extended the program to a larger number of small communities where community involvement has been greater.
- 37 out of 58 projects have been in water and sanitation, a sector of critical concern nationally.
- There was follow-up on the 1995 *Country Poverty Assessment* through BNTF interventions in 5 of the 10 poor communities on which the Poverty Assessment had focused, with emphasis on the priorities proposed in the Report, i.e. improving the quality of physical infrastructure and developing the capacity in such communities for mobilization, discussion and action.
- The attention given in the poverty assessment to poor rural communities was balanced by attention to poor urban areas with problems that BNTF has been able to help to address.
- Projects have been undertaken in all 7 of the country's administrative regions. A striking example is the *Mangue Footpath*, which shows how the social environment in a highly vulnerable and isolated poor community that was previously inaccessible for law enforcement and social services can be transformed through a simple BNTF project such as an access footpath.

the selection of communities and projects. Both the mid-term evaluation and the USAID evaluation also concluded that some BNTF projects could be better targeted towards the poorest communities. We found the same thing in some countries but not in others. In St. Lucia, for example, the country poverty assessment was helpful in targeting projects to some of the poorest communities in the country.

There has been considerable variation in how the project selection committees are constituted, and how targeting is approached. This is the result of a 1995 decision by the Bank, in consultation with the BNTF project managers, to accept various arrangements that were an improvement on Cabinet control of the program, but did not necessarily give full autonomy to a project selection committee with NGO representation. The project selection committee in Guyana, for example, appears to have full autonomy, and should be a model for BNTF V.

Targeting is a matter of relative need, and we recognize that in the poorest communities absorptive capacity may be less and implementation more difficult. Nevertheless, if the program were targeted to, say, the bottom third of communities in the country in terms of per capita income, this would improve its poverty reduction effects while maintaining adequate scope and flexibility. In some countries, BNTF targeting has been guided by a country poverty assessment. This should become the general rule for any future BNTF program, and the planned completion of poverty assessments for all BNTF recipient countries where this has not yet been done should make this possible.

The provision for a community worker in BNTF IV was intended to encourage very poor communities that otherwise might not have the organisational skills to access BNTF funds. One community worker per country, however, is probably inadequate. We understand that the CDB proposes to strengthen this activity in any future BNTF program.

3.4 Other Social and Community Investment (JSIF)

In 1999, CDB provided a loan to the *Jamaica Social Investment Fund* of US \$7.1 million from SDF and US \$7million from OCR.⁵¹ This is a substantial program, and is similar in many ways to BNTF. Funding will finance approximately 160 sub-projects, including small social and economic infrastructure, social services and organisational strengthening in poor communities.

The Jamaica Social Investment Fund was established in 1996 to design and implement small-scale community-based projects. The project was funded with loans from the World Bank (\$50 million, or 40 per cent), the IDB (20 per cent) and the OPEC Fund (4 per cent), and a grant from the Netherlands (4 per cent). Counterpart funding from the Government and local organisations provided the remaining 30 per cent.

Table 3-9: Poverty Reduction: Other Social and Community Investment (JSIF)

	Date	Amounts	Amounts	Total CDB
	Approved	Approved	Disbursed	Financing
		\$ 000	\$ 000	\$ 000
<i>Jamaica Social Investment Fund</i>				
Loan	Dec-99	7,005	-	14,005
Grant for institutional strengthening	Dec-99	244	-	244
Totals		7,249	-	14,249

Source: SDF Performance Review Database May 2000.

The main concern with JSIF projects has been ensuring on-going maintenance by the community. This is being addressed in several ways – by dissemination of a *Community Facilities Maintenance Handbook* at project exit, by a requirement for sponsors of each community project to prepare a specific maintenance plan, by signed agreements with line ministries that they will be responsible for maintenance, and by a related IDB project that will strengthen the financial capabilities of the Parish Councils to undertake maintenance.⁵²

The impact of the project as a whole will be improved living conditions for about 300,000 persons in 80 poor communities in Jamaica, and strengthened local institutions. The JSIF is similar to the BNTF in both its targeting and its sub-project menu. Lessons learned in the one should be applicable in the other.

3.5 Micro and Small Scale Enterprise

To the extent the world's poor find work, it is likely to be in the informal sector. The informal sector is ruled by resourcefulness and imagination. Reflecting the energy of people at the base of the social pyramid, it can provide almost the only possibility of escape, and is frequently a source of hope for those who work in it.

The macroeconomic reforms of structural adjustment implemented throughout the Caribbean have sometimes led to a reduction in public and modern sector jobs in general and to further "informalisation". Since 1985, the dominant trend economically has been towards service activities, tourism, offshore finance, and informal urban activities as primary agricultural production and fishing have become relatively less important. Limited access of young people 15 to 25 years of age to job experience is a substantial problem. In Bahamas, Barbados, Belize and Trinidad & Tobago, for example, young people make up 50 per cent of the unemployed, and women between those ages are the most vulnerable.

Programs to assist micro and small enterprises in the informal sector can be important to poverty reduction. To cite a recent poverty reduction strategy of another MDB:

*"In recent years, micro finance has attracted considerable attention because of its potential to increase the physical capital of the poor while simultaneously building human and social capital... The emergence of micro finance reflects the progressive development of techniques to address the traditional barriers of cost, technology and institutional bias."*⁵³

This approach to poverty reduction, however, has risks as well as benefits.

*"Some countries have channeled vast sums of subsidized credit to the rural poor in the hope of stimulating employment and income generation. In general, such programs have yielded disappointing results because of poor targeting, leakage of funds, poor choice of investment and poor loan recovery. Most governments have progressively tried to eliminate the welfare aspects of their programs so as to encourage enterprise and initiative and reduce costs."*⁵⁴

The Caribbean Development Bank has experience in working through financial intermediaries to reach low-income borrowers. A little less than one-quarter of the loan funds committed to targeted poverty reduction programs in SDF IV was for micro and small-scale enterprise (MSE). As well, funds were committed to rural enterprise development and to micro housing finance, which are similar in many ways.

Two important aspects of impact are the financial sustainability of the lending organisation and success in targeting the poor. The former is important both because the assistance needs to be self-sustainable over time, and because an objective of micro-finance is to encourage

financial discipline in all concerned. Poorly administered programs can result in the beneficiaries considering the loans as “gifts” and damaging the development of a credit society.

The CDB has approved MSE loans totaling \$6.2 million under SDF IV (see Table 3-10). Some \$2.4 million, or 39 per cent, had been disbursed as of March 31, 2000.

Table 3-10: SDF IV Loans for Micro and Small Scale Enterprise

	Date Approved	Amount Approved \$'000	Amount Disbursed \$'000	Per Cent Disbursed %
Micro and Small Scale Enterprise				
Micro & Small Scale Enterprise, Anguilla	Jul-98	\$ 200	-	-
Micro & Small Scale Enterprise, Antigua & Barbuda	May-97	\$1,000	\$111	11%
Micro & Small Scale Enterprise, Belize	Jul-96	\$1,000	\$766	77%
Micro & Small Scale Enterprise, Belize	Oct-98	\$1,300	\$125	10%
Micro & Small Scale Enterprise, Dominica	Dec-97	\$600	\$ 93	16%
Micro & Small Scale Enterprise, Grenada	Dec-97	\$600	\$149	25%
Micro & Small Scale Enterprise, St. Kitts and Nevis	Dec-96	\$270	\$200	75%
Micro & Small Scale Enterprise, St. Kitts and Nevis	Feb-99	\$500	-	-
Micro & Small Scale Enterprise, St. Lucia	Dec-97	\$662	-	-
Micro & Small Scale Enterprise, St. Lucia	Dec-99	\$200	-	-
Micro & Small Scale Enterprise, St. Vincent	Mar-98	\$375	\$115	31%
Totals		\$6,707	\$1,559	23%

Source: SDF Performance Review Database May 2000

The slowest disbursements are on the loan to Anguilla in July 1998. Other loans are more substantially disbursed, particularly those extended in the early part of the period. Another \$457,500 was provided as technical assistance under SDF IV, of which \$264,500 has been disbursed.

The BMCs that received CDB loans for MSE development were Anguilla, Antigua & Barbuda, Dominica, Grenada, Belize, St. Kitts & Nevis, St. Vincent & the Grenadines, and St. Lucia. All of the loans were channeled through local DFIs. MSE sub-loans amounted to 815 in total number. The largest number of sub-loans – 599 – was to provide working capital for MSEs, primarily in the other services, agriculture and retail sectors.

Most of the MSEs were operating in rural areas (635). About 44 per cent, or 358, of the sub-borrowers were women. Twelve per cent of the sub-loans were to individuals 30 years or younger. Arrears as a percentage of loans outstanding (as of 31 July 1999), was 17.9 per cent, a long way from financially self-sustaining levels at currently established interest rates.

Strengthening Micro-finance Institutions

In addition to lending to micro finance institutions, the CDB has helped them strengthen their capabilities in general, and particularly in regard to their low-income clientele. For example, technical assistance and advice has been provided to the Development Finance Corporation of Belize (DFC Belize) in regard to its training program, its management information systems, and its lending strategy.⁵⁵ In turn, DFC Belize lends to cooperatives, credit unions and NGOs, and by example and advice contributes to development of their institutional capacity.

We visited DFC Belize on the field visit to that country to discuss the CDB funds provided for on-lending to MSE credit unions (loan component \$300,000 and grant \$200,000). A CDB project appraisal report in March 1998 stated that the project was “performing very satisfactorily”.⁵⁶ In SDF IV, on-lending has expanded to include various NGOs, including, for

example, BEST, which operates in the poor southern districts of Belize. BEST has made 35 micro loans, and ensures repayment by direct deduction from the delivery of produce to marketers, of which BEST is one for the delivery of peppers and handicrafts.⁵⁷

The three-level model – although it builds institutional strength – can be slow to disburse. For example, USAID provided \$500,000 earmarked for micro-enterprise lending in the Windward Islands to cushion the expected transition from banana cultivation to other crops and activities. From these funds, the CDB lends to the national development banks, which in turn lend to National Development Foundations, which then lend to micro-enterprises. In 1999, an evaluation of the program stated: “CDB’s relationship with the NDFs is, therefore, distant and this, in the opinion of the assessment team, has contributed to the slow pace of implementation...”⁵⁸ In fact, although the evaluators doubted it would be done, the lines of credit under this program were substantially in place by the end of 1999.

Micro-finance Guarantees

The CDB has recently (May 2000) approved an innovative program called the *Micro-finance Guarantee Program (MGP)*. This program is intended to address the lack of access by the poor to credit because of higher risks and higher administrative costs. Funding allocated to this program, initially to be conducted on a pilot basis, amounts to \$10 million.

The MGP provides a guarantee for a line of credit from a commercial lender or development finance institution to a specialized micro-finance institution (MFI) that, in turn, will lend the funds to MSEs on the basis of appraisal, monitoring and supervision procedures specifically developed for such clientele. The guarantee covers 80 per cent of the loan principal.

The MGP should directly help the poor. Lack of control over resources makes them vulnerable to many kinds of income risks. Micro-finance, when it is successful, can enable the poor to achieve greater control over resources, improve their ability to manage risks, and smooth their income flows. MSEs are often the first employment opportunity of the young, and also are a vehicle for the empowerment of women.

To be sustainable, the MFIs need to develop the discipline and transparency required of commercial lenders, and improve operational efficiency and effectiveness. If they succeed, partnerships with the commercial banks will become possible. The commercial banks will learn more about micro-finance. The benefits for the MFIs include improved risk management, additional leverage to provide more financing for MSEs and, finally, the development of new financial services and instruments for microentrepreneurs.

3.6 Rural Enterprise Development

Poverty assessments have found that there is a substantial amount of rural poverty in the Caribbean. “*On the whole, most of the poor in the Caribbean still live in rural areas.*”⁵⁹ Therefore, working with small agricultural holders is an important aspect of promoting broad-based growth as one pillar of poverty reduction. Smallholders are benefited by many of the rural projects financed by the CDB, such as rural roads and agricultural cooperatives. At present, this area of development has special urgency because of the difficulties of adjusting to the removal of preferential trading arrangements for bananas. USAID earmarked an SDF IV contribution specifically for such adjustment lending. As well, the CDB, in partnership with IFAD, has developed an innovative new instrument – loans for *rural enterprise development*.

Table 3-11: SDF IV Loans for Rural Enterprise Development

	Date Approved	Amount Approved \$'000	Amount Disbursed \$'000	Per Cent Disbursed %
Rural Enterprise Development				
Rural micro-enterprise, Belize	Jul-98	\$3,380	15	-
Rural Enterprise Development, Dominica	Dec-96	\$3,480	\$5182	17%
Poor Rural Communities Support Services, Guyana	May-98	\$5,100	-	-
Rural Enterprise Development, St. Lucia	Dec-96	\$955	\$220	23%
Totals:		\$12,915	\$817	6%

Source: SDF Performance Review Database May 2000.

Box 3-4**Rural Enterprise Development St. Lucia**

This was one of the projects we were able to review on a field visit. Its objective is to support marginal rural communities by addressing rural unemployment and increasing the income base of target groups.

The 6-year project targets 6,800 rural households, 44% of which are headed by women. SDF financing covers 20% of the budget, IFAD 46%, Government of St. Lucia 33% and beneficiaries 1%. The components are community development and mobilization, support for production, credit and marketing.

Key strategies include improving the supply of rural services and strengthening institutional capacity in service providers such as credit unions, integrating the provision of services, and establishing Community Implementation and Advisory Committees (CIACs) in 13 areas. A critical factor in project success will be mobilizing and strengthening the CIACs.

SDF funds are being used to establish or renovate community resource centers in the southern half of the country, to be managed by the CIAPs. These provide facilities for credit services, extension services, skills training, child daycare, etc. The project is working with providers of a wide range of services, including providers of credit services such as the National Farmers Cooperative Credit Union and government extension services.

The challenges cited by the project manager include getting providers of services such as government agencies to deliver the required services, government procurement and design procedures for buildings, and targeting credit services to the poor, who may not be members of a credit union or have suitable collateral. On credit, an effort is now being made to establish true micro-credit groups.

The project seems well-targeted and well-run. The mid-term evaluation planned for mid-2000 should be able to identify constraints and help to improve targeting and implementation.

Two rural enterprise development projects were approved in December 1996, and a further two in mid-1998. All were co-financed with IFAD, which carried out the preliminary studies for the first two interventions. In Guyana, the detailed design for the component being financed by SDF was prepared by CDB staff and FAO consultants. The other project was prepared by a joint CDB/IFAD team. All four have similar goals and objectives, but the approaches are adapted to the circumstances of the target groups.

The Dominica project is budgeted at \$7.3 million, of which the SDF portion is \$3.5 million and IFAD's is \$2.6 million. The balance of the costs is to be provided by the Government of Dominica and the project beneficiaries, who are to provide a small contribution in kind. The St. Lucia project is budgeted at \$4.7 million – \$955,000 from SDF, \$2.2 million from IFAD, and the balance from the Government and (a relatively small amount) from the project beneficiaries.

The objective of both projects is to increase the efficiency of production and marketing of non-banana agriculture and support rural micro entrepreneurs. Additional efficiency gains were hoped for through increased crop and livestock development, as well as access to extension services and credit. About 44 per cent of the targeted beneficiary households (6,860 households in the St. Lucia project and 5,700

rural households in Dominica) are headed by women. The intent is to broaden their income base and reduce their risks through diversification.

The *Poor Rural Communities Support Services* project in Guyana, also co-financed with IFAD, seeks to increase productivity in rice and non-traditional crops through the rehabilitation of drainage and irrigation systems. It also provides training to beneficiaries, aims to strengthen the National Agricultural Research Institute, supports a credit program for small-scale farmers and rural micro-entrepreneurs, and supports community development.

Disbursement from these loans has been slow. There appear to be a number of factors. For example, we visited the Guyana project and found it was facing serious implementation difficulties. The time required to organize the community-participation components was longer than had been anticipated, and the project leadership was encountering difficulties in reconciling IFAD, Government and CDB procurement procedures. Due to uncompetitive salaries, key project personnel had departed. Evaluation work on the rural enterprise projects is urgently needed to get implementation back on track. In the case of St. Lucia, a year was spent on developing the organisational structure for the project, and there have also been delays from government procurement and design procedures.

The Bank is currently carrying out a mid-term evaluation of the projects in Dominica and St. Lucia jointly with IFAD.

3.7 Low Income Housing

The CDB has supported innovative programs for financing low-income shelter and basic services. This is not easy to do, since it involves reaching a population that is poor enough to justify special credit services, but still able to manage a formal credit program for housing.

In 1996, the CDB discussion paper on *Social Development Policy and Strategy*⁶⁰ noted a high-priority need of low-income families for home improvement and construction loans, and also noted that innovative approaches were needed to identify the most appropriate institutional means of reaching the small saver/borrower. The CDB has since instituted two programs aimed at meeting this need. These are *Shelter Development* loans and the *Special Mortgage and Low-income Housing* loans. Although there is some overlap at the margin between the shelter and low-income housing programs, the Bank roughly separates the two programs at the income level of \$12,000 in local currency terms, with the former program targeting people below this level.

Table 3-12: SDF IV Loans for Low Income Housing

	Date Approved	Amount Approved	Amount Disbursed	Per Cent Disbursed
		\$'000	\$'000	%
Low Income Housing				
Site development, Special Mortgages, TCI	Dec-97	\$1,622	-	-
Low income housing, on-lending, St. Lucia	Dec-99	\$800	-	-
Low income housing, rehab., St. Kitts & Nevis	Feb-99	\$2,000	\$1,142	57%
Low income housing credits, Belize	Jul-96	\$2,500	\$2,500	100%
Low income housing credits, Belize	Oct-98	\$2,500	\$488	20%
Totals:		\$9,422	\$4,130	44%

Source: SDF Performance Review Database May 2000.

The demand for low-to-moderate-income housing is strong in some countries, as demonstrated by the full utilisation of the first Belize low-income housing credits. These credits allow borrowers to purchase newly constructed homes, build a home on land owned or leased by the applicant, or for home improvement purposes. In practice, it has been found the demand is mostly for building new rather than for home improvements. There are, however, some risks. It is difficult to target the programs to families who are genuinely poor but who nevertheless can manage a formal mortgage debt for shelter. This targeting is made more difficult in situations where wage and housing inflation make prices difficult to predict (see Turks & Caicos Islands project discussed below).

An assessment of the Low-Income Housing Program in Belize was carried out in 1999 by the Washington-based NGO, Community Housing Foundation. It found that the two credits, one in 1996 and the other in 1998, that have operated through a combination of the National Development Foundation, three credit unions, and the Belize Enterprises for Sustainable Technology represented a "strong program that offers a valuable product to its clientele."⁶¹ It concluded that the program demonstrated that CDB was a viable source of funding for local implementing agencies, provided the on-lending of the funds was done at a reasonable and affordable rate. Indeed, the analysis went further, to state the program could serve as a model for hurricane resistant housing programs throughout the Caribbean.

During the field visit to Turks & Caicos Islands, we examined the first Shelter Development Project (SDP) approved under SDF IV. The project comprises three components, namely, a Shelter Infrastructure Revolving Fund (SIRF), the Special Mortgage Program (SMP) and Technical Assistance (TA). The SIRF aimed to develop and sell 40 serviced plots (roads, drainage, electricity, and water) to low-income households. The second component, SMP, was designed to meet the mortgage finance needs of one hundred low-income households whose annual incomes did not exceed \$ 12,000. Technical assistance was provided to upgrade the training of building inspectors. The "average" applicant's profile is a couple living together with 4-6 children, the women generally in charge of the household, and 60-70 per cent were government employees. In most cases, new housing was the objective, rather than renovating existing houses.

The project has encountered serious difficulties in implementation. Although TCI has benefited from robust economic growth led by tourism, growth has been concentrated in Providenciales. Prosperity has attracted migration from other parts of TCI and immigration, legal and illegal, from other islands of the Caribbean, particularly Haiti. This has put pressure on public services in health and education and, with more than half the population having arrived in "Provo" in the last decade, there is "strain on the social fabric".⁶² The SMP, which was designed in 1997, now finds itself being implemented in a different environment. A recent project supervision report states:

The original site, which was to be, developed "has become rampant with over 100 illegally constructed dwellings, . . . the majority (being) ill-constructed wooden shacks occupied primarily by Haitian immigrants. There is little access to water and electricity and indiscriminate disposal of refuse. The site has also become an area of high crime and is no longer attractive to TCI Belongers wishing to invest in a home."

In addition, a private developer assumed more than 50 per cent of the area originally allocated for the project. Other problems faced in implementation include higher construction and design costs than expected (for example, construction materials costs have increased by 30 per cent since 1997). As well, more flexibility is needed in adjusting income eligibility ceilings, expressed in local currency, because of local wage and price inflation.

The 40 houses for which this project was designed are an inadequate response to the need. The Director of Housing for the project said to us, "*just when the public is becoming aware of the program, and the applications pace is picking up, we will have to tell them (the public) that the money is fully used.*"

3.8 Basic Education

The term "basic education" is generally used by the CDB to cover education at both primary and secondary levels, as well as any technical and vocational education that is taught at these two levels. As noted earlier, however, we have included only *primary education* as a poverty reduction program, since this is the definition now used in other MDBs. We deal with other levels and types of education under *human resources development* in Chapter 4.

During SDF IV the Bank has financed two basic education projects from SDF funds, one in St. Kitts & Nevis, and the other in St. Vincent & the Grenadines (see Table 3-13). These projects, since they are primarily focused on primary education, are considered in this section. During the same period the Bank funded another "basic education" project in Antigua & Barbuda, but this was primarily at the secondary school level, and is reviewed in Chapter 4.

The CDB has cooperated with member countries and other development organisations to formulate education strategies regionally and for individual countries. For example, the CDB played a role in support of the governments of the OECS, and the German, British and Canadian development agencies, to produce an Education Reform Strategy for the OECS countries.

During SDF IV the Bank has financed two basic education projects from SDF IV funds, one in St. Kitts & Nevis and the other in St. Vincent & the Grenadines (see Table 3-13). During the same period the Bank funded or partly funded two other basic education projects, in Antigua & Barbuda and St. Lucia.

Table 3-13: SDF IV Loans for Basic Education

	Date Approved	Amount Approved \$000	Amount Disbursed \$000	Per Cent Disbursed %
Basic Education (primary education)				
Expand and upgrade primary schools and Teacher Resource Unit (learning disabilities), St. Kitts & Nevis	Dec-96	\$2,500	908	36%
Expand and upgrade and primary schools and Teacher Resource Unit (equipment, materials), St. Vincent & the Grenadines	May-1996	\$2,500	1,179	47%
Totals		\$5,000	2,087	42%

Source: SDF Performance Review Database May 2000.

Both the St. Kitts & Nevis and St. Vincent & the Grenadines projects have been financed through a combination of OCR and SDF; both also received funds from the income of Venezuela's contribution to the earlier (non-SDFU) SDF. The objectives of both projects were to provide a more appropriate learning environment for greater numbers of students, including those with learning disabilities, at primary and secondary schools, and to enhance management of the education system, particularly in planning, data collection and analysis, student assessment, curriculum development and pedagogy. Project inputs include civil works, equipment, furniture and instructional materials, as well as extensive technical assistance and consultancy services.

Both projects are under implementation, with completion due in the next couple of years. It is difficult as yet to assess their probable impact, although the Appraisal Reports⁶³ projected medium to long term social and economic benefits for the individuals concerned, the economy, and the job market.

3.9 Safety Nets and Natural Disaster Management

Disaster is not a remote contingency in the Caribbean, because of the vulnerability to hurricanes, floods, earthquake, volcanoes and drought. Therefore, disaster response measures are an important part of the national and regional safety nets. Several recent studies have contributed to a lively debate about the importance to development of the special vulnerabilities of small states and although this is a much broader issue it reflects awareness of the special circumstances of such countries.⁶⁴

The CDB reviewed its policies and procedures for disaster assistance in 1998. It found that when a disaster occurred, there was often an absence of assistance immediately following a disaster, during the emergency relief stages, and that there could be long delays between approval of funds and implementation. A more rapid and streamlined response was needed, and procedures should be tailored to the special characteristics of disaster rehabilitation projects, through greater flexibility for retroactive financing, as well as in procurement.

The Bank believed that it needed to increase its support for disaster preparedness and disaster mitigation, improve procedures for the disbursement of funds, and strengthen collaboration with NGOs and community-based organisations. There was also a need for BMCs to enact and enforce appropriate building codes and to undertake disaster mitigation projects.

The result was a new set of *Natural Disaster Management Strategy and Operational Guidelines*⁶⁵. In February 2000, these were amended to provide further flexibility for an early response during the initial phase of emergency relief, when dislocations affecting the poor are greatest. The guidelines now avoid the necessity for the CDB to wait until the national government officially declares a state of emergency in order to offer assistance.

The strategy focuses on three areas of need:

1. ***Institutional preparedness*** – to ensure a high level of physical preparedness to respond quickly and effectively. In this area, the Bank can support the preparation of physical standards, institutional strengthening of disaster preparedness offices, enforcement of construction standards and codes, and cooperation with other MDBs in efforts to improve the insurance industry in the BMCs;
2. ***Mitigation measures*** – to increase the protection of buildings and infrastructure facilities. In most cases of this area, projects will consist of retrofitting to be able to withstand the forces of nature more effectively.
3. ***Post-disaster response*** – to rehabilitate social and economic infrastructure and re-establish economic activity in the aftermath of a disaster. There can be three stages of Bank support:
 - a grant to CDERA (Caribbean Disaster Emergency Relief Agency) of up to \$100,000 to undertake rapid initial assessment and provide emergency relief;
 - an emergency loan to the affected country, not exceeding \$500,000, to meet expenses for clearing and cleaning of the affected areas and for services; and

- quick processing of a rehabilitation loan that allows retroactive financing for rehabilitation, with procurement by competitive shopping and *without restriction as to eligible countries*, for works or goods up to \$3 million.

In the hurricane-prone areas of the Caribbean, the concept of “safety nets” needs to encompass the effects of natural as well as economic disasters. Therefore, we have included *disaster emergency response and rehabilitation* under “poverty reduction”. We have not included disaster mitigation works in this category, but have categorized these expenditures as “environmental” (see Chapter 5).

The CDB made its first disaster rehabilitation loan 25 years ago.⁶⁶ Since then, the Bank has made 17 such loans amounting to approximately \$54.2 million, mostly in respect to hurricane and flood damage.

In the past two years, the CDB has provided emergency response and rehabilitation loans and grants in three instances: Hurricane Georges (Antigua and Barbuda \$500,000 loan, St. Kitts & Nevis \$3,223,000 loan, \$100,000 grant); a landslide in St. Lucia \$500,000 loan; and Hurricane Lenny (loans of \$500,000 each to Anguilla, Dominica, Grenada, St. Kitts & Nevis, St. Lucia, and St. Vincent & the Grenadines, and a grant of \$100,000 through CDERA).

Table 3-14: SDF IV – Safety Nets: Emergency Response and Rehabilitation

	Date Approved	Amount Approved \$'000	Amount Disbursed \$'000	Per Cent Disbursed %
Grants				
Hurricane Georges, St. Kitts & Nevis	Sept-98	\$100	\$ 90	90%
Hurricane Lenny (6 OECS countries), Regional	Feb-00	\$120	-	-
Hurricane Lenny, Regional	Feb-00	100	50	50%
Drought, Guyana	May-98	100	94	94%
Landslide, St. Lucia	Feb-00	20	-	-
Soufriere Volcano, Regional	May-98	100	74	74%
Loans				
Hurricane Georges, Antigua & Barbuda	Dec-98	\$500	-	-
Hurricane Georges, St. Kitts & Nevis	Dec-98	\$3,223	\$496	99%
Hurricane Georges, St. Kitts & Nevis	Dec-98	\$500	\$279	56%
Black Mallet Landslide, St. Lucia	Nov-99	\$500	-	-
Hurricane Lenny, Anguilla	Feb-00	\$500	-	-
Hurricane Lenny, Anguilla	May-00	\$2,400	-	-
Hurricane Lenny, Dominica	Feb-00	\$500	-	-
Hurricane Lenny, Dominica	May-00	\$6,350	-	-
Hurricane Lenny, Grenada	Feb-00	\$500	-	-
Hurricane Lenny, Grenada	May-00	\$6,400	-	-
Hurricane Lenny, St. Kitts & Nevis	Feb-00	\$500	-	-
Hurricane Lenny, St. Kitts & Nevis	May-00	\$2,000	-	-
Hurricane Lenny, St. Lucia	Feb-00	\$500	-	-
Hurricane Lenny, St. Vincent & the Grenadines	Feb-00	\$500	-	-
Totals		\$25,413	\$1,083	4.3%

Source: SDF Performance Review Data Base May 2000

Despite the new guidelines, as Table 3-14 indicates, disbursements have remained slow. The requirement to set up a line of credit as a precondition to access for the Bank's loan funds appears to have led to some confusion and delay. Other reasons have been local procedures for governments to complete the conditions precedent that are similar to any other Bank loan. In some cases, approval of the loan by the political authorities is required and this process can

be a further delay. The Bank is considering further revisions to the operational guidelines to address these issues.

The 1998 review also found a low level of interest among member countries in the enactment and enforcement of appropriate legislation and building codes, an area in which the CDB had been a pioneer in funding the Caribbean Uniform Building Code. Therefore, in addition to making loans and grants, the CDB provides information to member countries, through technical assistance and through its Staff Reports, on best practice in such things as watershed management, flood control measures in towns and villages, building codes, and the rationalization and rehabilitation of disaster shelters and the replacement of structurally compromised public facilities.

The CDB also participates in an *ad hoc* group on disaster insurance with the World Bank, the CARICOM Secretariat, and the OAS. The intention is to strengthen the institutional capacity of the region's insurance supervisory authorities, to augment the level of catastrophe insurance coverage through reinsurance, self-insurance pools and other options.

The impacts of this work are invisible – damage and loss of life prevented. However, they are important to sustainability of the poverty reduction gains made in member countries. The vulnerability problems are not solvable, but their importance makes their long-term management very important to the region.

3.9 General Assessment

The objective of Contributors to devote a minimum of 40 per cent of SDF IV resources to poverty reduction has been clearly met. The actual figure is approximately 55 per cent, and although the response to Hurricane Lenny was a major influence on the final level of such programming, even without this factor the level would have been 49 per cent.

From SDF III to SDF IV, anti-poverty programming more than doubled, as shown in Table 3-3 at the beginning of this chapter, and new programs have been undertaken.

A number of generally effective programs have contributed to reasonable results – in some cases very good results – and innovative approaches have been developed and tried. Some of the programs (as, for example, BNTF IV in St. Lucia) have served as a model for other programs now supported by BMC governments and other sources of financing. BNTF IV and the rural enterprise projects have been marked by a real effort to strengthen participation at the community level, with some significant success.

Policy development has been marked by collaboration with other donors and a joint approach to the very important step of ensuring that in-country poverty assessments are carried out. Other donors, in particular DFID, have helped to strengthen the Bank's own policy and program capability. This co-operation has been carried forward into program design, project financing and implementation, with one donor agency or the other taking a lead in particular cases or, in some instances, a basically joint approach. More broadly, there has been useful collaboration with a range of agencies such as DFID, CIDA, UNDP, IFAD, the World Bank and USAID, which has contributed to program effectiveness.

The use of mid-term evaluations has been a good step, as learning from experience and appropriate program adjustment need continuing assessment in this type of program.

There are, nevertheless, a number of steps that should be taken to strengthen the focus and effectiveness of such programs.

A recent CDB discussion paper on public sector reform and the social sector concluded, "Poverty reduction initiatives need to be de-marginalized and promoted from the sidelines of development planning. For this to happen . . . there needs to be a more holistic approach to the issue of poverty reduction."⁶⁷

The Bank can contribute to this in a number of ways. The first is through the development, based on its experience to date, of a general poverty reduction strategy that covers all BMCs and all relevant aspects of the Bank's activities. Such a strategy paper should then become the basis for a formal poverty reduction policy that can be presented to the Board of Directors for approval.

As part of the analytical work needed to underpin a comprehensive poverty reduction strategy, the Bank should ensure that poverty assessments are completed, or where necessary updated, for all BMCs. Poverty assessment studies should normally be up-dated every three to five years. It would also be desirable to have a national poverty reduction strategy agreed with each BMC government receiving SDF grants in support of poverty reduction programs.

Further techniques may need to be tried to ensure that BNTF grants are distributed only to communities in the lowest third of average per-capita incomes, guided by the *Poverty Assessment* for the country in question. An effort should be made to keep administrative procedures for BNTF as simplified as possible, avoiding unnecessary micro-management of grant programs, in order to free staff for higher value-added activities, including quickening the pace of innovation.

BNTF also deserves a full professional *ex post* evaluation focused on assessing outcomes and impacts.

Some further shift in resources toward improving access to pre-school education for poor families, improving the quality of primary education for poor students, and improving access to secondary education may also be needed.

The Bank's poverty programs need an effective system to gather and use performance information. This system should ideally be Bank-wide. It should integrate project appraisal, project supervision and portfolio quality data, and post-implementation evaluation into one coherent system. As well, the system should incorporate estimates of poverty impact for each project, and draw lessons relevant to the CDB's poverty reduction objectives. As this happens, the CDB can gradually put more emphasis on assisting regional members to improve their own poverty-impact evaluation. The BNTF needs to be part of this evaluation system.

Poverty reduction program development could also be assisted by more effective databases for purposes of analysis, program design and monitoring by management. Investment to upgrade management information systems in this area and to improve staff capabilities to construct, maintain and use such databases would be well worthwhile.

These and other similar steps can help to increase the effectiveness of what is an already valuable range of SDF-supported poverty programs.

It will also be important to assess projects other than those directly concerned with poverty reduction through a *poverty prism*, which should become a central feature of the design and evaluation of all SDF projects. In practice, this recommendation may not require much change in project selection, but will involve adjustment in project appraisal techniques and project monitoring and evaluation methodology. This can be supplemented by what could be a closely related theme for the next replenishment, a *reduction of vulnerability prism*.

Endnotes

- ¹ *Directional Plan/Strategy – CDDB to the Year 2000*, BD 26/91 Rev. 2, February 6, 1992, paras. 4.11 and 4.12 (v).
- ² *Resolution and Report of Contributors*, adopted May 7, 1991.
- ³ *Resolution and Report of Contributors, December 1995*.
- ⁴ CDB, *Social Development Policy and Strategy – Discussion Paper*, BD 28/96, May 7, 1996.
- ⁵ *Natural Disaster Management Strategy and Operational Guidelines*, BD 35/98, May 11, 1998.
- ⁶ CDB *Strategic Plan 2000-2004*, BD 25/98 Rev. 1, March 1, 1999, revised December, 1999.
- ⁷ See, for example, the World Bank, Operations Evaluation Department, “The Effectiveness of the World Bank’s Poverty Reduction Strategy: An Evaluation”, February 25, 2000.
- ⁸ Kairi Consultants Limited and the Ministry of Planning, Development and Environment, St Lucia, April 1996.
- ⁹ Kairi Consultants Limited, and the Ministry of Economic Development, Belize, September 1996.
- ¹⁰ Kairi Consultants Limited and the Department of Economic Planning and Statistics, TCI, December 1999.
- ¹¹ *Poverty Assessment Report, St. Vincent and the Grenadines*, No Author Stated, December 1996.
- ¹² Kairi Consultants Ltd. and the Ministry of Finance and Planning, October 1999.
- ¹³ World Bank, Mat 14, 1996.
- ¹⁴ World Bank, Report Number 12861-GUA, March 21, 1994.
- ¹⁵ World Bank, *Guyana, Strategies for Reducing Poverty*, 1994.
- ¹⁶ Planning Institute of Jamaica, Estimate of Poverty in Jamaica for 1992 and 1993, 1994.
- ¹⁷ World Bank, *Trinidad and Tobago: Poverty and Unemployment in an Oil-Based Economy*, 1995.
- ¹⁸ World Bank, Report 15342-LAC, May 14 1996, p.3.
- ¹⁹ Kairi, Sept. 1996, Box 1, p.99.
- ²⁰ Kairi, April 1996, Box 1, p.58.
- ²¹ Poverty Assessment, December 1996, p.91.
- ²² Poverty Assessment, October 1999, p.78.
- ²³ Poverty Assessment, December 1999.
- ²⁴ *Ibid.*
- ²⁵ Kairi, Dec. 1999, Table 4.2 p.61.
- ²⁶ TCI Poverty Assessment, December 1999, p.156.
- ²⁷ CDB, *Jamaica Country Strategy Paper 1999-2001*, November 1999; *St. Lucia Country Strategy Paper 1999-2001*, November 9, 1999. *Belize Country Strategy Paper 2000-2002*, February 2000. *Commonwealth of Dominica Country Strategy Paper*, April 2000.
- ²⁸ Such as the Asian Development Bank.
- ²⁹ Asian Development Bank, *Reducing Poverty*, September 1999, p.7.
- ³⁰ Asian Development Bank, *Reducing Poverty*, September 1999, p.20.
- ³¹ The definition of poverty reduction programs used in the study has been discussed earlier. It might be noted here, however, that we have included basic education – or at least the primary education component – under *poverty reduction*, but post-secondary scholarships under the separate theme of *human resource development*.
- ³² Including unallocated.

- ³³ Secondary education, which is part of some of the CDB's Basic Education projects and is, for example, considered part of the OECS Basic Education strategy, is classified separately in this report, under Human Resource Development.
- ³⁴ A similar set-aside to be allocated on the basis of performance was used in BNTF II.
- ³⁵ Includes disbursements on sub-projects financed from the performance incentive allocation.
- ³⁶ Total approved amounts include USAID funding for DOM, GR, SLU and SVG only.
- ³⁷ A somewhat similar performance allocation had been used in BNTF II as part of the effort to improve maintenance on BNTF-funded facilities.
- ³⁸ Basic Needs Trust Fund – Fourth Program, BD 18/96, May 7, 1996, Appendix 1.2, p.21.
- ³⁹ This is an example of the collaborative approach being pursued by CDB in its social sector interventions. CDB seeks to draw on and share experience with similar projects across the region, even where CDB funds are not involved.
- ⁴⁰ International Fund for Agricultural Development.
- ⁴¹ *Mid-Term Evaluation of the Basic Needs Trust Fund – Fourth Programme*, Cultural Marketing Communication (Caribbean) Ltd., May 1999.
- ⁴² *Ibid.*, Final report, pp. (iii) and 13 (sec. 3.0 :Main Findings”.
- ⁴³ *Ibid.*, p. 13.
- ⁴⁴ *Ibid.*
- ⁴⁵ *Ibid.*, p. (iii).
- ⁴⁶ *Ibid.*
- ⁴⁷ *Interim Assessment of the Windward Islands Diversification Project*, by Darwin Clarke and Robert Boncy of USAID, March 1999.
- ⁴⁸ *Ibid.*, pp. 3 and 4.
- ⁴⁹ *Ibid.*, p.24.
- ⁵⁰ PREU, Status of BNTF IV Program and Monitoring Indicators, Rev. 2, 12 Apr. 2000.
- ⁵¹ CDB, BD 105/99, December 9, 1999.
- ⁵² IDB Parish Infrastructure Project.
- ⁵³ *Fighting Poverty in Asia and the Pacific: The Poverty Reduction Strategy of the Asian Development Bank*, Asian Development Bank, October 1999, Appendix 2, p.28.
- ⁵⁴ *Reducing Poverty*, Asian Development Bank, September 1999, p.21.
- ⁵⁵ *Strategic Assessment of the Development Finance Corporation of Belize*, BD 86/99, October 14, 1999.
- ⁵⁶ *Project Appraisal Report for Belize Enterprise for Sustainable Technology*, Development Finance Corporation, Belize, March 1998, Section 1.2.1.
- ⁵⁷ *Ibid.*, Sections 2.0-7.0.
- ⁵⁸ USAID, WIDP Evaluation, 1999, p.10.
- ⁵⁹ World Bank, Report 15342-LAC, May 1996, p.7.
- ⁶⁰ *Social Development Policy and Strategy – Discussion paper*, BD 28/96, May 7, 1996.
- ⁶¹ *Analysis of Belize Special Mortgage Program*, Community Housing Foundation, June 1999.
- ⁶² A quote from one of our interviewees.
- ⁶³ CDB BD 45/96 and BD 42/96, April, 1996.
- ⁶⁴ Commonwealth Secretariat/World Bank, *Small States: Meeting the Challenges in the Global Economy*, March 6, 2000; Commonwealth Secretariat, *A Commonwealth Vulnerability Index for Developing Countries*, January 2000; and Caribbean Development Bank, *An Index of Economic Vulnerability for Developing Countries*, February 2000.
- ⁶⁵ *Natural Disaster Management: Strategy and Operational Guidelines*, CDB, April 1998, p.5.
- ⁶⁶ Rehabilitation of houses damaged in an earthquake in Antigua and Barbuda, December 1974.

⁶⁷ *Public Sector Reform and the Social Sector in the Caribbean*, Discussion Paper for the Annual Meeting of the Board of Governors, April 2000.

CHAPTER 4: HUMAN RESOURCE DEVELOPMENT

4.1 The Bank's Approach to HRD

The CDB's *Sector Policy Paper on Human Resource Development* was issued during SDF III and, amplified by other related papers since, continues to guide the Bank's approach in this field.¹ The policy recognises that investing in people is a key to economic and social development, and emphasizes the importance of education and training as well as regional manpower planning. The paper also stresses the need for a cost-effective approach, and suggests that objectives should be adjusted as experience is gained and circumstances change.

The Bank has made an effort to share responsibilities in this sector, and to take into account other donor activities. Interventions need to be effective at various levels and coordinated with stakeholders. The Bank normally insists that its interventions be undertaken in the context of a sector plan, and where this is lacking a sector survey is required, with the preparation of a medium to longer-term plan. An example is the Basic Education Reform program of St. Lucia, in December 1999. The Bank is prepared to support such policy development and planning.

The Sector Policy Paper sets two strategic objectives:

- Strengthening the Bank's own capacity to provide technical and financial assistance in the area of HRD; and
- Fostering an enhanced capability in the BMCs in HRD policy development and planning, institutional development, and of management and technical capabilities in sectors such as tourism, environment, education, agriculture and industry, with the establishment of reliable information systems.

The policy is meant to address long term issues facing the region, such as international competitiveness, technological change, complex economic problems, high unemployment, limited economic opportunities, and increasing public demand for an improved quality of life.

More recently, a third strategic objective was added:

- Development of measures to promote equitable and continuous enhancement of knowledge and skills and the adoption of attitudes appropriate for promoting individual and societal development.²

The policy includes regional manpower planning and expanding the availability of employment training for the poor in both the formal and informal sectors. Promoting skills training to assimilate unemployed youth into the labour force is an important objective, and part also of the BNTF program (see Chapter 3). More innovative initiatives are included, such as distance education, technology training, and customized skills training. The major element of the Bank's lending in this sector, nevertheless, has been to improve and expand education infrastructure.

Projects to promote human resource development are financed from both SDF and OCR, with OCR funds being used to extend and supplement the Bank's interventions beyond what would be possible with SDF. For purposes of the present performance review, however, we consider only SDF-supported projects. It should also be noted that projects discussed under other SDF

IV themes, such as poverty reduction and institutional strengthening, are also part of the Bank's strategy on human resource development.

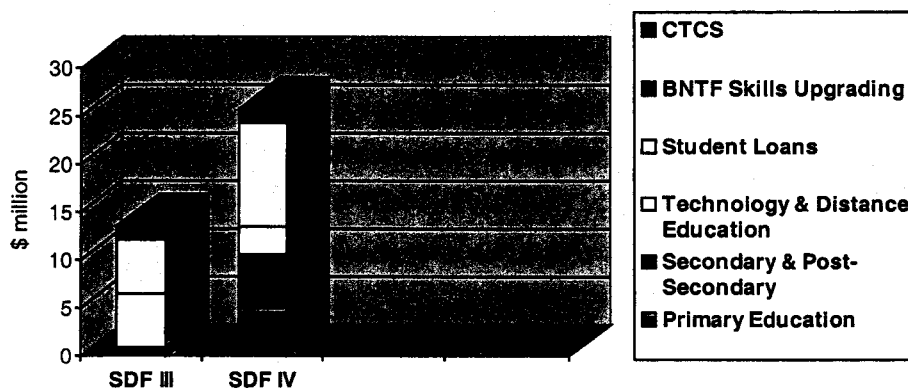
The important area of *basic education* (supported by both SDF and OCR) has been touched on in Chapter 3 with respect to primary education, because of the close relationship between primary education and poverty reduction. The Bank's lending for basic education, however, has generally covered secondary as well as primary education, because, in the Bank's BMCs – where there is already generally universal access to primary education – poverty remains highest among those with only primary schooling, and in the services-oriented economies of the Caribbean, secondary education (and often some form of post-secondary education or training) is viewed as essential to acquire the skills required by the job market.

The *BNTF* program, which supports skills upgrading in poor communities, is also covered in Chapter 3. Another innovative SDF program, the *Commonwealth Technological Consultancy Services (CTCS)* network, which makes a contribution to skills upgrading and human resource development in the private sector, is considered in a later chapter (Chapter 6).

One SDF-supported program that is widely recognized in the region, and which appears to fill a very much-perceived need, is the Bank's *Student Loan Scheme (SLF)*. The objective of the SLF – in operation since 1972 – is to train people in areas where shortages of qualified manpower are apparent, strengthening the provision of services most in demand and contributing to the development of the country and the region.

The coverage of the present chapter is limited largely to support for education in various forms, other than primary education. This includes *secondary and vocational education, post-secondary education, technology training and distance education*. For purposes of comparison, however, Figure 4-1 shows a wider range of SDF-financed programs that support human resource development

Figure 4-1: Human Resource Development - Various SDF Programs



4.2 Program Overview

The level of SDF lending for human resource development – in the program areas considered here – increased to \$ 20.4 million during SDF IV, or by rather more than 60 per cent as compared to SDF III. This is set out in Table 4-1, with a breakdown by program area for each of the two SDF cycles.

Table 4-1: Human Resource Development: Program Overview

	SDF III Projects			SDF IV Projects		
	No.	Amounts Approved	Per Cent Disbursed	No.	Amounts Approved	Per Cent Disbursed
	#	\$000	%	#	\$000	%
SUMMARY						
Loans*	9	12,150	81%	15	19,266	19%
Grants**	11	518	100%	11	1,159	40%
TOTALS	20	12,668	81%	26	20,425	20%
PROGRAM AREAS						
Loans						
1. Secondary and Post-secondary Education	1	778	18%	2	5,566	8%
2. Student Loans	7	5,700	87%	12	10,800	30%
3. Distance education	1	5,672	81%			
4. Technology				1	2,900	0%
Sub-totals	9	12,150	80%	15	19,266	19%
Grants						
1. Secondary and Post-secondary Education	4	75	100%	2	510	14%
2. Student Loans	-	-	-	-	-	-
3. Distance Education	2	242	100%	1	100	66%
4. Technology & Other	5	201	100%	8	549	61%
Sub-totals	11	518	100%	11	1,159	41%
TOTALS	20	12,668	85%	26	20,425	20%

Source: HRDU, SDF Performance Review Database, May 2000.

* excluding Primary Education (see Chapter 3 above).

** excluding Primary Education and CTCS.

The planning framework for SDF IV provided for interventions in a number of areas:

- Improvements to physical infrastructure for basic education.
- Instructional material and equipment.
- Improving quality and relevance of basic education.
- Increasing access to post-secondary education.
- Improvements to institutional and management arrangements to enhance cost-effectiveness.
- Promoting analysis of HRD policies and generation of policy options.
- Student Loans

More than half of SDF assistance in dollar terms in this category (as defined for the performance review) has been in the form of student loans. These have been channeled through DFIs and similar institutions to students, primarily from low and middle-income families, to undertake studies in selected professional, technical and vocational fields. Funding for student loans came close to doubling in SDF IV, as compared to the previous cycle.

There was also, however, a major increase in the Bank's support for secondary and post-secondary education, amounting to a seven-fold increase over SDF III. This took the form of a loan for Further Education in the Turks & Caicos Islands, which will provide a home for the country's first Community College, and a loan for capital investments and technical assistance to repair and expand secondary schools, improve State College facilities, and improve the quality of teaching and learning in Antigua & Barbuda.

An innovative project with a regional impact, was approved to establish a technology innovation centre at the University of Technology in Jamaica. UTECH will focus especially on training for micro and small enterprise entrepreneurs and the IT needs of businessmen.

Grant assistance was provided for educational policy reform, innovative teaching modalities, and educational workshops and training programs. Grants were largely regional, except for a recent (December 1999) grant to Guyana for a Youth Training Program. Some of these seem quite innovative. Examples include a pilot project to introduce informal science education, an awareness workshop on dyslexia, a conference on early childhood education, a tourism training needs assessment, and a study that focuses on gender imbalances in achievement.

A feasibility study of broadcasting for distance education was also approved, with co-financing with the IDB, which replicates an earlier project co-financed with the IDB in Trinidad & Tobago during SDF III. HRD grants amounted in total to just under \$1.2 million.

The CDB's own capabilities to deliver HRD programs were strengthened in 1996 with the creation of a separate HRD unit in the Projects Dept. This unit consists of eight positions, of which five are professional staff. With the assistance of DFID, efforts were also made to improve the relevant skills level and staff resources of Bank staff.

4.3 Secondary and Post-Secondary Education

Deficiencies and imbalances in the education system are important factors constraining productivity levels in the region.³ The system's performance at the primary and secondary levels does not prepare enough students adequately for post-secondary training to meet the needs of the region. The imbalances include limited access to early childhood education, and gender and rural/urban imbalances. These continue throughout the system, and impact most severely on the poor. A child's lifetime opportunities are often determined at a very early age.

CDB projects at all levels of education seek to address these weaknesses. The SDF projects shown in Table 4-2 impact on secondary and post-secondary education.

Table 4.2: Secondary and Post-Secondary Education

Projects	Date	SDF III Projects		SDF IV Projects		Total CDB Financing \$000
		Approved \$000	Disbursed %	Approved \$000	Disbursed %	
Secondary Education						
Loans						
Secondary Education, Barbados	Dec-95	778	18%	-	-	12,226
Education Project, Antigua & Barbuda	Dec-97	-	-	3,566	4%	10,640
Sub-totals		778	18%	3,566	4%	22,866
Grants						
Consultancy on Technical Vocational Education; Regional	Feb-93	22	100%	-	-	-
Course on Policy and Planning for Vocational Education, Regional	Oct-93	10	100%	-	-	-

Projects	Date	SDF III Projects		SDF IV Projects		Total CDB Financing
		Approved	Disbursed	Approved	Disbursed	
Study on Establishment of a Community College, Turks & Caicos Islands	May-94	18	100%	-	-	-
World Conference on Cooperative Education, Regional	Oct-95	25	100%	-	-	-
Sub-totals		75	100%	3,566	4%	22,866
Post-Secondary Education						
Loans						
Post-secondary Education Advisor, Turks & Caicos Islands	Dec-97	-	-	75	100%	75
Further Education, Turks & Caicos Islands	May-98	-	-	2,000	7%	3,971
Sub-totals		-	-	2,075	5%	6,946
Grants						
Pilot Informal Science Education Project, Regional	May-98	-	-	100	72%	100
Youth Training Program, Guyana	Dec-99	-	-	410	-	41-
Sub-totals		-	-	510	14%	510
TOTALS		853	25%	6,151	6%	29,812

Source: HRDU; SDF Performance Review Database May 2000.

During SDF III, a loan project was approved for the training of teachers for vocational secondary schools in Barbados. Under SDF IV, projects were launched in Antigua & Barbuda and Turks & Caicos Islands. In all of these cases, SDF funds were blended with significant – usually higher – amounts of OCR.

The region faces the danger of losing some of its “best and brightest” because of the difficulty, depending on the area of needed study, of finding suitable educational facilities locally. One indicator of the gap in sought-for training is the number of student loans that are used for training outside the region (although there are also other reasons for studying abroad. The Bank’s interventions are intended to strengthen the opportunities for and quality of education within the region. They also recognize the role that education has played historically in socio-economic mobility in the region.

The two grants provided during SDF IV were aimed at identifying and filling priority HRD needs. The *Youth Training Program in Guyana* addresses the issue that unemployment is a particular problem for the youth of the region. The *informal science education pilot project* may offer interesting and innovative methods for teaching an important subject.

Education Project – Antigua & Barbuda

This project seeks to enhance the learning environment at eight secondary schools through repairs and expansion of physical premises and the supply of new equipment and materials, as well as the preparation of a development plan for the State College and Board of Education. The grounds at an additional five secondary schools are to be fenced and technical assistance supplied for improvements in teaching, educational planning, curriculum development and tertiary-level teacher training.

Implementation has suffered because of damage and setbacks to construction that occurred

when the area was severely hit by two hurricanes back-to-back, and disbursements to date are low. Construction planning is now proceeding on schedule according to a revised timetable.

At completion, the project is expected to help to fill the shortfall in school places needed to reach full secondary school capacity relative to population size by providing an additional 504 school places. It will also help to address equity issues for the island of Barbuda by providing facilities comparable to Antigua, as well as reduce the difference in facilities between rural and urban schools. The technical assistance is intended to improve the quality of teaching and learning for the educational system.

Further Education – Turks & Caicos Islands

During the field visit to the Turks & Caicos Islands, we visited the site of the *Further Education* project and discussed its value, priority and implementation status. Senior officials stressed that establishing a Community College had long been a government priority, in order to reduce the need and cost for the children of local residents to study abroad. The project was initiated with an SDF study grant in 1994, followed by a SDF technical assistance loan in 1997 for the services of a post-secondary education advisor, which lead finally to the *Further Education* loan of 1998.

The site is an abandoned U.S. Navy Base at the northern tip of Grand Turk Island, which, after conversion and renovation due to begin in June 2000, will house the country's first Community College, which was opened in 1994. The school will have a capacity for 200 students, who are currently studying in unsuitable and temporary buildings scattered over the town centre. The project also involves the provision of technical assistance to enhance management capabilities, including preparation of an education plan and the introduction of an MIS, and provision of improved programs and teaching capabilities.

The most recent project supervision report (March 2000) indicates implementation is progressing satisfactorily. Project management skills are improving, and technical assistance components have been completed or are underway on schedule. Upon completion, the project should, in the medium to long-term, produce a significant increase in the number of graduates trained and ready to move into productive middle-level positions.

Education in the OECS

The CDB has cooperated with member countries and other development organizations to assist in the formulation of education strategies. It has also provided support for the implementation of the *OECS Education Reform Strategy*, developed with the assistance of CIDA (see Antigua & Barbuda project discussed above and the basic education projects discussed in Chapter 3). The education reform strategy sought to capitalize on the similarities among the OECS countries' economic systems, national goals, and history of education development, so that by working together on a common education strategy it would be possible to standardize in some areas and achieve economies of scale.

The CDB's first major initiative in education was the *OECS Regional Vocational and Technical Education Project*, for which the CDB was responsible, through its Project Implementation Team, for overall project execution (see Box 4-1). The objective was to increase the supply of trained manpower and increase capacity in five OECS countries (Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines) for technical and vocational education and training and to enhance sector management.

A regional approach was taken for advising on architectural designs for new workshops, classrooms training centers, and for rehabilitation of existing technical and vocational school or college facilities. Furniture and equipment were provided as well as technical assistance for fellowships and project-related consultancy services. Total project costs were \$ 13 million, of which \$2.8 million was provided from SDF and \$ 6 million from IDA (channeled through the CDB), and \$2.5 million from the OPEC Fund. Government contributions amounted to \$1.7 million.

When the project was completed in 1994, although it had experienced a number of problems during implementation, the *Implementation Completion Report* prepared by the World Bank with CDB input⁴ concluded that the project's contribution to the education systems of the five countries could be significant. About 4,500 students from the target group were using new and rehabilitated facilities. Governments were also more sensitized to cost-recovery issues and would be seeking new and creative ways to include cost-recovery as part of the routine management of the education system.

Box 4-1: Cooperation on OECS Vocational and Technical Education

The basic SDF-supported project, for which the CDB was the executing agency, represented a joint financing approach by the CDB and the World Bank/IDA, with additional support from the OPEC Fund. It also benefited from collaboration with and support from Germany's GTZ.

The five participating OECS countries were Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines. Three other OECS members – Antigua & Barbuda, British Virgin Islands and Montserrat – were able to benefit from the project through additional support that GTZ was able to provide for equipment and civil works and sharing of technical and vocational training facilities

The GTZ office based at the OECS Education Unit in St. Lucia, drawing also on experts from Germany, also provided other support for implementation of the project, including workshops that covered planning for the sub-sector, teacher training techniques and curriculum development. Cooperation between the CDB's Project Implementation Team and GTZ was continuous through the five years during which the project was being implemented.

4.4 Student Loans

The *Student Loan Program* (also known as the Student Loan Scheme or SLS) provides assistance through financial intermediaries to support students in pursuing selected courses at post-secondary institutions, both within and outside the region. The objective is to meet the higher-level manpower needs of the region. Apart from the benefits to the individuals, the program is intended to strengthen the region's pool of human resources, particularly in areas considered to be critical to the economy of the BMC concerned.

Started in 1972, the student loan program seeks to provide eligible students from the OECS, Belize and the dependent territories with access to technical, vocational and higher-level education. The program operates normally as a component of a Consolidated Line of Credit (CLOC) provided to a DFI or parastatal, which can then on-lend the funds to the beneficiaries. The other components of a CLOC are usually lines of credit for purposes such as MSE development and low-income housing. The loans are provided through a DFI, in order to ensure satisfactory credit repayment. The DFI in turn requires guarantee and collateral before providing a student loan. Student loans are, therefore, not necessarily targeted to reach the poorest segments of the populations. Rather, the loans tend for the most part to be taken by young people from low to middle-income families.

Table 4-3 summarizes the student loan program during SDF III and SDF IV. As the table shows, there was a significant increase in lending for student loans during SDF IV.

Table 4-3: Student Loan Lines of Credit

	SDF III			SDF IV		
	Date	Amount Approved	Per Cent Disbursed	Date	Amount Approved	Per Cent Disbursed
		\$000	%		\$000	%
Student Loan Program						
Antigua & Barbuda	-	-	-	July-98	500	0%
	-	-	-	Dec-97	500	38%
BVI	Oct-93	600	75%	Dec-99	750	9%
Belize	May-93	500	100%	July-96	400	81%
				Oct-98	1,000	11%
Dominica	May-92	500	92%	Dec-97	900	60%
Grenada	-	-	-	Dec-97	400	54%
Montserrat	Dec-93	300	21%	-	-	-
St. Kitts & Nevis	-	-	-	Dec-96	650	86%
				Feb-99	1,500	27%
St. Lucia	May-93	2,000	94%	Dec-97	1,200	28%
	May-95	1,500	89%	Dec-99	2,000	0%
St. Vincent	-	-	-	Mar-98	1,000	31%
Turks & Caicos Islands	Dec-95	300	83%	-	-	-
TOTALS		5,700	83%		10,800	28%

Source: HRDU; SDF Performance Review Database May 2000.

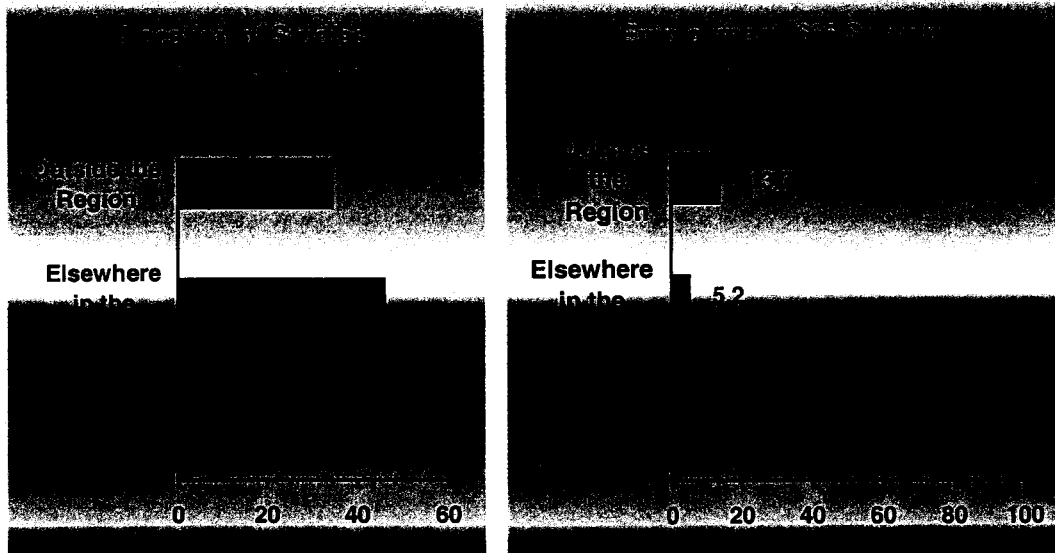
Under SDF IV, twelve Lines of Credit for student loans were provided to eight BMCs, for a total of \$10.8 million. In SDF III, there were seven lines of credit for six BMCs, amounting to \$5.7 million. Certain BMCs, such as Belize, BVI, Dominica and St. Lucia, are heavily dependant upon the student loan program to provide part of the financing needed for higher-level training, demonstrated by the regularity with which the loans have been utilized. In Belize, most of the funds are spent at local institutions. The needs of the BMCs vary.

To address the non-financial issues of the program, advisory bodies comprised with both of public and private sector participants are established to guide the individual operating agencies. Labour market studies, where available, are taken into account in shaping the priorities for training. Participating countries are responsible for selecting the eligible fields of study, based on priority lists developed and monitored by the advisory committees. At least once a year, CDB staff visit the institutions and review and evaluate the loan portfolios.

In recent years, there has been an increasing use of both OCR and SDF funds, due to the relative scarcity of SDF resources. In SDF IV, such blended lending has been provided to BVI, Antigua & Barbuda, Belize, Dominica, Grenada, St. Kitts & Nevis, and St. Vincent & the Grenadines. Blends have normally been on a 50:50 basis, depending on availability of SDF resources and country considerations. Participating countries have also contributed funds from their Social Security and National Insurance Schemes. Parastatals have also in some cases launched their own support programs modeled after the Bank's, and some commercial banks – for example, Barclays Bank in St. Vincent & the Grenadines – have assisted governments in financing their student loan programs.

In 1997, after a review⁵ by CDB staff that covered the ten-year period 1986-1995, the policy and guidelines of the student loan program were revised to improve program effectiveness. The review incorporated the results of discussions with government and executing agency representatives from the 12 participating countries.

Figure 4-2: Student Loans 1986-1995



Source: CDB Staff Review October 1997

The educational institutions of participating countries have limited capacity and cannot provide a full range of post-secondary training locally, so that in many cases support is provided for studies at institutions in other countries of the region or outside the region. The 1997 staff review found that, during the period 1986-1995, 2,053 students had been assisted, of which 19.2 per cent attended local institutions, 46.2 per cent regional institutions, and 34.5 per cent out-of-region institutions, i.e. two-thirds were trained within the region. Of a sample of 665 students, as of the end of 1995, 81.1 per cent were employed locally, 5.2 per cent regionally, and 13.7 per cent outside of the region. Over the period 1991-95, 57.2 per cent of the students assisted were female and 42.8 per cent were males.^{6 7}

Since there are limits on the maximum sub-loan, the students often have to contribute additional funds of their own, sometimes in excess of two-thirds of the cost of the study program. As of end 1995, the review found total principal arrears, as a percentage of principal outstanding on the sub-loan portfolio, was 5.5 per cent, an acceptable repayment rate.

An effort was made to update these results for the present study, and we were able to obtain some results for five countries. The results of this partial survey are shown in Table 4-4. (See also Box 4-2.)

The results received from the partial survey of SDV IV student loans suggests the program continues to function on a satisfactory basis. The demand remains high, as evidenced by the relatively rapid rate at which the funds are committed and disbursed. In general, the gender distribution appears balanced, although in some BMCs, females have taken a clear lead as borrowers. This probably reflects the significant differences in the performance of males and females in the education system in general for the Caribbean, as reported in other surveys and studies,⁸ and was the subject during SDF IV of one of the Bank's grants. In the 1994-95

Household Survey Report, for example, more females than males complete secondary and university education and, similarly, there are more females than males in professional and technician and associated professional occupations.

Table 4-4: SDF IV Student Loan Program Outcomes – Selected Countries

	Belize		Grenada	St. Lucia		St. Kitts & Nevis		Turks & Caicos Isl.
	No. 9 July-96	No.11 Oct-98	No.7 July-97	No. 17 June-95	No. 19 Dec-97	No. 11 Aug-96	No. 13 Mar-99	No. 3 Dec-95
No. of Students	517	482	83	312	323	92	99	19
Total Approved (\$ 000)	4,332	4,289	500	3,000	3,000	1,625	1,500	300
Total Disbursed (\$ 000)	3,998	3,142	500	3,000	2,321	1,388	529	300
Gender								
Total Male	230	254	43	130	92	33	48	5
Total Female	287	228	40	182	231	59	51	14
Within region	465	425	43	221	148	74	47	2
Out of region	52	57	40	91	175	18	52	17
% of students completed courses	79%	47%	27%	61%	20%	34%	0%	74%
% of students out of region completed courses and returned	67%	14%	18%	n.a.	n.a.	0%	0%	71%

Source: CDB Survey of DFIs administering student loans conducted for SDF Performance Review.

As noted earlier, by a large majority in most BMCs, students tend to take their studies in the region. Because SDF IV-financed studies are for the most part still underway, the data do not reveal definite trends regarding completion of courses and the numbers of students who return to the region after studying abroad; but other surveys, as already indicated, have shown that the numbers in both cases are high.

The most recent independent evaluation of the student loan program was conducted in the late 1980s.⁹ The evaluation concluded that the program was addressing an important need in the region. The demand for student loans was estimated to be 50 per cent more than loans approved, in terms both of the number of applicants and the amount of lending requested. The evaluation also concluded:

*“the SLS has contributed significantly to the increased supply of quality human resources in the region despite the migration of 39 per cent of the graduates”.*¹⁰

Improved job mobility, increased personal income to borrowers, and improved institutional infrastructure and management systems for the participating BMCs were identified as among the principal benefits.

From all indications, the program is continuing to make a very useful contribution to increasing the pool of qualified graduates for the region. Most student loans are provided for study within the region, but where study does take place outside the region, this has positive externalities for the region and provides a personally enriching experience for the individual. The attrition rate, insofar as can be concluded from recent surveys, also appears to be not unduly high (although it appears to have been higher in earlier years).

A comprehensive evaluation of the program is currently planned, and this should provide an opportunity for revisiting the policy framework, the role of student loans in SDF-supported human resource development, and the appropriate balance of resources for HRD programs.

Box 4-2: Impact of Student Loans – A Desk Study

A full assessment of the student loan program was beyond the scope of our study. In addition to the survey referred to in Table 4-4, however, an analysis was carried out on one ledger for St. Lucia.

In this case, a total of 229 student loans were provided, amounting to EC \$14,351,684*, or an average loan size of approximately EC \$62,670. Of this amount, the principal outstanding totaled EC \$8,528,787, since most of the study programs, which ranged from 1 to 5 years, were still in progress.

The location of the studies was about evenly divided between the region and outside the region, with the latter being largely in the U.K., Canada and the United States.

The repayment records for the ledger were excellent. Arrears of principal amounted to EC \$ 61,076, or about one average size loan, for the whole ledger. There probably social pressures to maintain a good credit rating are considerable, and understandable, under the circumstances, especially since most of the students have returned to find employment in the region.

After completing their studies, 97 of 118 students found employment in the region, almost all of them in St. Lucia. The initial attrition rate appears to be about one student in five who does not return to the region immediately after completion of studies. Of the remainder, 111 were still engaged in their studies. Only two were listed as unemployed at the time.

*US \$1 = EC\$ 2.7

4.5 Distance Education

Distance education projects have been undertaken under both SDF III and SDF IV. These are shown in Table 4-5. A major project was undertaken at the University of the West Indies under SDF III, and this is currently being followed up by a feasibility study on a possible second distance education project to serve the region. These projects will help to integrate the three campuses of UWI, and also broaden educational opportunities, particularly in non-campus contributing countries, especially in the more remote communities.

The SDF III project is being co-financed with the IDB and includes technical assistance from the EU, CIDA and others. The SDF-financed portion is focused on the *Regional Outreach Program*, which comprises:

- Expansion and upgrading of communications technology for distance education and teleconferencing at 27 training centers in 16 countries;
- Construction, furnishing and equipping of 62,000 sq. ft. of space in 16 countries;
- Curriculum development and modification;
- Production and provision of learning materials;
- 480 staff months of training; and
- Consultancies, logistics, and project management.

The distance programs include professional upgrading, professional certificate programs, and special interest and cultural development programs. By 1996/97, the incremental student participation was 8,545 participants.

As of May 2000, the delivery of equipment for tele-conferencing is essentially complete, and a contract for the video-conferencing system is being finalised. Although the civil works element

has faced many problems, five sites have been completed, and work is in progress on eleven other sites. Work on most of the remaining sites is expected to commence soon.

Table 4-5: Distance Education

	Date	SDF III Projects		SDF IV Projects	
		Approved	Disbursed	Approved	Disbursed
		\$000	%	\$000	%
Distance Education					
Loans					
UWI Distance Education, Regional	Oct-92	5,672	90%	-	-
Feasibility Study Distance Education, Regional	May-98	-	-	100	60%
Subtotals		5,672	90%	100	60%
Grants					
Continuing Studies Distance Education, Regional	Oct-92	219	100%	-	-
Consultancy for Appraisal of Technology Technical Component UWI Distance Education, Regional	Mar-92	23	100%	-	-
Feasibility Study for Broadcasting Distance Education, Regional	May-98	-	-	100	66%
Subtotal				200	66%
TOTALS		5,914	91%	200	63%

Source: HRDU; SDF Performance Review Database May 2000.

4.6 Technology and Other Projects

An innovative new program area for the Bank began with the UTECH loan in 1999, although the necessary studies were begun with grants during SDF III. This project is examined below, as are a number of small grants that also come under the HRD program.

Technology Innovation – UTECH

The University of Technology (UTECH) Technology Innovation Centre (TIC) project in Jamaica was launched in 1999 with a project start-up workshop (see Chapter 6). It provides for the establishment of a technology innovation centre. Its focus is to nurture or “incubate” technological innovations to a stage where they can be operated as viable, commercial entities.

Although access to primary and secondary education in the Caribbean is high compared to many parts of the world, at the post-secondary level the options are fewer. This is particularly the case with respect to regional institutions able to prepare people for a world where technology innovation is critically important for development.

This project responds to the need for such institution building in Jamaica. Through the TIC, the government is trying to achieve the goal of developing technology-based companies.

The expected outcomes for the project are in two stages. At the end of the *implementation stage*, estimated to require two years, Jamaica should have a technology innovation center that provides:

- Technology incubator and administrative buildings;
- Trained and qualified staff;

- Training programs for students, trainers, small business and financial institutions, as well as outreach programs for home-based technology companies; and
- A mechanism for industry linkages between UTECH and Jamaican industry.

Table 4-6: Technology and Other HRD Projects

Project	Date	SDF III Projects		SDF IV Projects	
		Approved	Disbursed	Approved	Disbursed
		\$000	%	\$000	%
Technology					
Loans					
UTECH, Jamaica	May-99			2,900	-
Sub-totals				2,900	-
Other HRD Projects					
Grants					
Youth Training Program, Guyana	Dec-99			410	-
Enhanced Examinations Council Data Processing System, Regional	May-92	60	100%		
Policy Paper on HRD, Regional	Jul-93	21	100%		
Seminar on Management of Culture, Regional	Feb-94	25	100%		
AMF Critical Caribbean Devel. Issues, Regional	Oct-94	75	100%		
Conference on Narco-trafficking, Regional	Mar-95	20	100%		
World Conference on Coop Education, Regional	Oct-95	25	100%		
School Maintenance Program, Regional	May-96			64	100%
Workshop for Development of Assoc. Degree in Agriculture, Regional	May-97			25	100%
Early Childhood Ed. Conference, Regional	May-97			25	60%
Tourism Training Needs Assessment, Regional	Oct-97			81	75%
Awareness Workshop on Dyslexia, Regional	Oct-98			85	47%
UWI Certificate Program in Agriculture, Regional	Feb-99			150	50%
Gender Achievement Imbalance Study, Regional	May-99			23	74%
Scholars/Artists in Residence Program, Regional	July-99			96	42%
Sub-totals		226	100%	959	49%
TOTALS		226	100%	3,859	8%??

Source: SDF Performance Review Database May 2000.

During the *operational stage*, it is expected that 23 new technology-innovation based companies should graduate and expand into the economy by the fifth year of operations. Other planned results include:

- improved entrepreneurial skills at UTECH,
- improved business practice within companies,
- start-up and existing companies improving their profitability,
- increased links between SMEs and larger companies,
- improved consulting opportunities by UTECH staff and students, including research and more relevant training to the needs of the business community,
- improved commercialization opportunities for products developed at UTECH.

The successful completion of this project should also provide useful lessons that the Bank may be able to apply elsewhere in the region.

Grants

The range of grant activities that are also shown in Table 4-6 illustrates the highly varied use of this form of financing. They focus on interventions that can help to integrate the region, such as HRD regional policies, various issues affecting the Caribbean as a region, and a conference concerning narcotics trafficking problems. Adequate supervision of such a range of T.A. interventions may, however, pose problem, and can distract from staff supervision time on core T.A. interventions at the national level. Somewhat greater focus in the use of the T.A. grant facility would seem desirable.

4.7 General Assessment

SDF supported interventions on human resource development have clearly addressed the objectives set by Contributors, in some cases in innovative ways. In dollar terms, the programs considered in this chapter have exceeded the planning allocation, and have been some 60 per cent higher than comparable programs in SDF III.

Interventions that stand out include support for the OECS Education strategy, distance education, and the UTECH Technology Innovation Centre project, as well as the Bank's support for some of its BMCs in developing better approaches to education policy.

If there are questions, they are largely with respect to the very substantial share of the program total represented by the long-standing – and highly regarded – student loan program, for which funding was increased substantially under SDF IV. This program has long played a special role in many of the BMCs, which value it highly, and it reflects a policy view on the kind of education required to meet the development and, ultimately, poverty reduction objectives of the region. Nevertheless, the planned evaluation of the program is a welcome step, and an opportunity to assess its current role and how this fits into an overall human resource development policy.

Such an evaluation should do the following:

- Assess the rationale for SDF financing of student loans.
- Assess the impact of student loans on the students themselves, technical and professional services available in the country, the public sector, and the private sector.
- Review accessibility to the program for different income groups, and assess the extent to which the system is serving the requirements of the population at large.
- Consider whether the program could be adjusted to improve accessibility for the poor.
- Assess the efficiency and effectiveness of student loan management and policies, with an emphasis on the appropriateness of eligibility criteria, selection and approval systems (including delegated authorities), collection/repayment performance, guarantees and collateral requirements, interest rate policies, and general portfolio management.
- Review alternative means of supporting post-secondary education, including possible ways to make the program more widely accessible, the possibility of innovative schemes such as savings plans, and possible greater involvement of the private sector.

More generally, can the student loan program be viewed through the “poverty prism”, and adapted to provide greater access for the poor? What is the appropriate balance between the use

of resources for this program and for other HRD programs, including those that may be innovative and directly support relevant institutions within the region? In the case of small grants, is a tighter policy framework needed to assess and focus this part of the program?

A second issue relates to the use of the technical assistance grant facility. Regional projects can be innovative and positive in their impact. They can also, if too many are undertaken with a given level of staff resources, make adequate supervision of T.A. projects difficult. Evaluations of technical assistance at other MDBs have highlighted the lack of adequate staff supervision time as the principal factor weakening project effectiveness.¹¹ Policy in this area should be reassessed as part of the Bank's review of technical assistance policy that is currently underway.

These and other similar questions need to be part of the policy preparation process for SDF IV.

Endnotes:

¹ *Human Resources Development Sector Policy Paper*, CDB, November 1993.

² *Student Loan Scheme – Revision of the Policy and Guidelines*, BD 31/76 Rev.1, October 1997.

³ *Caribbean Countries Poverty Reduction and Human Resource Development in the Caribbean*, World Bank, Report No. 15342-LAC, 1996.

⁴ *Regional Vocational and Technical Education Project*; Report no. 14404, World Bank, April 28, 1995.

⁵ BD 31/76 Rev. 1, October 1997.

⁶ *Ibid.*

⁷ Those working outside of the region are generally regarded as a significant source of remittances and, therefore, support for families in the region.

⁸ *Poverty Reduction and Human Resource Development in the Caribbean*, World Bank, Report No. 15342-LAC, 1996.

⁹ Trevor Hamilton and Associates, *Assessment of the Impact of the Student Loan Scheme of the Caribbean Development Bank*, 1988.

¹⁰ *Ibid.*, p. 2. It should be noted these findings apply to an earlier period than the two surveys cited earlier, and adjustments in the program may account for the lower rate of attrition in the later period.

¹¹ As, for example, the Jaycox Task Force on technical assistance operations at the World Bank.

CHAPTER 5: ENVIRONMENT, WATER SUPPLY AND WASTE MANAGEMENT

5.1 The Policy Framework

Increased international attention to the importance of environmental issues, and increasing pressures on the fragile environment of the BMCs have combined to focus greater priority on this area of SDF programming. In the circumstances of the BMCs, especially the OECS, this has included attention to potable water supplies and both solid and liquid waste management.

The Bank issued a *Sector Policy Paper on the Environment* in 1993.¹ This addressed the principal environmental issues facing the region and set out the framework and role the Bank intended to play.

The sector policy paper set out the following objectives:

- To integrate environmental, social and economic concerns in all aspects of the Bank's operations.
- To assist with the development of national policies, strengthened institutions and human resources concerned with environmental and natural resources management.
- To mobilize financial resources on concessional terms for cost-effective projects with substantial environmental benefits.
- To promote regional and sub-regional collaboration on common environmental objectives.

Prominently featured in the Bank's approach is the need to reduce coastal and marine pollution from both land and marine sources and degradation of coastal and terrestrial resources.

Two further steps were taken in 1998. The first was a policy paper on *Natural Disaster Management*, which reviewed out the linkages between natural disasters, sustainable development and the environment, and set out a new policy framework to improve the BMCs' capacity to plan for disasters and to strengthen and expedite the Bank's ability to respond by delegating to the President the authority to approve immediate assistance to affected BMCs.²

The second was the less visible step of the issue of draft guidelines for the social analysis of development projects. These guidelines place greater emphasis on the social context of the Bank's projects and identify areas that require attention during project design, including the need for social impact assessments for projects in the environment, water and sanitation areas that may have varied impacts on the social organisation and security of communities or regions. The Bank is currently working on a more comprehensive approach that would include the integration of environment and social guidelines.

Under the SDF IV planning framework, the following areas of activity were envisaged:³

- Coastal zone and watershed management.
- Natural hazard management and mitigation.
- Updating of environmental action programs.
- Management of solid and liquid wastes.
- River retraining/cleaning and clearing of waterways.
- Rural and urban water supply storage systems.

- Environmental impact assessment costs of capital projects.

5.2 Program Overview

Table 5-1 provides an overview of operations under both SDF III and SDF IV in the program areas of environment, water supply, solid waste management and sanitation. If the residual SDF III category of *drainage and irrigation* is excluded, the overall level of project approvals under SDF IV, at \$22.7 million, is higher by about 10 per cent than under SDF III. (Agricultural drainage and irrigation can be excluded from the comparison, as this area is no longer specifically eligible for SDF funding.)

Table 5-1: Environment, Water Supply and Waste Management: Program Overview

	SDF III Projects			SDF IV Projects		
	No. #	Approved \$000	Disbursed %	No. #	Approved \$000	Disbursed %
SUMMARY						
Loans	12	23,962	15%	9	21,224	15%
Grants	16	1,144	82%	13	1,489	28%
TOTALS	28	25,106	18%	22	22,713	4%
PROGRAM AREAS						
Loans						
1. Environment (excl. other categories)	2	333	13%	2	2,470	1%
2. Waste Management	7	7,705	14%	4	8,163	4%
3. Water Supply	2	10,874	22%	1	3,447	60%
4. Disaster Mitigation	-	-	-	2	7,144	12%
5. Drainage & Irrigation ⁴	1	5,050	-	-	-	-
Subtotal	12	23,962	15%	9	21,224	15%
Grants						
1. Environment (excl. other categories)	9	591	99%	4	1,046	15%
2. Water Supply & Waste Management	3	364	44%	5	272	67%
3. Sustainable Development	4	189	100%	3	-	-
4. Disaster Mitigation	-	-	-	1	171	44%
Subtotal	16	1,144	82%	13	1,489	28%
TOTALS	28	25,106	18%	20	22,713	5%

Source: Productive Sector Division; SDF Performance Review Database, May 2000.

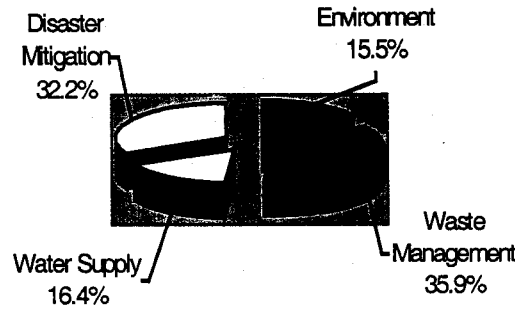
Nine loans have been approved under SDF IV, compared to 11 (excluding drainage and irrigation) under SDF III, but in dollar terms the lending level amounted to \$21.2 million, compared to \$18.9 million in the previous cycle. There were six beneficiary BMCs, compared to nine in SDF III.

The largest category was *waste management*, followed by *disaster mitigation*, *water supply*, and *other environmental projects*. Lending explicitly for natural disaster mitigation, which concerns preventive measures to increase the protection of key infrastructure facilities and buildings, became of increased importance in SDF IV.

Of the 13 grants approved under SDF IV, nine were for regional projects, and the largest project category in amount of funding was for other environment.

Figure 5-1 shows the different program areas in percentage terms for SDF IV.

Figure 5-1: SDF IV: Environment, Water Supply and Waste Management



5.3 Environment (excluding other categories)

The *Fountain National Park* technical assistance loan for Anguilla is the one SDF loan in this category approved under SDF IV. The project provides for a study of the feasibility of establishing a viable heritage and ecologically sensitive tourism industry for the island. A positive conclusion may lead to a future loan by the Bank. A similar study in Dominica under SDF III resulted in project financing, not only from the CDB, but also from other donors.

Table 5-2: Environment (excluding other categories)

Project	Date	SDF III Projects		SDF IV Projects	
		Approved \$000	Disbursed %	Approved \$000	Disbursed %
Loans					
Environmental Impact Assessment, Cayman Islands	May-92	291	-	-	-
Electricity Environmental Study, Belize	May-94	42	100%	-	-
Fountain National Park, Anguilla	Sep-96			90	30%
Sub-total		333	13%	90	30%
Grants					
Tourism/Environmental Dev. Plan, Belize	Mar-92	117	100%	-	-
Industrial Estate Environmental Advisor, Dominica	July-92	42	100%	-	-
TA Ecotourism Sites Upgrading, Dominica	Dec-94	42	100%	-	-
Adventura Hotel EIA, St. Lucia	Dec-92	16	100%	-	-
EIA Training Program (NRMU), Regional	May-92	43	100%	-	-
EIA Feeder Roads, Regional	Oct-92	120	100%	-	-
Coastal Areas Workshop, Regional	Oct-94	14	100%	-	-
Program to Control Pink Mealey Bug, Regional	Oct-97	-	-	250	31%
Beach Mgmt Symposium, Regional	Oct-96	-	-	109	100%
EIA Training for OECS, Regional	Dec-97	-	-	66	100%
Beach Mgmt Strengthening, Regional	May-99	-	-	90	-
Caribbean Tourism, Health, Safety Resource Conservation, Regional	Oct-99	-	-	370	-
Tristeza Virus Public Educ. Program, Jamaica	May-00	-	-	260	-
Sub-total		394	100%	1,089	39%
TOTALS		727	60%	1,179	39%

Grants

SDF grants in this program area focused on institutional strengthening of beach management capabilities, for which two grants were provided, a training course to upgrade the capabilities of OECS countries to conduct *Environmental Impact Assessments*, and grants related to tourism, health, safety and resource conservation.

Environmental Assessment and Protection

The CDB screens all investment projects for potential environmental impact. We reviewed the environmental guidelines and procedures and found them to be adequate.

The scope and depth of the environmental assessment depends on the category into which the project is placed. It is the responsibility of the borrower to provide the relevant information needed for the environmental review and to carry out the appropriate level or standard of environmental assessment required by the Bank. The CDB will, if required, work with the borrower to develop terms of reference for environment assessment, and to evaluate any mitigation measures proposed. Environmental conditionalities are incorporated as appropriate in the financing agreements during project appraisal.

The Bank makes extensive use of technical assistance for the development of policies that promote sound environmental and natural resource management. The Bank also places emphasis on its role as a policy advisor and broker between BMCs, bilateral donors and other MDBs. Examples are the joint sponsorship of conferences on the sustainable development of small island developing states and a consultancy for coordinating supervision activities for the OECS Solid Waste Management project (SDF III).

The Bank has also provided training in environmental analysis to the staff of DFIs in the region, and has offered in early 2000 a similar series of workshops in Trinidad & Tobago.

Technical assistance under SDF IV focused on:

- Training in environmental assessment methodology for staff in BMC institutions responsible for the design and execution of investment projects (see below).

Box 5-1: Eco-Tourism in Dominica

We visited the *Eco-tourism Sites Upgrading project* in Dominica, approved in 1994. The project has received multi-donor financing, including SDF resources of \$ 3.5 million. The purpose of the project is to establish an ecologically sensitive tourism park in one of the few virgin jungle areas remaining in the Caribbean. Five sites were selected for provision of access roads, trails, public conveniences, tourism areas, etc. The road components have been finished, and the building components are 50% complete.

One of the interesting aspects of the project is that the design made provision for continuous consultation with local communities, particularly the Carib people who inhabit the area, and, indeed, the area is the last geographic home for this legendary tribe for whom the Caribbean region was named. One component of the project – the Carib Model Village – was extensively redesigned as the results of a lengthy consultation process. Although implementation was delayed by a year due to the consultations, it is now proceeding with the full support of the local population, and the prospects for success are higher because of the “ownership” that has been imbued and accepted.

The project is a successful example of the effort to encourage economic diversification in the Bank's BMCs, particularly in tourism, and to encourage ecologically sensitive development that takes into account the wishes of stakeholders. The EU is now undertaking two additions to the project, valued at \$ 1.7 million.

- Field research and baseline studies to develop improved environmental and natural resource polices, and appropriate legislation and regulations – a 1999 grant to establish a monitoring system for the “Kick’em Jenny” Volcano in Grenada (Table 5-4).
- Activities that aim at improving environmental awareness among the public and private sectors – a grant for public education on controlling the tristeza virus, 2000.
- Strengthening national environmental institutions – a 1999 grant for institutional strengthening in beach management capabilities.
- Large-scale EIAs and mitigating components of major capital projects; for example, the mitigation measures for the capital project with Belize Electricity.

Regional Approaches to Environmental Protection

A key aspect of the Bank’s work in this sector is the effort made to take a regional approach to environmental issues. The *OECS Solid Waste Management projects* (see next section) are good examples in the loan program. SDF grants are also used for this purpose, particularly to promote improved regional environmental standards. Examples during SDF IV are:

- Training workshops on the fundamentals of safe drinking water (see table 5-3);
- A symposium on beach management;
- Environmental impact assessment training for the OECS (see below);
- A grant for Caribbean tourism, health, safety and resource conservation; and
- Beach management capacity building, monitoring and measurement.

The project for *environmental impact assessment (EIA) training for OECS countries* was approved in 1997, with the *Natural Resources Management Unit (NRMU)* as Executing Agency. NRMU was established in 1986 to coordinate regional environmental activities on behalf of the OECS, and since its establishment has received extensive support from Germany’s GTZ. The CDB had previously financed NRMU-executed EIA courses in 1992.

The cost of the EIA training project was \$142,000, of which SDF provided \$109,000. The balance was met by counterpart contributions and the Commonwealth Secretariat. The training was provided for representatives of public and private sector agencies involved in the preparation and review of EIAs in OECS member countries. Representatives of NGOs working in the environmental sector were included. Turks & Caicos Islands also participated. Private sector agencies were asked to bear the full cost of their representatives’ attendance.

The training course was divided into six modules and was conducted over two fortnights in the first half of 1998. Thirty participants from 10 BMCs participated, and the training was held under the auspices of the NRMU in St. Lucia. The course had been undertaken after a Needs Assessment, which received 97 responses, 55 from the public service and 42 from the private sector. This resulted in the focus of the training being shifted from introductory-level courses to more substantive topics, such as screening and scoping, impact prediction, mitigation measures and EIA review/evaluation. Participants were selected who had a B.A. or equivalent and had done an introductory level EIA course previously.

This technical assistance project has made a useful contribution to improving the capabilities of BMC staff in the region to carry out better environmental analysis and impact studies, and to supporting the work of the NRMU.

The use of savings from the project for development of a *common OECS fisheries policy* provided further support for the work of the NRMU.

5.4: Water Supply and Waste Management

The two program areas of *water supply and waste management* cover more than half of SDF loan and grant financing for this SDF IV theme in both SDF III and SDF IV (see, for example, Figure 5-1), although the balance between the two program areas was different in the two SDF cycles. An overview of the relevant projects is provided in Table 5-3.

Table 5-3: Water Supply and Waste Management

Project	Date	SDF III Projects		SDF IV Projects	
		Approved	Disbursed	Approved	Disbursed
		\$000	%	\$000	%
Waste Management					
Loans					
Water/Sewerage Expansion Study, Belize	July-92	205	100%	-	-
OECS Solid Waste Management, Dominica	July-95	1,220	4%	-	-
OECS Solid Waste Management, Grenada	July-95	1,060	19%	-	-
OECS Solid Waste Mgmt, St. Kitts & Nevis	July-95	2,050	-	-	-
OECS Solid Waste Management, St. Lucia	July-95	1,110	-	-	-
OECS Solid Waste Management, St. Vincent & the Grenadines	July-95	1,560	-	-	-
Beetham Sewerage, Trinidad & Tobago	Mar-95	500	100%	-	-
OECS Solid Waste Management, Grenada	Dec-99	-	-	1,620	19%
OECS Solid Waste Management, St. Lucia	Dec-99	-	-	2,420	0%
Solid Waste Mgmt; Turks & Caicos Islands ⁵	July-99	-	-	190	0%
Sub-total		7,705	14%	7,992	4%
Grants					
OECS Solid Waste Management, Regional	July-95	310	35%	-	-
Sub-total		310	35%	-	-
Totals Waste Management		8,015	14%	7,992	4%
Water Supply					
Loans					
2 nd Water Supply, Dominica	Jul-92	2,073	100%	-	-
Water Rehabilitation, Guyana	Dec-94	8,801	4%	-	-
2 nd Water Supply, Belize	Dec-97	-	-	3,447	60%
Roseau Water & Sanitation, Dominica	Dec-97	-	-	3,933	-
Sub-total		10,874	22%	7,380	28%
Grants					
Caribbean Basin Water Management, Regional	Mar-92	29	100%	-	-
Establish't of Water User's Assoc., Jamaica	Jul-99	-	-	67	-
Reorganization WASA, St. Lucia	Mar-99	-	-	97	100%
Water Resource Mgmt Seminar, Regional	Jul-97	-	-	25	100%
Regional/National Water Resources Situations Analysis & Management Report	Mar-97	-	-	32	100%
Training Workshop on Safe Drinking Water, Regional	May-99	-	-	32	100%
Sub-totals		29	100%	253	73%
Totals Water Supply		10,903	22%	3,700	60%
OVERALL TOTALS		18,918	19%	11,692	12%

Source: SDF Performance Review Database, May 2000

Under SDF IV, solid waste management loan projects in Grenada and St. Lucia were follow-on projects for those countries from the five-country OECS Solid Waste Management program undertaken in SDF III. Pre-investment studies were also approved for the development of a solid waste management plan for Turks & Caicos Islands, but TCI has since decided to

substitute with its own financing to carry out the study.

In water and sanitation, the Roseau Water and Sanitation project in Dominica, which we visited on a field visit, will provide improved potable water supply, as well as sewerage treatment and disposal, for the capital city of the country. Both this project and the Second Belize Water Supply project are discussed further below.

OECS Solid Waste Management

Five loans were approved in July 1995 for the *OECS Solid Waste Management Projects* in Dominica, Grenada, St. Kitts & Nevis, St. Lucia and St. Vincent & the Grenadines. The EIB is assisting Antigua & Barbuda in funding the component in that country. The principal objective is protection of the environment and reduction in risks to public health through improved management of domestic and ship-generated solid wastes.

The CDB's contribution to the originally estimated project cost of just under \$55 million was \$14.7 million, with \$7 million in loans from SDF and \$7.4 million from OCR, and an SDF grant of \$310,000 for the regional component of the project. Co-financing was provided by the Global Environmental Trust Fund, the World Bank/IDA, and the European Investment Bank, plus counterpart contributions from participating governments.

Although the Caribbean islands are characterized by great scenic beauty, their fragile marine and land ecosystems are vulnerable to pollution. This fragility is further challenged in a number of cases by population pressure and a scarcity of flat land. Even as tourism is replacing more traditional sectors in the economy, unless preventive action is taken, the poor management of solid wastes is likely to be an impediment to continued economic growth. The impact of the OECS Waste Management projects is expected to be measured in terms of reduced incidence of disease, reduced risk of economic losses in tourism, and reduced damage to both the marine and land-based ecosystems.

The *additional loans to St. Lucia and Grenada* approved at the end of 1999 are to cover cost increases. These have resulted from a 30-month delay in awarding engineering contracts and changes in planned construction sites because of environmental considerations. Both projects aim at the upgrading or construction of sanitary landfills and establishing an operational and legal framework for the management of solid waste.

All of the national components have encountered much lengthier times than planned to carry out the necessary preparatory and consultative work prior to commencement of physical construction. Disbursements have, consequently, lagged behind what had been expected. As we learned on our visit to St. Lucia, implementation of the components being financed by CDB have been delayed by the time required to negotiate transfer of responsibilities for solid waste management, and gain acceptance of the choice of landfill sites. This has included in some cases a lengthy consultative process with affected communities before construction can start on the landfill sites that SDF is financing.

There have been delays in some cases in making appropriate institutional arrangements for Implementation Units (PIUs) and staffing the solid waste management agencies, and it has been difficult to attract suitably qualified and experienced staff. There have also been differences in the relative priority attached to the projects in the different BMCs.

The rate of disbursements, however, is expected to increase significantly with the award of construction contracts in most participating countries in the last quarter of 1999. It should be noted that implementation delays of this type are not necessarily uncommon in projects involving different agencies and levels of government and local communities.

Appraisal of the additional funding for Grenada and St. Lucia has provided an opportunity for project review, and such a review of the project as a whole might help to re-establish further momentum.

Box 5-2: SOLID WASTE MANAGEMENT IN THE OECS

Although there are variations from country to country, the OECS Solid Waste Management projects are among the first environmental projects assigned priority in BMC Country Environmental Profiles and National Environmental Action Plans. We were able to discuss the national as well as the regional components during the field visit to St. Lucia.

The six-country project consists of two broad components. The *National Component* consists of physical assets such as construction of sanitary landfills, equipment and vehicles, port reception, recycling and medical waste facilities. The *Regional Component* is designed to support the National Components, with activities which, managed at a regional level, should be more cost-effective. This approach is intended to enable more rational and coordinated waste management in the participating countries.

The activities of the Regional Component include:

- Project management and institutional support,
- Development and implementation of model environmental legislation,
- Training programs for staff of the solid waste management entities,
- Identification and development of waste minimization and recycling initiatives, and establishment of a waste management monitoring system,
- Development of public awareness and education programs, and identification and development of local and export markets for compost and recyclable materials.

Overall results to date include:

- Submission of the draft final Report for Model Policy, Legislation and Regulation (Feb 1999),
- Submission of the draft Final Report for Regional Waste Reduction, Recycling, Recovery and Re-use (March 1999),
- Submission of Final Report for Institutional Reform for St. Vincent and the Grenadines,
- Submission of the Final Report for Project Benefit Reporting and Evaluation,
- Final report completed for Training Needs Assessment,
- Consultant's report prepared on Equipment Specifications and Tender Documents,
- A number of training workshops have been held with representative of the national PIUs,
- Preparation of Education Awareness Strategy and Action programs in five of the six countries, and
- A cost effectiveness study of waste collection and disposal in Grenada.

Roseau River Water and Sanitation Project

In December 1997 the CDB approved its share of financing for a multi-donor project in Dominica for the rehabilitation and extension of the existing sewerage system of Roseau, the capital city, and the provision of pre-treatment facilities and a marine outfall. The project also provides for the replacement of the existing central water distribution system and a partial upgrading of the supply system. The Roseau Water system was first constructed in 1875 and, despite severe deterioration, has remained the principal source of water for the capital city.

We visited this project, which is currently under construction. It is based on earlier work carried out by CIDA, Government of Dominica, and the CDB. In 1988, with assistance from a grant provided by CDB, the Government undertook a study on upgrading of the system. CIDA subsequently provided financing for a full feasibility study and both preliminary and detailed design. An environmental impact assessment was carried out in 1997.

The project was originally expected to require \$13.5 million. The appraisal report later estimated the requirement at \$19 million. When the Canadian consultants began two years of studies in 1993 the needs were found to be much greater than anticipated. This is partly explained by missing and faulty information – for example, no documents existed for the system, which is over 100 years old, and instead of only 200 manhole covers, as expected, the number found were over 1,100.

Problems of the system included heavy sedimentation of pipes, with blockage from roots and other debris, frequent surcharge and sewage overflowing into the streets, pipe and manhole collapses, water lines in sewer manholes, nine outfalls discharging onto the beach or in the sea at the bay-front, no sewage treatment, and effluent discharges into the Roseau river. These conditions, apart from the health hazards posed to the population, have significantly deterred promotional efforts to attract tourism.

In addition to CDB resources totalling \$6 million, other financing was provided by the Kuwait Fund, CIDA, and the IDB. The Government and the executing agency, DOWASCO, also contributed financial and other resources.

The principal economic benefits are an improved water supply for the city, reduction in unit operating costs of the system, elimination of suppressed demand for better water and sewerage services, and an increase in revenue of the executing agency, DOWASCO. Less quantifiable benefits include an improvement in the aesthetic quality of the capital city, the preservation of Dominica's growing reputation as an eco-tourism destination, and a reduction in the risk to public health.

The project demonstrates, however, the pitfalls in this program area. The project is high risk, not only because of unreliable information, but also because of the sensitive socio-political environment. Implementation is about a year behind schedule, due to delays in completion of the detailed design and procurement.

When the work is completed, the project will provide improved water supply and acceptable methods of sewage disposal for a population of some 18,000 people. Income levels of those who will benefit cover the full spectrum, and consultants have been engaged to carry out a social impact analysis of the project's effects.

The tourist and economic potential will be improved for the area, including the Roseau River and neighboring seashore. Despite a campaign of public awareness, however, there are still areas of concern. The nature of the project involves a high level of dislocation and inconvenience, and some are worried whether the extent of sewage treatment will be adequate. These concerns, indeed, figured as a topic in the recently held elections.

We concluded, however, that the project is an important one and demonstrates the contribution of the Bank through SDF in improving water supply and sanitation in the region.

Two projects approved under SDF III deserve mention. An earlier project in *Dominica*, the *Second Water Supply project*, was approved in 1992, and involved the provision of adequate

potable water supply for seven to eight rural villages. The outputs comprise the installation, transmission and distribution of 86,000 feet of pipes and mains, construction and/or repair of intakes, nine reservoirs, four pump stations and the supply and installation of 40 bulk meters in order to improve water quality and reduce the risk of infection from water-borne diseases. Construction was estimated to require 22 months and to be completed in April 1994. Actual work began in 1997, and ended in October 1998, about 14 months behind the target date. Delays were due to four factors:

- Failure to adhere to normal procurement procedures,
- Non-compliance with contract technical specification or administrative conditions,
- Impairment of access to sites, and
- Inclement weather conditions.

Although considerable conflict occurred between the contractors and local authorities, apparently due to grievances over land and property access, the project was eventually completed successfully.

The *Water Rehabilitation project in Guyana* has been plagued with continuing problems of implementation. This is a multi-donor, so-called "jumbo" project involving DFID, the IDB, CDB and the World Bank, and was begun in 1994 as a program intended to restructure and rationalize the water sector and to separate regulatory from operational functions of the Guyana Water Authority (GWA).

Six years later, the CDB's part of the project, originally to involve the installation of equipment for three water treatment facilities, had still not really started. When we visited the GWA to discuss the project, we were told that some people now questioned whether the project, after suffering lengthy delays and differences in technical design, was still required.

At one stage, local funding shortages were also a reason for delayed implementation. The project has now been re-designed, and will provide the capacity to handle treated water for pipes that GWA is installing.

In our interviews, we were told that both the EU and the EIB had approved water sector projects three and four years later respectively, and that both projects had now been completed. We were also told, however, that the World Bank was experiencing similar implementation problems, and it was suggested that the lack of local offices in Guyana by both institutions had been a major factor in poor project performance. We visited the resident offices of the other major donors in Guyana, and received similar views on the need for local representation under Guyana conditions.

The evidence suggests that implementation performance might well be improved through a resident office. There are also other factors, however, that have impacted on the performance of this and other projects in the country. Implementation capacity is generally acknowledged to be poor, and this necessitates constant follow-up to keep things moving. The CDB also faces the requirement, since it is lending resources, to operate through government channels, and unlike some other organisations, it cannot do the work itself.

Second Water Supply – Belize

The *Second Water Supply Project in Belize*, which is financed from a blend of SDF and OCR resources, stems from a previous loan during SDF III for a pre-investment study for the water

and sewerage masterplan for Belize City. It is the second project, and fifth loan, financed by the CDB in the water and sewerage sector of Belize, and comprises a second phase in the expansion of the city's water supply system. The construction of the sewerage system had begun in 1978, with assistance from CIDA.

The project, was approved in 1997 and is intended to install water mains, upgrade intake works and install water meters in all water districts except San Pedro. Although the project design allowed extra time for implementation, based on lessons learned from previous projects, the project is still a year behind schedule. This is primarily due to the Government's decision to re-bid three of the six contracts. The project is now proceeding without further delay, although the agreed tariff increase has not been implemented. Completion is expected in about two years, within budget.

The major impacts of the project upon completion will be improved reliability of water supply for existing consumers in Belize City, whose population numbers about 105,000; the provision of sufficient water in storage for fire-fighting and other emergencies; a reduction in unaccounted-for-water from 58 per cent to 25 per cent, and expansion of the distribution network to areas not currently served, as well as improved sanitation standards.

Grants provided in this program area during SDF IV have focused on improving the region's water resource management capabilities. With the exception of a seminar regarding safe drinking water, the other five grants were oriented – primarily on a regional basis – to improve water resource management and organisation.

5.5 Disaster Mitigation

The other areas of the Bank's *Disaster Management Strategy and Operational Guidelines* have been reviewed in Chapter 3. The present section deals only with disaster mitigation efforts, i.e. measures taken in advance to reduce the severity of the impact of natural disasters.

Two loans have been approved during SDF IV under the disaster mitigation component of the Disaster Management policy. Both are OCR/SDF blended projects. The *Belize Disaster Management project*, approved only recently, has not yet had any disbursements. The *St. Lucia Disaster Mitigation project*, approved in 1998, is currently under implementation according to schedule.

Table 5-4: Disaster Mitigation

Project	Date	SDF III Projects		SDF IV Projects	
		Approved	Disbursed	Approved	Disbursed
Disaster Mitigation		\$000		000	%
Loans					
Disaster Management, Belize	Oct-99	--	-	4,250	0%
Disaster Mitigation, St. Lucia	May-98	-	-	2,894	28%
Sub-total		-	-	7,144	12%
Grants					
Monitoring System for "Kick'em Jenny" Volcano, Grenada	Feb-99	-	-	171	44%
Sub-total Grants		-	-	171	44%
TOTALS		-	-	3,336	27%

Source: SDF Performance Review database May 2000.

Until 1998, the Bank concentrated, in its approach to disaster management, on financing rehabilitation of social and economic infrastructure. Seventeen loans were made, amounting to \$54.2 million, to eight BMCs. A number of regional initiatives were supported, but only one major regional disaster preparedness activity was financed – the preparation of the *Caribbean Uniform Building Code*.

In 1998, SDF financing was provided for the *Disaster Mitigation project in St. Lucia*. Its objectives are to replace deteriorated and unsafe storage reservoirs for the capital city, construct retaining walls along the Castries River to protect against flooding, and provide additional drainage capacity in the second largest city to give greater security against flooding and improve the quality of the environment (see Box 5-3).

Box 5-3:
Disaster Mitigation: St. Lucia

On a field visit to St. Lucia, we were able to discuss CDB support for disaster mitigation in that country. We were told that during the past several years the CDB had been the most important source of support in this field. BNTF had been used to help communities build defences against landslides, and the 1998 disaster mitigation project was making a significant contribution to reducing the vulnerability to natural disaster in the country's two largest cities.

We also identified some of the specific outcomes of the disaster mitigation project. A significant portion of the urban population will benefit, including many of the poorest in both Castries and Vieux Fort. The principal outcomes are:

- The Ciceron Reservoir component for the capital city of Castries is providing two new tanks with 6.2 ML of storage capacity as replacement for the existing heavily corroded and highly vulnerable metal tank now limited to 50% of nominal capacity of 4.5 ML.
- The new reservoir will help to avert a potential disaster from natural causes and increase the reliability of water supply for 90,000 people, in addition to key tourism facilities.
- The Castries River Wall component is providing construction of 1,250 metres of retaining river walls to contain rising floodwaters through the City of Castries, providing increased security for the population and for the commercial sector against flooding.
- The East Vieux Fort Drain in the south of the country is providing construction of 750 metres of drain in the heart of the country's second largest city, providing better outflow of excess water to the coast and greater security for the population in the area and assurance that they can carry on their daily livelihood. Drainage capacity will also provide better sanitation, reduced insect infestation in the city, and an improved quality of the environment.

In the more recent (1999) *Disaster Management project in Belize*, SDF is financing structural measures to reduce vulnerability, improve response capacity, and support long-term sustainability.

While it is still early to assess the outcomes and impact of the Bank's new policies on Disaster Management, the new policy is based on past experience and seems likely to become an important factor in the region's disaster preparedness.

5.6 General Assessment

SDF IV operations in *environment, water supply and waste management* have been broadly on target. Loan and grant financing have been roughly the same as under SDF III, or 10 per cent higher if a particular category that is no longer eligible under SDF IV is excluded. Compared to the planning allocation for this theme, there was a small shortfall, but not significantly so.

Regional approaches have been taken where this seemed useful, and an important new policy framework was established for natural disaster management, which is of particular concern for many of the BMCs, and not only targets a critical vulnerability for the small island states. But provides a strengthening of safety nets for the poor.

Most of the projects reviewed in this chapter have clearly positive impacts on the environment, as with solid waste management and disaster mitigation. Most also help to improve the quality of life for the poor.

The Bank's current work on integrating environment and social guidelines is a positive step, and deserves priority in preparing for a new SDF funding cycle.

An environmental impact evaluation of the Bank's operations is probably overdue. Such an evaluation should concentrate on projects appraised after the Bank's policy on environmental impact evaluation was introduced in the late 1980s.

The objectives of such an environmental impact evaluation should be to:

- Establish whether the selection of projects submitted to an environmental impact analysis has been appropriate and relevant, and determine whether the analyses themselves were adequate in the light of subsequent developments.
- Determine whether the design of projects or programs incorporated appropriate environmental action programs to mitigate or improve environmental impact.
- Ascertain the appropriateness and usefulness of environmental indicators defined during the appraisal stage.
- Assess CDB performance during implementation, to ensure compliance with proposed environmental measures.
- Assess institutional performance in complying with agreed environmental measures.
- Judge the final results and impacts of the projects and programs being studied, in terms of environmental sustainability.

The objective needs to be to build on initiatives and experience from SDF IV, some of them important and innovative, in preparing for a new funding cycle, in which continued operations in this area are likely to remain a priority. Co-ordination and joint action with other financing sources will remain important, as well as a proactive role for the CDB, reflecting its comparative advantage in terms of local knowledge and experience.

Endnotes

¹ *Sector Policy Paper on the Environment*, CDB, October 1993.

² *Natural Disaster Management Strategy and Operational Guidelines*, BD 35/98, May 11, 1998.

³ *Resolution and Report of SDF Contributors*, December 1995.

⁴ The SDF III Drainage and Irrigation project in Guyana is included, for convenience and comprehensiveness, under *Environment, Water and Sanitation* as the most closely related SDF IV category. Under the framework established by Contributors for SDF III, but not for SDF IV, agriculture and related types of projects were specifically included in the eligible program categories.

⁵ This project was cancelled by the Government (for reasons unrelated to the CDB) after the database for the present study was prepared.

CHAPTER 6: GOVERNANCE AND INSTITUTIONAL STRENGTHENING

6.1 Policy Setting and Coverage of the Program

The Bank's *Articles of Agreement* provide it with a range of functions, including assisting regional members in the co-ordination of their development programs, with a view to better utilization of their resources, making their economies more complementary and promoting the orderly expansion of international trade; and providing appropriate technical assistance which serves its purpose and other functions. The charter also provides a mandate to promote public and private investment in development projects, stimulate and encourage the development of capital markets, and co-operate and assist in regional efforts of various kinds.¹

These functions go well beyond direct lending, and a considerable emphasis on technical assistance and what has come to be called institutional strengthening was envisaged from the beginning of the Bank's operations, and has been a part of the objectives for successive replenishments of the SDF. The initial focus was on preinvestment activities, but institutional strengthening and issues of economic management and governance have become increasingly important.

The broad objective in the Bank's institutional strengthening activities has been to improve the performance of the public sector in *the delivery of public services*, particularly where there is a linkage with the planning and implementation of the public sector investment program, including projects in which the CDB itself would expect to be involved, but also extending to more general issues of the policy and institutional framework for public sector management.²

Within this framework, there has been a strong emphasis on strengthening the institutional capacity of development finance institutions, program delivery ministries and administrative agencies. There has also been support for macro-economic policy development and budget reform, improving economic and social statistics, strengthening financial management, improving standards, and, more recently, aspects of public sector reform and national governance.

There has been support for strengthening the financial sector and financial institutions and, through a special "flagship" program – the *Caribbean Technological Consultancy Services* network – small-scale business endeavours of various types. Particularly in the recent past, there has also been support for institutions of civil society – credit unions and other non-governmental organisations – including strengthening their financial base and financial management.

There has been a good deal of emphasis on training, both delivered directly by the Bank and provided through technical assistance – in the former case focused on what has become known as project cycle management, where the Bank has developed a comparative advantage.

There has, in addition, been support for a range of regional activities, including some related to economic diversification and trade negotiations as part of the Bank's support for the

economic transition facing an important group of the Bank's BMCs, as well as a considerable number of other types of joint action or regional networking and problem-solving.

This range of functions has been generally endorsed by SDF Contributors and was reflected in the indicative areas of intervention for SDF IV (see Box 1-2).³

6.2 Program Overview

Governance and institutional strengthening activities are undertaken under three related programs: *technical assistance*, *direct training* and the *Caribbean Technological Consulting Services network (CTCS)*. These are largely financed from SDF, although there is also a significant amount of direct technical assistance delivered by CDB staff, as in the strengthening of DFIs and the preparation and management of the public sector investment program, and some funding from other sources such as the Inter-American Development Bank has been used to support the Bank's work in this area.

Of the original SDF IV planning allocation of \$30 million for grant financing, \$10 million was allocated for technical assistance, \$1 million for training activities and \$1 million for CTCS. In addition, SDF loans have been used to finance institutional strengthening activities in a number of cases.

Governance and institutional strengthening activities financed by SDF IV have totalled 113 projects, and slightly more than \$14 million, as shown in Table 6-1, with just under \$ 4.5 million in SDF loans. This represented an increase over SDF III of 16.5 per cent in number of projects and 53 per cent in the level of funding, with reductions in funding for training and CTCS more than offset by the increase in technical assistance.⁴

The largest part of the Bank's technical assistance activities are in the area of governance and institutional strengthening, although some T.A. has been used more directly in support of other SDF themes and has been covered in other chapters. For comparison, the total T.A. program, including some activities funded from other sources, came to \$28.8 million over the period 1996 to mid-2000. Of this, \$16.4 million was financed from SDF (\$10 million in grants and \$ 6.5 million in loans), \$6.7 million from OCR in the form of loans, \$1.6 million from Other Special Fund Resources (OSFR), \$1.7 million from SFR provided by the Inter-American Development Bank, largely for institutional strengthening activities in the OECS, and \$1.2 million from the Canadian Technical Co-operation Fund. In addition to these totals, a further \$748,000 was provided by IDB separately for technical assistance through CDB, and \$62,000 by USAID, for an overall total of \$29.6 million. In earlier years, funding was also provided for some activities by Mexico, Venezuela and Italy, either within or outside SDF. The core financing for technical assistance, however, has been provided by SDF.

For purposes of the present review, SDF support for governance and institutional strengthening has been grouped in the five program areas shown in Table 6-1:

- *Delivery of public services,*
- *Economic management,*
- *Governance structures and processes,*
- *Civil society, and*
- *Private sector.*

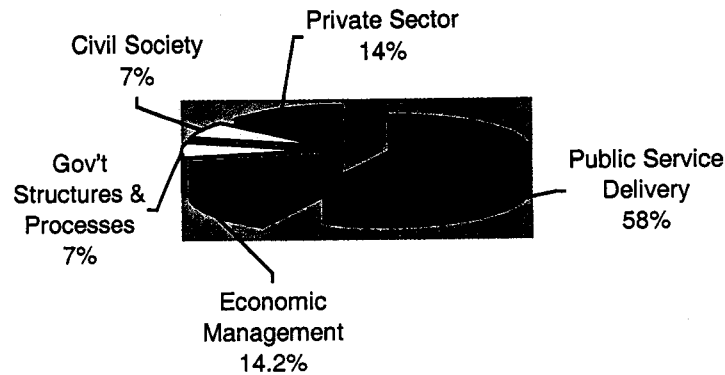
Table 6-1: Governance and Institutional Strengthening: Program Overview

	SDF III Projects			SDF IV Projects ⁵		
	No.	Approved	Disbursed ⁶	No.	Approved	Disbursed
	#	(\$ 000)	(\$ 000)	#	(\$ 000)	(\$ 000)
SUMMARY						
Loans	14	2,269	2,199	13	4,477	651
Grants	84	6,900	6,715	100	9,580	4,827
TOTALS	98	9,169	8,914	113	14,057	5,478
PROGRAM AREAS						
Loans						
1. Delivery of Public Services	11	1,985	1,915	11	4,339	614
<i>Development Finance Institutions</i>	1	65	65	3	497	132
<i>Ministries & Administrative Agencies</i>	10	1,920	1,850	8	3,842	482
<i>Project Cycle Training</i>	-	-	-	-	-	-
2. Economic Management	1	103	103	-	-	-
3. Governance Structures & Processes	-	-	-	1	97	0
<i>Public Sector Reform</i>	-	-	-	1	97	0
<i>Local Government Reform</i>	-	-	-	-	-	-
<i>Other</i>	-	-	-	-	-	-
4. Civil Society	-	-	-	-	-	-
5. Private Sector	2	181	181	1	41	37
<i>CTCS</i>	-	-	-	-	-	-
<i>Other</i>	2	181	181	1	41	37
6. Other	-	-	-	-	-	-
Subtotal Loans	14	2,269	2,199	13	4,477	651
Grants						
1. Delivery of Public Services	41	3,363	3,239	41	3,749	1,562
<i>Development Finance Institutions</i>	6	618	618	7	862	375
<i>Ministries & Administrative Agencies</i>	10	641	517	16	2,409	709
<i>Project Cycle Training</i>	24	2,099	2,099	12	463	463
<i>Project Launch Workshops</i>	1	5	5	6	15	15
2. Economic Management	10	620	620	10	1,990	793
3. Governance Structures & Processes	2	186	125	7	868	388
<i>Public Sector Reform</i>	1	93	93	3	616	293
<i>Local Government Reform</i>	-	-	-	2	95	34
<i>Other</i>	1	93	32	2	157	61
4. Civil Society	1	50	50	12	1,005	434
5. Private Sector	24	2,174	2,174	29	1,888	1,570
<i>CTCS</i>	17	1,392	1,392	15	1,086	1,086
<i>Other</i>	7	782	782	14	802	484
6. Other	6	507	507	1	80	80
Subtotal Grants	84	6,900	6,715	100	9,580	4,827
TOTALS	98	9,169	8,914	113	14,057	5,478

When loans and grants are taken together, there are substantial increases in each of the first four categories during SDF IV, and the relative increase is particularly striking in *economic management, government structures and processes, and civil society*.

The relative size of the different program areas, in terms of project approvals in dollar terms, is shown in Figure 6-1. Each of these program areas is reviewed in the sections that follow.

Figure 6-1: SDF IV: Governance and Institutional Strengthening (Project Approvals)



6.3 Delivery of Public Services

Three distinct SDF program areas can be considered to provide direct support for strengthening the delivery of various forms of publicly provided services. These are *development finance institutions (DFIs)*, *ministries and administrative agencies of various kinds*, and *project cycle training*. Table 6-2 and Table 6-3 set out these projects and activities for SDF III and SDF IV respectively.

Development Finance Institutions

The CDB has played a special and important role in the development and strengthening of development finance institutions in the BMCs. The Bank has worked with these institutions since the 1970s to improve their financial viability by focusing attention on their capital base and on reduction of loan contamination through strengthened credit appraisal and loan administration. It has undertaken strategic assessments and restructuring where necessary, and provided specialist expertise through attachment of CDB-financed industrial development and farm improvement officers, as well as extensive training for all levels of DFI personnel and monitoring and technical advice by CDB staff. The Bank has also contributed to strengthening financial and loan administration policies and corporate governance.

A special unit in the Bank, the Financial Intermediaries Unit (FIU), was established to provide supervision and monitoring, undertake appraisals and provide technical advice. The FIU and the then Training Unit have provided various types of training, including in project preparation and management. In many instances – as in the case of St. Lucia's Development Bank, a particularly well-performing DFI, which was examined during the study team's field visit to St. Lucia – all members of a DFI's management and loan appraisal personnel have benefited from CDB-provided training.

As the CDB introduced new types of lending in these institutions, beginning with student loans and mortgage programs, and, more recently, the programs for micro and small enterprise credit and targeted low-income housing, specialized training was provided to assist with the introduction of these new lines of activity. In the case of micro and small enterprise credit, the Bank has provided T.A. for institutional strengthening in both the DFIs and the micro finance institutions, as well for the development of training and technical assistance programs for

micro entrepreneurs. Similar assistance has been provided in connection with the special mortgage program in Belize.

The Bank took the initiative in 1986 in the development and funding of a management information system to strengthen financial management and loan portfolio performance in DFIs in the OECS, with the intention of subsequent application in the dependent territories. This program, known as DPAC, has gone through subsequent improvements, with the lead taken by the DFIs in Dominica and St. Lucia, which have fully implemented the program, with reportedly good results in terms of improving financial management and loan administration.⁸

The system has been subsequently implemented in Anguilla and is currently under implementation in St. Kitts & Nevis, Grenada and Turks & Caicos Islands, and prospectively in Antigua & Barbuda. It has also been purchased by the Agricultural Credit Bank of Jamaica for use in its Peoples Cooperative Bank operations.

Micro finance institutions also required a better MIS tool, and the CDB was able to draw on USAID's Windward Islands diversification project, which the Bank administers, to obtain consultant advice on the suitability of DPAC for use in National Development Foundations and credit unions. The conclusion was that DPAC, with some modifications, would be an appropriate and least-cost solution.

Information technology, however, has changed considerably, and the Bank is prepared to assist with the revision and upgrading of DPAC.

SDF III and SDF IV Programs

Support for institutional strengthening for DFIs during SDF III and SDF IV is set out in the first section of Table 6-2 (SDF III) and Table 6-3 (SDF IV).

Strategic reassessment or restructuring and/or policy development have been the objective of the grant projects for St. Vincent & the Grenadines and for Dominica in 1992 and Grenada in 1994 (Table 6-2), St. Kitts & Nevis in 1996 and Belize in 1999 (Table 6-3). Strategic assessments were similarly the objective of the SDF loan projects for Belize in 1993 and Antigua & Barbuda in 1997. A similar institutional strengthening grant was also approved for the Bahamas Development Bank in 1998.

Most of these projects have been completed, and the DFIs concerned are operating with the new policies and procedures. In the case of St. Vincent & the Grenadines, however, the Development Corporation of St. Vincent was finally judged as unlikely to become a viable channel for development lending, and the decision was taken to establish a new development bank. An SDF loan was extended for this purpose in December 1997. This project, which is still under implementation, is providing advice on size, operating and legal framework, capital requirements, ownership structure, staffing and organisation, as well as overseeing the implementation process leading to establishment and start-up. The new bank is expected to commence operations during the course of the year 2000.

The *introduction of micro-enterprise financing* has been supported by SDF grant projects, typically for specialized technical assistance and training as well as upgrading of information systems, in Belize in 1993 and 1998, St. Kitts & Nevis in 1996, and both Grenada and St. Lucia in 1997, as well as by a portion of the T.A. loan for Antigua & Barbuda in 1997, and a T.A. loan to Anguilla in 1998.

**Table 6-2:
Governance and Institutional Strengthening – Delivery of Public Services – SDF III**

Program Areas and Projects	Date(s)	Approved (\$ 000)	Disbursed (\$ 000)	Total CDB Financing ^a
Development Finance Institutions				
Loans				
Services of Financial Adviser, DFC, Belize	May-93	65	65	65
Grants				
Micro & Small Scale Enterprise Projects, Belize	May-93	200	200	200
Agricultural & Industrial Development Bank, Dominica	May-92	156	156	156
Restructuring of Grenada Development Bank, Grenada	Feb-94	117	117	117
Development Corporation, St. Vincent & the Grenadines	Mar-92	69	69	69
Institutional Strengthening in Environmental Analysis, Regional	July-93	50	50	50
Seminar for DFIs, Regional	July-94	26	26	26
Subtotals		683	683	683
Program Ministries & Administrative Agencies				
Loans				
Ministry of Transport and Works, Barbados	Oct-93	285	285	285
Air Transport Sect or Study, Belize	July-92	117	117	117
Port Authority Tariff Study, Belize	Oct-95	58	48	58
Ministry of Trade, Industry & Tourism, Dominica	Mar-92	86	86	86
Port Authority Tariff Study, Dominica	Feb-93	30	30	30
Inst'l Strengthening, Bridge & Road Improvement, Dominica	May-93	194	137	194
Institutional Support for Roads Division, Grenada	July-95	240	240	240
Inst'l Strengthening, Road Department, St. Kitts & Nevis	July-94	78	78	78
Ports & Sea Transport Masterplan, Turks & Caicos Islands	Mar-92	407	407	407
Ports & Sea Transport Masterplan field studies, Turks & Caicos Is	July-94	425	422	425
Grants				
Ministry of Education, Anguilla	Dec-92	99	25	99
Industrial Sector Projects, Belize	Feb-92	106	106	106
Consultancy to expedite implementation of CDB projects, Guyana	July-94	42	42	42
Public Works Department, Montserrat	July-92	23	23	23
General Manager, Port Development, Montserrat	Dec-92	240	240	240
Basic Education, St. Lucia	Feb-95	29	29	29
Establishment of an Investment Agency, Turks & Caicos Islands	July-95	50	0	50
Conference, International Competitiveness of Banana Industry	May-92	5	5	5
Conference on Information Horizons, Regional	Mar-93	10	10	10
High Level Housing Policy Seminar, Regional	Dec-95	37	37	37
Subtotals		2,561	2,367	2,561
Project Cycle & Related Training Grants				
Project Preparation & Appraisal; Project Implem. & Mgt., Bahamas	'92, '93	82	82	82
Project Implementation & Mgt.; Project Prep. & Appraisal, Barbados	'92, '94	56	56	56
Project Preparation & Appraisal; Project Implem. & Mgt., Belize	'93, '94	49	49	49
Project Implementation & Management, Dominica	'92	11	11	11
Project Implementation & Management, Grenada	'93	22	22	22
Project Preparation & Appraisal; Proj. Implem. & Mgt., Guyana	'92, '94	49	49	49
Project Implementation & Management, Jamaica	'94	29	29	29
Project Implementation & Management, Montserrat	'92	80	80	80
Project Preparation & Appraisal, St. Vincent & the Grenadines	'95	40	40	40
Project Preparation & Management, Regional	92, 93, 94, 95	1,335	1,335	1,335
Project Implementation & Management, OECS and Other Regional	'95 '93	251	251	251
Training for Caribbean Council for Science & Technology, Regional	'95	51	51	51
Project Planning Workshop for Education Planners, Regional	'93	39	39	39
Subtotals		2,099	2,099	2,099
TOTALS		5,375	5,181	5,375

A 1993 regional program, with workshops in 17 BMCs, provided sensitization and training in *environmental analysis* and development of a check list for project officers of DFIs to assist in determining whether a full environmental impact assessment should be undertaken for a particular project. A similar course, under separate financing, was offered in Trinidad & Tobago in early 2000.

In a recent review of DFI training requirements, CDB staff concluded that – while most of the DFIs have adopted more progressive and appropriate operational policies over the past three years, and now have targeted achievement levels on rates of return, capital adequacy, collections and arrears reduction – their ability to achieve such targets depended on a strengthening of staff training.¹⁰ Available training was inadequate, and needed to be strengthened, emphasizing issues such as financial management and strategic planning, credit risk management, credit appraisal and loan administration.¹¹

**Box 6-1
Strengthening DFIs**

We identified 32 technical assistance grants since 1989 aimed at institutional strengthening of DFIs. The approach has been systematic, in many cases with a series of interventions as an institution moves through more mature stages of operation, and in other cases combining technical assistance with a Consolidated Line of Credit for student loans, micro and small enterprise development, and low-income housing.

Outcomes targeted have included:

- Implementation of computerized systems of accounting and/or MIS at development banks in Montserrat, Anguilla, B.V.I., Jamaica, Cayman Islands, Turks & Caicos Islands, Grenada, St. Kitts & Nevis, Belize, and Antigua & Barbuda.
- Management assistance to the Dominica Agriculture, Industry and Development Bank, the Jamaica NDB and St. Kitts & Nevis Development Bank.
- Strategic assessments or plans and/or restructuring at the Belize DFC, Grenada Development Bank, Antigua & Barbuda Development Bank, Dominica NDC, St. Lucia NDC, and St. Vincent & the Grenadines Development Corporation.
- Credit request preparation, monitoring and evaluation for MSEs at TCInvest, and at the St. Lucia Development Bank.
- Market analysis and plans of action for establishing new DFIs in Barbados and in St. Vincent & the Grenadines.

We also reviewed in more detail the technical assistance provided to Dominica Agriculture and Industry Development Bank (DAIDB). A previous CDB-financed O&M study identified serious weaknesses in DAIDB, including poor organisational structure, lack of documented procedures, and inadequacies in performance appraisal. As a component of the 5th Consolidated Line of Credit (CLOC) in 1992, the Bank included an SDF technical assistance grant of \$156,000 to address these areas. Four consultants developed a strategy for reducing loan portfolio arrears, designed a merit-based performance appraisal system, prepared appropriate operational manuals, and developed a delivery mechanism to provide technical assistance to SMEs, a client group for part of the Bank's CLOC.

The impact of the Bank's technical assistance has been:

- DAIDB is one of the major institutions that the Government uses to implement its economic development and diversification policies.
- A recent evaluation of financial performance found DAIDB to be a profitable and capable institution making effective use of CDB loan funds, and a new CLOC is under preparation.
- DAIDB has demonstrated good financial performance in key operational areas, including reduced arrears, increased assets, and operations within safe or adequate financial ratios. These trends are expected to continue and improve.
- Adequate managerial and staffing capability exists, as well as acceptable financial and operating procedures and systems.

**Table 6-3:
Governance and Institutional Strengthening – Delivery of Public Services – SDF IV**

Program Areas and Projects	Date(s)	Approved (\$ 000)	Disbursed (\$ 000)	Total CDB Financing
Development Finance Institutions				
Loans				
Policies for micro enterprises, Development Board, Anguilla	July-98	87	0	87
Strategic plan & MIS, Development Bank, Antigua & Barbuda	May-97	225	25	225
Design of a New Development Bank, St. Vincent & Grenadines	Dec-97	185	107	185
Grants				
Institutional Strengthening, Development Bank, Bahamas	Dec-98	164	164	164
Micro and small-scale institutions, Belize	July-98	160	0	160
Strategic Assessment, Development Finance Corporation, Belize	Oct-99	11	8	11
Training for micro/small-scale enterprise development, Grenada	May-97	65	40	65
Institutional Strengthening, Development Bank, St Kitts-Nevis	July-96	65	0	65
Micro/small scale program, Development Bank, St. Lucia	Oct-97	163	163	163
Training for Development Finance Institutions, Regional	May-99	234	0	234
Subtotals		1,359	507	1,359
Program Ministries & Administrative Agencies				
Loans				
Port Authority, Anguilla	Oct-98	249	0	249
Tourism Development Corporation, Antigua & Barbuda	Oct-97	177	0	177
Project Implementation Unit, Ministry of Works, Belize	Jul-96	1,800	220	1,800
Institutional Strengthening of the Maritime Sector, Jamaica	July-98	1,106	133	1,106
Commercial quarrying operation, St. Kitts & Nevis	Dec-96	135	0	135
Establishment of electricity utility, Nevis Island	Oct-98	132	54	132
Road transportation master plan, St. Kitts & Nevis	Mar-00	168	0	168
Post-secondary education sector policy, Turks & Caicos	Dec-97	75	75	75
Grants				
Preparation of education plan, Antigua	Dec-97	92	0	92
Planning engineer, 2 nd multi-project loan, Grenada	May-98	147	0	147
Teacher Training Institution, Guyana	May-96	56	56	56
National Dairy Development Program, Guyana	Oct-99	100	0	100
Computerisation diagnostic study, Ministry of Home Affairs, Guyana	Feb-00	100	0	100
Institutional strengthening, Ministry of Health and Labour, Guyana	Feb-00	148	0	148
Institutional Strengthening, Maritime Sector, Jamaica	May-98	100	89	100
Social Investment Fund, Jamaica	Dec-99	244	0	244
National Development Corporation, St. Lucia	Oct-97	190	38	190
Ministry of Trade, St. Vincent & the Grenadines	Mar-99	93	0	93
Human resource development policy, Turks & Caicos Islands	Oct-97	70	70	70
Financial MIS, Caribbean Agriculture R&D Institute, Regional	Jul-96	99	70	99
Regional training in shipping, Jamaica Maritime Institute, Regional	May-97	300	221	300
OECS Fisheries Policy Development, Regional	Feb-99	48	43	48
Establishment of Standards Management Capacity, Regional	May-99	600	100	600
Banana Industry Task Force, Regional	July-99	22	22	22
Subtotals		6,251	1,191	6,251
Project Cycle and Related Training - Grants				
Project Prep. & Appraisal; Proj. Implem. & and Mgt, Antigua & Barb.	'97, '98	42	42	42
Project Implementation & Management, Barbados	'97	10	10	10
Project Preparation & Mgt.; Project Implementation & Mgt., Dominica	'96, '97	22	22	22
Project Implementation & Management, Grenada	'99	23	23	23
Project Implementation & Management, Guyana	'99	21	21	21
Project Implementation & Management, Trinidad & Tobago	'97, '98	11	11	11
Project Management for Health Planners, PAHO Regional	'96, '97	13	13	13
Project Planning for CARICOM staff, Regional	'99	1	1	1
Project Preparation & Management, Regional course	'96	307	307	307
Project Launch Workshops	1996-99	13	13	13
Subtotals		463	463	463
TOTALS		8,073	2,161	8,073

As a result, a *new training program specifically for DFIs* was approved in May 1999 (Table 6-3). The design of the program reflects consultation with the DFIs, and the intention is that CDB staff will be used as resource persons, together with selected DFI management staff and some outside personnel.

The course modules cover:

- Strategic management in financial institutions,
- Credit appraisal,
- Loans administration, and
- Credit risk management.

The program is to be offered in two locations in the region, with the first course in September 2000. The cost of the program is estimated at \$600,000, with 61.5 per cent to be met by participating DFIs, and 38.5 per cent from SDF. An evaluation of the program will be undertaken after the first round, with an assessment of course content, delivery and effect on institutional performance.

Program Ministries and Administrative Agencies

SDF-financed activities in this program area, as shown in Tables 6-2 and 6-3, have covered a considerable range of public sector programs, with emphasis on, but not limited to, the public sector investment program.

In SDF III, such institutional strengthening projects included ports and sea transport, including port tariff studies, for Belize, Dominica, Turks & Caicos Islands and Montserrat, roads departments in Dominica, Grenada and St. Kitts & Nevis, education ministries or plans in Anguilla and St. Lucia, establishment of an investment agency for Turks & Caicos Islands, and support for various other ministries or agencies.

In SDF IV, the list includes education sector policy in Antigua and Turks & Caicos Islands, a major project implementation unit for the Ministry of Works in Belize, the Social Investment Fund in Jamaica, the port authority in Anguilla, the maritime sector in Jamaica, a road transport master plan in St. Kitts & Nevis, establishment of an electricity utility for Nevis Island, tourism development in Antigua & Barbuda, a teacher training institution in Guyana, and regional projects for upgrading and expanding access to maritime training and standards management.

A sample selection of SDF IV projects was reviewed by the study team.

The largest single institutional strengthening project under either SDF III or SDF IV has been for the *Ministry of Works in Belize*, undertaken as part of a major multi-donor exercise for the financing of a highway rehabilitation project in the poorest, southern region of the country, and financed by a \$1.8 million SDF loan in 1996. The purpose was to provide institutional strengthening and training to allow the Ministry to *administer project activities* effectively, including the southern highway project, over the period 1997-2001. Financing for the capital portions of the project included \$28.2 million from the IDB, \$11.5 million from DFID, \$10 million from the IEDC of Taiwan, \$8 million from the Kuwait Fund, \$2 million from the OPEC Fund and \$9.6 million from the Government of Belize. (See Box 6-2.)

**Box 6-2: Strengthening Project
Coordination and Implementation in Belize**

In 1996, after delays on an important project, the Government of Belize approached the CDB for support in establishing a Project Implementation Unit (PIU). An SDF loan of \$1,800,000 was provided for this purpose. The Unit is autonomous but attached to the Ministry of Works and Transport.

We were able to visit the Unit on our field trip to Belize, and interviewed its staff and personnel of both the parent Ministry and other Ministries, as well as members of the resident donor community. We were impressed by the results.

The PIU was initially funded by SDF to manage the Southern Highway project to the relatively poor and undeveloped districts in southern Belize. Its responsibilities have since been expanded to include appraisal, implementation, supervision, and coordination for all donor-financed capital projects undertaken by the Ministry of Works.

Over the four years of its operations to date, the PIU has managed 11 projects totalling \$250 million. These projects were funded by eight different donor agencies, and included two CDB projects with loans of \$45 million.

The Unit has kept good relations with its parent Ministry while maintaining sufficient independence to fulfill its supervision and coordination responsibilities.

The project has significantly strengthened the institutional capacity of the Government of Belize for project implementation, and the outcome of the project should be judged to be successful, both in its immediate application to the southern highway project and in the wider role that the PIU has assumed. A recent assessment of the Unit by the World Bank came to similar conclusions.

The second largest SDF intervention in institutional strengthening consists of three related projects for *training in the maritime sector*. The first of these was a \$300,000 grant in 1997 to cover approximately 60 per cent of costs for the establishment at the Jamaica Maritime Institute (JMI) of a *regional shipping diploma program* to meet the demand for trained workers in this sector through distance education. The second was a \$100,000 SDF grant, combined with smaller amounts of support from Transport Canada and the International Maritime Organisation, and a \$1.1 million SDF loan, both in 1998, to meet immediate upgrading requirements at JMI under new quality standards set by IMO and to carry out preparatory studies for a larger capital loan.

JMI is a key regional resource for the maritime industry, and these projects, together with the proposed capital project, have been planned to strengthen the Institute's contribution to the industry. The regional shipping industry has been growing at a much faster rate than anticipated, and there is an increased demand for trained human resources in a range of shipping services and computerisation technology. Training in North America and Europe is expensive, and many employers have had to recruit under-qualified persons. JMI is an already established regional institution, with links to UWI, and with an existing training program, launched in collaboration with the British Columbia Institute of Technology and funding from the Association of Canadian Community Colleges, that is internationally recognized. The SDF interventions can be expected to contribute to meeting the need for skilled workers and improving performance in the industry.

A different type of institutional strengthening project selected for field assessment by the study team was the reorganisation and corporatisation of the *water and sewage authority in St. Lucia*. This has been included in the SDF IV program area covering environment, water and

sanitation and referred to in Chapter 5, but should also be mentioned here. Both the CDB and other donors [World Bank/IDA, CIDA, IDA, OPEC Fund and the *Agence Française de Développement (AFD)*] have financed major investments in the water sector in St. Lucia, which have been implemented by a seriously under-performing utility with major management, financial and operational difficulties. As a result of the agency's shortcomings, the value of the investments and their social and economic benefits, while substantial, have been seriously impaired as compared to what was expected when the investments were made. Restructuring and reorganisation, major tariff adjustments, and the establishment of longer-term viability, were clearly overdue.

The study team undertook an assessment of the agency's past performance (for which an available CDB evaluation study provided valuable insights) and the likely effectiveness of the newly reorganised entity, based on documentary review and in-depth interviews with the key participants. A fundamental restructuring and corporatisation has now been carried out, with a prospective privatisation, which addresses the key issues and holds the prospect of placing the utility on a sound financial and operational footing.

The SDF-financed study was an input into the restructuring, and was expected, *inter alia*, to produce a strategic plan. The funding, however, was limited, and the timing allowed was very short, and although the study provided a useful perspective on the issues and general guidance on the financial reorganisation, it recommended a more cautious approach than the Board considered desirable, and there was not sufficient time to work the process through with management and Board. We concluded that the study had made a useful contribution to an important process, although not as fundamental as had been expected. Given the extent of the CDB's investment in the sector, and the high risks involved, a somewhat higher level of effort, and somewhat less cautious funding, might have been justified

Two other projects reviewed on the study team's field visits were in *the HRD sector in Turks & Caicos Islands*. Both were approved in 1997. The first of these provided a project coordinator and advisor on post-secondary and further education to facilitate an in-depth review of educational policy issues and enhance the Government's ability to undertake education sector development. The second provided training workshops in distance teaching methodologies, overseas training in education planning and management, and consulting services for the development of HRD policy. As outlined in Chapter 4, the first of these projects led to a subsequent SDF project for the Community College. The second project is supportive of a separate SDF-funded feasibility study on distance education.

A particularly important social sector project receiving SDF assistance during SDF IV was for the *Jamaica Social Investment Fund*, approved in December 1999, with \$7 million from SDF and \$7.1 million from the Bank's Ordinary Capital Resources. A technical assistance grant was provided as part of the project's financing. The purpose of the T.A. was twofold: to undertake an assessment of the NGO community, and to conduct an impact assessment. The NGO assessment is intended to identify agencies with the institutional structure and capacity for sponsoring and implementing sub-projects, and is considered necessary in light of past difficulties. The provision for an impact evaluation also reflects experience to date, in that JSIF is perceived as on a "learning curve" with respect to the most effective ways to engage communities and undertake projects. The evaluation is to be conducted at mid-point in the project, and is intended to draw lessons from experience and identify appropriate adjustments in methodology and operations. The T.A. appears to be appropriately designed to strengthen project effectiveness.

A regional project for *standards management in the OECS* was approved in May 1999. The project is intended to establish or enhance the operations of standards management bodies in Dominica, St. Vincent & the Grenadines and St. Kitts & Nevis, to review the operations of such bodies in all of the OECS in order to design a program for cooperation and cost-sharing, and subsequently to implement a co-operative program in standards management for the OECS. The executing agency is CARICOM, which has been actively involved in promoting standards development and institution building at the national level. The project is expected to contribute to the diversification of the economies of the OECS countries, given the important role that standards and standards management play in international trade.

Of projects undertaken during *the earlier SDF III period*, mention might be made of a few that the study team had occasion to investigate. The 1992 and 1993 projects relating to development of a *ports and sea transport masterplan for Turks & Caicos Islands*, which were reviewed during the team's field visit to TCI, ultimately resulted in capital investments financed by the EU and are discussed in Chapter 8. Two other projects in the same industry, the *port authority tariff studies for Dominica and Belize* in 1993 and 1995, have been reported in staff supervision reports as having led to improved financial viability.

Another project, which was reviewed in connection with the team's field visit to Guyana and in subsequent discussion with Projects Department staff, involved an initiative in 1994 intended to *improve implementation performance of SDF projects in Guyana*. A former staff member was based in-country on an experimental basis to monitor and attempt to expedite project implementation. The experiment was assessed as less than fully successful and discontinued after several months. The reasons would appear to be at least partly related to circumstances at the time, and to the limited authority for decision-making that could be devolved to someone who was serving in a consultant capacity. The study team engaged in considerable discussion of this issue, because of the special problems of project implementation and program development in Guyana that have been touched on in earlier chapters and, as discussed further in Chapter 8, recommends reassessment of this experience and a review of the options for addressing what remain serious implementation and program development problems.

Project Cycle and Related Training

The design and delivery of project-related training has been an important function of the Bank, supporting not only the CDB's own project lending, but the project development and implementation work of its BMCs, regardless of the source of financing. Past evaluations and the response of the BMCs have supported the relevance and value of this key activity.

Project cycle training began in 1980, with the establishment of a Project Administration Training Unit¹² and with support from the Inter-American Development Bank and the European Development Bank (EDF) in what was for the first 10 years a jointly sponsored program. The objectives were to strengthen the institutional capability of Caribbean Governments and institutions to utilize available development financing more effectively, and to improve their level of efficiency in the investment process.¹³ The original design drew on similar courses then offered by the World Bank's Economic Development Institute, with modifications and further development to meet the CDB's and the BMCs' needs.

One of the key evaluations, undertaken by a former staff member of the World Bank's EDI, concluded after an extensive survey that:

*The overwhelming response was that the training is extremely valuable, better than from other available sources and that there is still a large unmet and continuing need.*¹⁴

The national level workshops have been offered in Dominica, Barbados, Trinidad & Tobago, Antigua & Barbuda, Grenada and Guyana. The Guyana workshop was an effort to strengthen that country's project preparation and project management capabilities – weaknesses in which are a principal factor in the project implementation difficulties that the Bank is facing in Guyana, and which are commented on separately in this report. Two short courses additional to those shown in the table have been offered in early 2000, in B.V.I. and in Antigua & Barbuda, in each case on a cost-sharing basis, reflecting the value that the country concerned placed on the courses.

The regular program of project cycle training in the past appears to have been highly effective and made a distinctive contribution to the region. There also seems to be a continuing appreciation in the BMCs and other organisations of the value and professionalism of these programs, and a view that there is a continuing need for such training. An attempt has been made, with some encouragement from the Bank, to introduce a project management program at UWI, but this is at the master's level, and it seems be doubtful that a university-based program will be as effective as a program run by the region's principal project-financing institution.

A new evaluation of the demand for and impact of the Bank's highly regarded project cycle training, as well as the most effective way in which the Bank's substantial experience and comparative advantage in this area can best be used, i.e. the most useful design for future training courses, would seem to be desirable as a basis for planning for the next SDF cycle.

6.4 Economic Management

There has been a considerable increase during SDF IV in technical assistance projects related to the strengthening of economic management, both at the national level and at the level of joint action on a regional basis (see Table 6-5). These cover the strengthening of economic policy formulation, expenditure management and development planning, the improvement of central statistical services as a basis for policy analysis, and international trade negotiations, among other areas.

Strengthening of central economic ministry functions was the objective of a loan project in Grenada in 1994 and grant-financed projects in Grenada in 1992, St. Kitts & Nevis in 1997 and Jamaica in 1998.

The 1998 Jamaica project is intended to strengthen the Government's ability *to manage its public sector investment program* more effectively. It was an extension of an earlier project originally approved in 1991, but which experienced delays in implementation, and is addressing part of a complex set of issues that have adversely affected implementation of the PSIP over a number of years. The project extension is intended to consolidate the gains made during the initial phase. One part of the project is the development of project database software that is expected to be of potential application in other BMCs.

The study team's assessment is that the project is probably high risk, because of the number of different factors on which concurrent action is required and the number of different agencies involved, but the consolidation of an effective public sector project management system in Jamaica is an important objective, with potentially significant benefits. The CDB's role stems from an initial CDB study of the issues in 1990, and has been relatively continuous since that time. Other closely linked aspects of the project are being supported by the UNDP and the Latin American Institute of Economic and Social Planning, and reasonable progress appears to

have been made during the first phase. These factors taken together help to reduce project risk and justify the extension, which is essential if project objectives are to have a chance of being met. There is also some prospect that parts of the project cycle management system may be applicable in other BMCs.

Table 6-5: Governance and Institutional Strengthening – Economic Management

Projects	Date(s)	SDF III		SDF IV		Total CDB Financing
		Approved (\$ 000)	Disbursed (\$ 000)	Approved (\$ 000)	Disbursed (\$ 000)	
Economic Management						
Loans						
Budget preparation & Medium-Term Policy Framework, Ministry of Finance, Grenada	Feb-94	103	103			103
Grants						
Audit, Ministry of Finance, Grenada	Feb-92	22	22			22
Seminar on Public Expenditure Control, Regional	July-92	48	48			48
Preparation of New Common External Tariff, Regional	Oct-92	15	15			15
Rationalisation and Automation of Customs Procedures and Trade Data, Regional	May-93	250	250			250
Workshop on Privatisation, Regional	Aug-93	101	101			101
Development of a West Indies Legislation Indexing System, Regional	May-94	20	20			20
Poverty Assessment Seminar, Regional	Sept-94	46	46			46
Institutional Development, Information Export Services, Regional	Feb-95	95	95			95
Conference on Prospects for Export of Professional Services	May-95	8	8			8
Conference on Global Trade Liberalisation	Oct-95	15	15			15
Family Health Survey, Belize	Oct-99			122	90	122
Project Cycle Management, Ministry of Finance, Jamaica	Jul-98			290	222	290
Institutional Strengthening, Development Unit, Montserrat	May-99			86	0	86
Institutional Strengthening, Planning Unit, St. Kitts & Nevis	Mar-97			128	0	128
Statistical Services Department, Turks & Caicos Islands	Dec-98			88	0	88
Seminar, New Approaches to Public Sector Investment, Regional	Oct-96			73	73	73
Establishment of Regional Machinery to Prepare for and Undertake External Negotiations by the Caribbean Community, Regional	May-97			500	293	500
Preparation of Country Strategy Notes, Regional	May-98			65	2	65
Development of National Plans for Year 2000, Regional	Oct-98			86	69	86
Institutional Strengthening, Statistical Offices and Departments of the OECS, Regional	Jul-99			502	0	836
Training Course, Uruguay Round and Future Negotiations, Regional	Oct-99			50	44	50
TOTALS		723	723	1,990	793	3,047

A 1997 project for the *Planning Unit in St. Kitts & Nevis* was intended to strengthen the Unit and improve national economic planning and management. The project, however, encountered difficulties in finding the right person and has not yet been implemented. Consideration is being given to cancellation. A similar project approved in 1999 for the *Development Unit in Montserrat* is intended to assist in rehabilitating and strengthening the Government's capability in project preparation, appraisal and planning, and in the use of monitoring and evaluation techniques. Selection and engagement of consultants for this project is underway.

Improvement of central statistical services was the subject of grant-financed projects for Turks & Caicos Islands in 1998 (for which implementation has recently started) and the OECS countries as a group in 1999.

**Box 6-3:
Providing Information on Child and Maternal Health and Vulnerable Groups**

In 1991 the CDB assisted the Central Statistical Office of Belize to conduct its first Family Health Study. Data from the study was an important input to the national Poverty Assessment in 1995-96, also assisted by SDF funds. In 1999, an SDF technical assistance grant of \$122,000 was provided towards the costs of the Second Family Health Survey. The balance of the budget, \$73,000, was provided by UNICEF, the Centre for Disease Control of the Pan American Health Organization, and the Government of Belize.

When we visited the Central Statistical Office in April 2000, the survey fieldwork was complete. Approximately 3500 women of childbearing age from a sample of 6700 households randomly selected across the country had been interviewed. The first data will be published this year.

In addition to generating data essential to poverty strategy, the SDF technical assistance was instrumental in strengthening the institutional capabilities of the CSO to conduct all types of economic and social investigations, especially in regard to survey design, sampling, survey instruments, data capture and verification, data processing, analysis and dissemination. As well, there was some employment and skills transfer benefits resulting from the engagement of 10 field supervisors, 70 interviewers, and 10 editor coders. In our judgment, the outcome of the second health survey is likely to be important. For the first time, data will be available for two points in time as the basis for trend analysis; and, as well, the sustainability of the CSO itself and of its efforts in health and poverty are likely to be enhanced.

The 1999 project, is intended to strengthen the capabilities of the statistical offices of the OECS countries in statistical data management and dissemination. It complements a number of other statistical projects in the Caribbean and will be undertaken with the support of the IDB's Statistical and Quantitative Analysis Unit. The objective is to increase the availability of social indicators (on education, health, social services, poverty and labour force) and trade, national accounts and other economic data. CDB financing of \$836,000 represents 85 per cent of project costs, of which \$501,600 is from SDF and \$334,400 from IDB funds provided to CDB Special Fund Resources.

The project includes the construction of relevant databases, provision of equipment and software, and training and other support. It also includes an automated data dissemination system and introduction of an Internet home page for each country. The project is expected to contribute to the use of evidence-based planning and analysis, and to the transparency of trade-related data required for various trade negotiations, including by the Regional Negotiating Machinery, established under another SDF IV technical assistance grant.

Three *trade-related regional projects* have been undertaken during SDF III and SDF IV. These are: a further phase of

CDB support for the important Caribbean regional project to rationalise and automate customs procedures and the compilation of trade data, the establishment of regional machinery for external trade negotiations by the Caribbean Community, and training on multilateral trade negotiations.

The *ASYCUDA project*, for which CDB has provided support since 1988, is a major UNCTAD initiative to establish an Automatic System for Custom Data Acquisition in the OECS and other Caribbean Community countries. It has been introduced, or is in the process of implementation, in 15 of the Bank's BMCs (Anguilla, Antigua & Barbuda, Barbados, Belize, B.V.I., Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines, Trinidad & Tobago and Turks & Caicos Islands), as well as

Aruba, Netherlands Antilles and Surinam. The automated data processing function that has been financed by SDF is a key element in the ASYCUDA Regional Support Centre and the overall system, which is being coordinated by UNDP in association with UNCTAD and supported by a number of other donors. The project is providing significant benefits to participating countries through a major simplification and standardisation of customs documentation, provision of trade and customs revenue data essential for economic management, and improvement in revenue performance of customs administrations. Total CDB financial support for the three phases of the project has been \$625,000, or 11 per cent of overall costs.

Two other SDF IV regional projects centre on the concerns of the Bank's BMCs with respect to *WTO and international trade negotiations*. These concerns include fulfilling country obligations under the Uruguay Round Agreements; the report of the WTO Disputes Panel on the EU banana regime, which poses a serious problem of economic adjustment on some of the BMCs; the possibility of future trade-related challenges to the region; and taking advantage of opportunities that trade-related negotiations can present. BMCs have been handicapped by inadequate capacity to meet the legal and administrative requirements of WTO membership, assess the impact of policy changes and develop national policy on trade issues, and prepare for future negotiations.

The 1997 project establishing a *Regional Negotiating Machinery (RNM)* was an important response to these concerns, and was intended to enable CARICOM members to deploy their trade negotiating capabilities more effectively (see Box 6-4 below).

A smaller, related project provided SDF support for *a Training Course on the Uruguay Round and Future MTN Negotiations*. The objective was to strengthen capacity in the BMCs to meet their Uruguay Round obligations and take advantage of opportunities under existing agreements, as well as to participate in negotiations for the successor to the Lomé IV agreement and other arrangements such as the Free Trade Area of the Americas. The project was cost-shared with FAO, which was responsible for organizing the course.

Both projects reflect the Bank's effort to help its BMCs adjust to changing economic circumstances, including the difficult transition facing some of these countries, and to participate more effectively in the international economy.

6.5 Governance Structures and Processes

Public Sector Reform

The Bank's support for public sector reform is based on the view that major improvements in public sector management and governance are needed in the BMCs, that without such improvements external assistance and public sector investments cannot produce expected levels of impact and socio-economic returns,¹⁷ and that such reform will require a long-term, fundamental adjustment in the way the public sector sees itself, organises its institutions and does business.¹⁸

A principal vehicle for the Bank in this field has been support for the work of the Caribbean Centre for Development Administration (CARICAD), initially to assist in building consensus on the need for and principles to be followed in public sector reform in the Caribbean, and subsequently to implement, and encourage broader support for, the institution's current action program.

CARICAD is an intergovernmental organisation based in Barbados that was established by CARICOM Heads of Government to serve as the region's premier institution for management development in the public sector. It has set itself ambitious objectives, and has had some success in playing a role of leadership in respect of public sector reform and improved public sector management.¹⁹

Box 6-4: Regional Negotiating Machinery (RNM)

In May 1997 SDF financing was provided for a team of senior experts, with appropriate support at the national level from member countries of CARICOM, to prepare and undertake negotiations on critical external trade and economic issues. The machinery was established with the capacity and flexibility to harness available talent from the region to develop a cohesive Caribbean position to maximize the chances of success in critical negotiations. An estimated total of \$4.6 billion of CARICOM international trade is considered to be at stake.

The planned negotiations fall into four areas:

- Lomé/Europe;
- Western Hemisphere (including Caribbean Basin Initiative/NAFTA Parity; NAFTA; trade and economic issues in the Summit of the Americas process, particularly the Free Trade Area of the Americas (FTAA); and Caribbean Basin Trade Expansion initiatives);
- Summit of the Americas non-economic issues; and
- Global trade and economic issues, including the World Trade Organisation (WTO).

The RNM is intended to provide a catalyst to supplement national machinery to combat threats stemming from globalization, which could undercut the economic and social fabric of the region.

The OECS countries especially are confronting formidable difficulties due to their economic vulnerability to international trade shocks. Dominica is only one example. With the successful challenge to the EU preferential import regime by the United States, Dominica's banana industry faces daunting prospects. In 1998 the banana industry recorded its worst performance with an 18 % decline in exports in only one year. This decline has resulted partly from devaluation of sterling, which has reduced the EC\$ value of exported bananas, and low prices have driven marginal producers out. But the decline is also due to the intensive restructuring efforts that have been underway since 1993 in anticipation of the trade adjustments now required. Between 1992 and 1998 it is estimated that almost half of its banana farmers have left the industry; an industry that used to provide the livelihood, directly or indirectly, for 27% of the population.

As may be expected, the linkages between the RNM and numerous other authorities, policy and technical advisory groups, working groups and others involved in the process reflect the complexity of the negotiations themselves. Key objectives will be to spearhead the effort, promote a co-ordinated approach, prepare in a timely manner the necessary high quality studies, and ensure that all involved are properly consulted and kept in touch with developments.

Since the process is still underway, it is difficult to judge the effectiveness of the RNM. To the extent that some agreements have been reached, the RNM would appear to be meeting objectives.

The Bank's initial support for CARICAD was a small T.A. grant over the period 1988-1991, followed by assistance to organise a Roundtable on "Public Management in the Caribbean," which produced the Kingston Declaration on Public Management.

This was followed in 1993 (see Table 6-6) by SDF support for a *CARICAD/CARICOM Working Group on Public Sector Reform and Administrative Restructuring in the Caribbean Community*. The Working Group had been endorsed by CARICOM Heads of Government and was intended to develop guidelines for a common policy on public sector reform. Its role was based on the perceived "necessity to provide the highest levels of the political directorate with an empirically-based and cogently argued analysis of the persistent constraints to improved

management of the public sector and of possible modalities by which a comprehensive programme of remedial measures can overcome prevailing constraints.²⁰

An SDF grant provided 33 per cent of the project budget, with the balance covered by CARICAD and the BMCs, UNDP/ECLAC, and the Commonwealth Secretariat/CFTC. CDB staff also provided support to CARICAD in the preparation of the Action Plan.

Table 6-6: Governance Structures & Processes

Program Areas and Projects	Date(s)	SDF III		SDF IV		Total CDB Financing
		Approved (\$ 000)	Disbursed (\$ 000)	Approved (\$ 000)	Disbursed (\$ 000)	
Public Sector Reform						
Loans						
Review of the public sector and assistance in implementation & action plan for reform, Antigua & Barbuda	Jul-98			97	0	97
Grants						
Development of Common Policy for Public Sector Reform (CARICAD), Regional	Oct-93	93	93			93
Public Sector Reform, Antigua & Barbuda	Jul-98			96	0	96
Symposium on Public Sector Reform, Dominica	Oct-99			20	0	20
Institutional Strengthening, Caribbean Centre for Development Administration, Regional	Dec-97			500	293	500
Subtotals		93	93	713	293	806
Local Government Reform						
Grants						
Study of Local Government Reform, Dominica	May-98			49	-	49
Institutional Strengthening, Local Government Reform, St. Lucia	Dec-98			46	34	46
Subtotals		-	-	95	34	95
Other						
Grants						
Formation of Association of Caribbean States	Dec-93	93	32			93
Constitution Commission, St. Kitts & Nevis	Oct 98			57	36	57
Constitution Review, St. Kitts & Nevis	Oct-99			100	25	100
Subtotals		93	32	157	61	250
TOTALS		186	125	965	388	1,151

Members of the Working Group came from eight member countries (including one of the dependent territories), and a Minister served as Chairman. A series of country missions, workshops, case studies, and ministerial consultations and symposia were carried out, as well as major studies on constitutional and administrative structures, human resources management and development, policy, management and implementation strategies of privatisation and divestment, and financial management in the public sector.

The Working Group's Report, which was endorsed by CARICOM Heads of Government, proposed, *inter alia*, a number of what it viewed as essential elements for public sector reform:

- *Redefining the role of the state,*
- *The primacy of human resource development,*
- *A public service must serve, and*
- *No reform without commitment at the highest level.*

Subsequently, SDF support was provided in 1997 for *institutional strengthening of CARICAD* through a \$500,000 grant for *implementation of a Five-Year Action Programme (1997-2002)*.

The action program is based on the theme "Public Sector Management Development and Governance for the 21st Century", with recognition of the role and growing importance of NGOs and community-based organisations as an underlying principle. The SDF grant represents 15 per cent of the project budget, with smaller contributions from UNDP, DFID and CFTC, and with 64 per cent to be covered by CARICAD and member governments. The elements of the action program are:

- Networking between governments and social partners,
- Information database and clearing house,
- Human resource management and development,
- Management technology development and dissemination, and
- Project management and advisory services.

At the national level, SDF support was extended in 1998 to *Antigua & Barbuda to undertake initial steps aimed at public sector reform*. SDF financing of \$193,000 was approved, half in the form of a loan and half as a grant. Public sector reform and fiscal retrenchment were considered urgent because of unsustainable levels of public expenditure, including public sector employment of some 30 per cent of the labour force and a high level of external debt, low productivity and considerable inefficiencies. The project was to undertake a review of the public sector, make recommendations for reform, and assist in implementation of agreed recommendations. The project was delayed because of an election and concerns that public servants would see it as a plan for downsizing. Consultants have now, however, been selected, and the project should be able to proceed.

A *symposium on public sector reform* was approved for *Dominica* in 1999. The objective was to develop a cadre of supervisory middle and senior management with an understanding of staff development issues and management processes and systems. The workshop drew on experience elsewhere and provided discussion of how this might apply to Dominica.

Local Government Reform

Two small study projects supporting local government reform were approved in 1998 for Dominica and St. Lucia.

The *Dominica* project was intended to review all aspects of the existing system of local government and recommend a more effective and cost-efficient structure, together with operating guidelines, to enable local authorities to work more effectively with the central government. The study was completed in 1999, and CDB staff have since tried to assist the Government in a substantive discussion of the content of the report. The CDB commentary on the report is a good example of a knowledgeable and substantive input into a Government's further review of an important governance issue.²¹

The *St. Lucia* project, which was reviewed during the study team's site visits to that country, was to recommend a structure and operating guidelines for a system of local government that would facilitate decentralization and promote participatory democracy at the local level. Local authorities in St. Lucia had been dissolved in 1979, and the subsequent introduction of essentially advisory regional councils made up of community groups has proved unsatisfactory. The study was to explore community expectations and alternative models for a new system of local government. The resulting report addresses the principal issues and provides the basis for preparation of a Green Paper for further consultations. There is, however, some disappointment that key questions could not be more fully addressed and that the report was not adequately integrated or as useful as had been hoped. Government officials are aware that there remain difficult issues to be resolved, and that local government reform,

including preparations for local elections and preparing the responsible Ministry for a new system of local government, will be a much larger task than expected. Further external assistance would seem likely to be required.

Other Governance Projects

The *formation of the Association of Caribbean States* – a wider regional grouping than CARICOM, encompassing all of the independent islands of the Caribbean, the Netherlands and French islands and those of the United States – was assisted by an SDF grant to CARICOM in 1993 in support of the process leading up to formation of the ACS, including development of the work program, identification of mechanisms for functional cooperation, and the development of strategies for stimulating trade and investment. The new Association is expected to enhance the region's negotiating strength internationally, facilitate the development of joint strategies on hemispheric and broader international issues, provide a mechanism for economic and functional cooperation, and strengthen the relationship of CARICOM members with their non-English speaking Caribbean neighbours.

SDF support has also been provided for the process of *constitutional review in St. Kitts & Nevis*, by two grants in 1997 and 1998. This process was initiated in response to steps taken by the Nevis Island Administration in 1996 and 1997 to secede from the federation. The first of these grants was to defray part of the expenses of a Constitution Commission that had been appointed on the recommendation of a CARICOM Mediation Group. Other contributors were the UNDP, OAS, CFTC and the Government of St. Kitts & Nevis. A Task Force of eminent Caribbean scholars was subsequently appointed to carry forward the Commission's recommendations for public consultation. Its costs were covered by the OAS, the Commonwealth Secretariat, the EU and the United States, the United Kingdom and Canada.

The next stage was the review of the Task Force report by a multi-party committee, which was followed by the development of terms of reference for the rewriting of the constitution. A second SDF grant provided for legal experts to advise the committee. The overall objective of the process has been to provide for a process of dialogue and improved understanding, as well as to determine how the issues underlying the secession movement can be best dealt with. A new constitution is currently being drafted.

6.6 Strengthening Civil Society

The Bank's support for non-governmental organisations and institutions has taken a number of forms. Micro-credit agencies such as the national development foundations and credit unions and, increasingly, traditional NGOs active in the social sector have been viewed as helpful partners, or potential partners, in the delivery of programs funded by the CDB and other sources, as reflected also in the interest of a number of BMCs in delegating the delivery of some social services to NGOs. NGOs have also been perceived as contributing to social stability, and their knowledge of "grassroots culture" is seen as making them valuable partners in any poverty reduction program.²²

The concern, however, is that, while there is an increasing need for NGO involvement in the delivery of social programs, the sustainability of the traditional NGO sector is under threat, both because of weaknesses in management and because of limitations in financing. The demand for NGO services has grown to exceed their ability to respond adequately, and funding has become more difficult.²³

A number of CDB interventions illustrate the Bank's approach to institutional strengthening in this area.

An SDF grant approved in 1999 is intended to permit the Council of Voluntary Social Services (CVSS) in Jamaica, together with the University of the West Indies, to develop a regional management training program specifically for non-governmental organisations. The absence of any such structured training program in the region has been seen as a weakness that needs to be remedied. The intention is that the program would be conducted on a pilot basis with CDB support for two years, and that UWI's School of Continuing Studies would undertake the program on a cost recovery basis once the pilot phase is completed. The SDF grant covers just over 70 per cent of the financing plan for the pilot project. The overall objective is to improve the management of NGOs through the enhancement of professional and managerial skills, and particular attention is to be paid to financial management and resource mobilisation.

Table 6-7: Governance and Institutional Strengthening – Civil Society

Projects	Date(s)	SDF III		SDF IV		Total CDB Financing
		Approved (\$ 000)	Disbursed (\$ 000)	Approved (\$ 000)	Disbursed (\$ 000)	
Civil Society						
Grants						
Participation of BMCs at NGO Forum, Regional	May-94	50	50			50
Institutional Strengthening of the Credit Union, Belize	Jul-96			80	80	80
Regional Conference on Violence, Self and Young Males, Regional	Jul-97			44	40	44
Training for Trade Unionists, Regional	July-97			24	24	24
Strategic Planning for Caribbean Rural Development Network, Regional	Oct-97			27	20	27
Institutional Strengthening, Caribbean Examination Council, Regional	Dec-97			224	83	224
Institutional Strengthening, Disabled People's Organisation, Regional	Jul-98			140	72	140
Seminar on Globalisation for Trade Unionists, Regional	July-98			43	43	43
Conference on World Heritage Convention, Regional	Jul-98			57	0	57
Management Training, Non-Governmental Organisations, Regional	May-99			264	39	264
Workshop for Credit Union Leaders, Regional	Jul-99			14	10	14
Symposium on Caribbean civil Society, Regional	Oct-99			23	23	23
Drug Control & Crime Prevention Forum, Regional	May-00			65	0	65
TOTALS		50	50	1,005	434	1,055

A second recent CDB intervention, in this case funded by DFID resources available to the Bank, was a 1999 study to examine the long-term funding options available to NGOs in the region. The study found that regional NGOs were typically very dependent on external funding and generally faced significant declines in resources. Donors such as HIVOS, OXFAM and CIDA had expressed concerns, and there was a perceived need for a regional entity or entities, perhaps in the form of an endowment fund, that could mobilize funds both within the region and internationally, through encouraging public contributions and building donor confidence. The study was intended to be an initial phase of such a project, and an issue for consideration is the extent to which the CDB itself should be involved.

Credit unions have also received SDF support for institutional strengthening. The Caribbean cooperative credit union movement has been perceived as meeting an important social need for alternative financial institutions that can satisfy the credit and other financial needs of poorer, working class people, but which also requires modernization and improved efficiency.²⁴

An early SDF technical assistance project in support of credit unions was a \$200,000 grant to support the Caribbean Confederation of Credit Unions in introducing computerisation to its members, together with a specialized credit union accounting package originally developed in Canada, and upgraded and adapted through the T.A.²⁵ Beneficiaries of the project were 17 English-speaking and two Dutch-speaking countries, Curacao and Surinam.

A more recent project was intended to strengthen the credit union movement in Belize (1996 – see Table 6-6). A small SDF grant for institutional strengthening was extended together with a \$2.5 million loan to assist the Credit Union Movement in Belize in financing the Special Mortgage Program aimed at improving the accessibility of low income persons to credit for acquiring and enhancement of their shelter. The objective of the TA was to strengthen the credit union movement through the preparation of a strategic plan and action plan for the Credit Union League, including a program for staff training and development and subsequently implementation of these plans. The project is still underway.

Other interventions for NGOs and credit unions during SDF IV have in most cases had similar objectives.

6.7 Strengthening Private Sector Capabilities

The best known and perhaps most visible form of CDB support for institutional strengthening in the private sector has been the CTCS network, which can be viewed as a kind of “flagship” program, intended to support small and medium-sized business development at minimal cost. Funding for the CTCS during SDF III and SDF IV is shown in Table 6-8, together with a number of individual SDF-financed projects for the private sector, mostly of a regional nature. As reflected in the numbers in the table, both of these program areas have received rather less attention in SDF IV, with a reduced level of funding.

Caribbean Technological Consultancy Services Network (CTCS)

We were told in several interviews that the two most visible programs being operated by the CDB with SDF funds were the BNTF (reviewed in Chapter 3) and the CTCS, or Caribbean Technological Consultancy Services Network. Our own findings confirm that the Network is helping to build private sector capacities in the region in an innovative and effective way, although any program can benefit from a periodic reassessment and updating of methods and processes, such as is the intent of a separate study of the program now underway.²⁶

The CTCS was established as a pilot project in 1982 and demonstrated sufficient success that the International Development Research Centre in Canada agreed to fund a three-year program for the network. CTCS has continued since then to provide needed technological services by and for small and medium-sized industries. Its general parameters and usefulness have been confirmed in three previous evaluations of the program, in 1983, 1991 and 1999.²⁷

During the early stages of the development of CTCS, Germany's GTZ provided support for the transfer of small-scale renewable energy technology to CDB's BMCs. Initially, the interventions were made on the basis of a Regional Energy Action Plan adopted by CARICOM Heads of Government. As the very successful GTZ intervention was being wound

down, however, CTCS was used as the mechanism for ensuring a self-sustaining technology transfer process by adding GTZ trained consultants to the CTCS roster. This led to the widespread dissemination and adoption of biogas technology throughout the region.

The program aims for a degree of financial sustainability. Fees are charged for technical assistance field missions, for participation in workshops, and for the sale of publications. In 1999, an expenditure of \$285,000 was met from SDF (excluding salaries, travel expenses and overhead costs of permanent staff), while the Network's income totalled \$51,000.²⁸ This represented a 15.3 per cent recovery of expenditures for the year.

Table 6-8: Governance and Institutional Strengthening – Private Sector

Program Areas and Projects	Date(s)	SDF III		SDF IV		Total CDB Financing
		Approved (\$ 000)	Disbursed (\$ 000)	Approved (\$ 000)	Disbursed (\$ 000)	
Caribbean Technology Consultancy Service (CTCS) – Grants						
CTCS projects, Anguilla	1992-95	25	25			25
CTCS projects, Antigua and Barbuda	1992-95	65	65			65
CTCS projects, Bahamas	1992-95	76	76			76
CTCS projects, Barbados	1992-95	116	116			116
CTCS projects, Belize	1992-95	58	58			58
CTCS projects, British Virgin Islands	1995	5	5			5
CTCS projects, Cayman Islands	1992-95	5	5			5
CTCS projects, Dominica	1992-95	43	43			43
CTCS projects, Grenada	1992-95	167	167			167
CTCS projects, Guyana	1992-95	113	113			113
CTCS projects, Jamaica	1992-95	210	210			210
CTCS projects, Montserrat	1992-95	41	41			41
CTCS projects, St. Kitts & Nevis	1992-95	129	129			129
CTCS projects, St. Lucia	1992-95	89	89			89
CTCS projects, St. Vincent & the Grenadines	1992-95	153	153			153
CTCS projects, Trinidad and Tobago	1992-95	69	69			69
CTCS projects, Regional	1992-95	28	28			28
CTCS projects, Antigua	1996-99			52	52	52
CTCS projects, Bahamas	1996-99			106	106	106
CTCS projects, Barbados	1996-99			95	95	95
CTCS projects, Belize	1996-99			39	39	39
CTCS projects, British Virgin Islands	1996			3	3	3
CTCS projects, Dominica	1996-99			98	98	98
CTCS projects, Grenada	1996-99			85	85	85
CTCS projects, Guyana	1996-99			84	84	84
CTCS projects, Jamaica	1996-99			111	111	111
CTCS projects, Montserrat	1997-99			13	13	13
CTCS projects, St. Kitts & Nevis	1996-99			163	163	163
CTCS projects, St. Lucia	1996-99			78	78	78
CTCS projects, St. Vincent & the Grenadines	1996-99			103	103	103
CTCS projects, Trinidad & Tobago	1996-99			37	37	37
CTCS projects, Regional	1996-98			19	19	19
Subtotals		1,392	1,392	1,086	1,086	2,478
Other Private Sector Projects						
Loans						
Institutional Strengthening for rural financial services sector project, Peoples Cooperative Banks, Jamaica	May-92	134	134			134
Evaluation of project options for hotel feasibility study, St. Lucia	July-94	47	47			47
Regional market survey for Caribbean News Agency, Regional	Oct-96			41	37	41
Grants						
Investment Sector Diagnostic Studies, Regional	Oct-92	100	100			100

Program Areas and Projects	Date(s)	SDF III		SDF IV		Total CDB Financing
		Approved (\$ 000)	Disbursed (\$ 000)	Approved (\$ 000)	Disbursed (\$ 000)	
Regional Space Segment Agency, Regional	Dec-92	251	251			251
Consultancy services, Privatisation of LIAT, Regional	'92, 93	334	334			334
Institutional Strengthening, OECS Exports of High Quality Rum	May-93	57	57			57
Review and evaluation of ongoing studies of Caribbean tourism	May-93	21	21			21
Review of Export Credit Fund in Trinidad's Central Bank, Reg'l	Dec-94	19	19			19
Regional survey for Caribbean News Agency, Regional	Feb-96			40	40	40
Seminar on Commercial Investment & Development Banking	Mar-96			20	20	20
Share Valuation of Financial Services Corporation, Regional	Mar-99			23	23	23
Establishment of Risk Management Program in CDB's BMCs	Oct/Jul99			175	79	175
Assessment of CDB's Role in Private Sector Development	Dec-99			33	33	33
Other regional seminars, workshops and business missions	1997-99			521	289	521
Subtotals		963	963	853	521	1,816
TOTALS		2,355	2,355	1,694	1,607	4,294

The CTCS links people who have business and technical experience with businesses that need consulting advice and assistance. As such, it is well-suited to mobilize knowledge and skills from within the region and apply them to assist other businesses in the Caribbean. Its objectives are:

- To make available a wide range of technological consultancy services in the form of local Resource Persons (RPs) to small and medium-sized businesses that do not have adequate access to such services at the national level;
- To permanently increase the region's technological capabilities in a number of selected fields.

The Network provides hands-on technical assistance along four principal lines:

- Project preparation and evaluation for new or expanding businesses;
- Upgrading and computerization of management systems, with the accompanying training of management and staff in the use of such systems;
- Problems in industrial production and equipment repair and maintenance; and
- Training, in the classroom or at the client's or Resource Person's (RP) work site, as a means of achieving more rapid transfer of information to a larger number of persons over a short time period. Greater use was made of this method of transferring skills in SDF IV, as a mean of reducing costs and maximizing the use of RPs' time. The training medium has also enlarged each trainee's networking contacts.

The use of local knowledge has a number of other advantages. It enables a faster response to client requests, and can lead to the forging of longer-term relationships. The monitoring of the percentage of repeat customers is an indicator of the program's effectiveness and utility. Under SDF IV, an average of 38 per cent of the individuals or companies that benefited from CTCS's technical assistance were repeat customers, while 72 per cent were new clients.

Another benefit of the CTCS approach is the institutional strengthening which occurs in the regional institutions that are part of the network administering the program. Such institutions include local development banks and finance corporations, national development foundations and industrial development corporations, resource institutions, such as institutes of applied

science and technology, standards bureaus, as well as associations of industry and commerce, amongst others.

The program has provided consulting support in the fields of manufacturing, agriculture, livestock, and various types of services (both public and private), training and food processing. Past evaluations indicate that half the requests for assistance concern technological problems. Training assistance was next in frequency of requests, followed by managerial and marketing services. Most cases interviewed -- in one evaluation 95 per cent -- reported that technical assistance had provided significant positive impacts. In almost 90 per cent of the cases surveyed, the clients responded that they would like to have a further association with CTCS in the future.

CTCS is promoted by CDB staff during country visits, the publication of a newsletter called *Network News*, brochures and co-operating institutions in the BMCs.

Table 6-9 summarizes the CTCS program during SDF III and SDF IV, as of the end of 1999. It shows the changing character of the program over the period, particularly in SDF IV, with a reduction in requests processed and consultancy field visits, and in increase in the number of workshops. This reflects both a reduced budget allocation in SDF IV and a policy decision to place more emphasis on group training, rather than individual, customized interactions.

Table 6-9: CTCS Program -- SDF III and SDF IV^{2a}

Activity	1992	1993	1994	1995	Total SDF III	1996	1997	1998	1999	Total SDF IV
No. of requests processed	282	246	212	213	953	204	176	174	135	689
In-field consultancy weeks	335	344	303	261	1,243	285	227	184	164	860
No. of TA field visits	177	175	120	117	589	121	96	106	75	
No. of TAs satisfied, as documented	105	71	92	96	364	83	89	68	60	300
Total expenditure (\$)	616,887	521,349	442,176	401,417	1,981,829	505,816	354,415	302,686	285,296	1,448,213
Total income (\$)	82,585	81,149	52,944	64,911	281,589	66,784	94,292	40,772	51,416	253,264
No. of workshops	4	5	4	5	18	7	10	8	11	36
No. of persons attending workshops	87	99	88	90	364	129	170	303	264	866
Cost of workshops (\$)	65,069	54,181	44,544	46,154	209,948	34,164*	55,260	25,692	63,895	179,011

* excludes \$150,000 sponsorship of three workshops by Canada Training Awards Project.

During the time this performance review was being prepared, as already noted, the CTCS was under study by another independent team of consultants³⁰. The purpose of the study is to undertake an impact assessment and develop a revised operational strategy. We were able to interview the CTCS evaluation team to gain a preview of their assessment and findings.

The evaluation team visited 14 countries and obtained the views of participants on the results of CTCS assistance. Their general findings are:

1. The CTCS is extraordinarily good value for money. For very small amounts of financing, the Bank is able, through the network, to make a major impact on the development of individual micro, small and medium-sized enterprises. The program's main impact and value are as follows:
 - The most significant benefits to clients were gains in specialized knowledge, technology and skills; development of entrepreneurial networks within the region; and a broadening of confidence.

- The consultancies and workshops reinforce work attitudes, self-confidence, co-operative values, positive thinking and open-mindedness.
 - The services improved the capabilities of beneficiaries to improve their livelihoods.
 - By learning how to learn, who will help, and that there are people in the region who are available to provide lifelong learning, a major contribution is made to capacity development.
2. The main weakness is that the opportunities provided by CTCS are still not sufficiently well known and its functioning might be improved by greater delegation of operational authority, improved technology, such as introducing Internet communications, and an MIS system to enable a database of information on technologies, consultants, and other organisations providing SME assistance, and to serve as a marketing tool for stakeholders. The MIS could be based on a revenue-generating model.³¹

This would seem to confirm the continuing usefulness of the services offered by CTCS, particularly when the diversity of disciplines in which the network has been active is taken into account. Assessments of completed missions and training programs also indicate that clients are generally very satisfied with the results and effects of the assistance provided, as well as the professionalism and technical competence of the RPs. CTCS is clearly perceived as having had a significant impact on the personal and business development of small entrepreneurs in different business sectors throughout the Region.

Through the CTCS, regional experts have been given an opportunity to share their knowledge and skills, which instills professional pride and offers encouragement to small entrepreneurs as well as the RPs. The ability of the CTCS to respond promptly, appropriately and affordably to special and changing circumstances has been an important part of its effectiveness.

6.8 General Assessment

The Bank's institutional strengthening activities have clearly been relevant to the objectives set by SDF IV Contributors, and have expanded into new, and sometimes more difficult, areas of governance. Where outcomes and impacts can be assessed at this juncture, they appear to have been positive, and in some cases, such as the project implementation unit for the Ministry of Works in Belize, substantially so.

Very broadly, there is substantial evidence that the Bank, with SDF resources, has made a useful contribution to improving the delivery of public services, including the very important example of development finance institutions, but also through a spectrum of program ministries and administrative agencies. The contribution to improving the general quality of economic management is also probably significant, if modest, and the linkage with CDB staff support for the development of national economic strategies and the approach now being taken in the development of the Bank's own country strategies should help to reinforce this contribution. It is a field, however, in which the level and quality of staff resources, and close liaison with other agencies, are important.

In areas such as public sector reform, the Bank is trying to assist in building momentum and consensus, following up with country interventions where there seems scope for such action. The small but, in some cases, creative contribution to strengthening some of the institutions of civil society should similarly be assessed as a helpful and potentially significant contribution.

In two now-traditional areas of SDF programming, the direct provision of project cycle training, and the Caribbean Technological Consultancy Services Network, there is again

evidence of significantly positive outcomes. These two areas have received substantially lower funding in SDF IV. The value of the two programs appears to be clear, however, and the issue of relative priority for the next cycle of SDF remains to be addressed.

The current independent assessment of the CTCS, looking to the development of a revisited operational strategy, should contribute significantly to such a consideration. We have recommended a similar in-depth review of impact and options for project cycle training.³²

Three evaluations of the Bank's technical assistance operations have been carried out to date, and a fourth is planned for later in the year 2000. This should be designed to focus on areas of particular relevance to programming decisions needed for the next SDF cycle.

The last technical assistance evaluation³³ concluded that T.A. projects in the period reviewed had made significant impacts on institutional development in the specific cases examined. It also found, however, that, due to a heavy work load at the project approval stage, sufficient staff resources were not available to do meaningful project supervision to the extent that might have been desirable. This is a finding very similar to that of other assessments of MDB technical assistance activities done at about the same time.³⁴ It would be desirable to have an assessment of the extent to which this is still the case. The study team found evidence both of a meaningful and substantive input by staff in some policy development areas, such as public sector reform and local government, and of staff having been very hard-pressed to keep up with a large number of applications and projects.

Box 6-5:**Long-Term Pest Control – The Tristeza Virus**

SDF funding has an impact on the institutional strength of the Belize Citrus Growers Association and helps develop a model of pest management that is being applied in other member countries

We visited the Citrus Growers Association (CGA) in rural Belize, in their new facility, and met with the President, the chief scientific officer, and the head of community/extension services. The CGA is a co-operative with about 1000 members, more than 900 of whom are small farmers with less than 100 acres under orchard. Citrus is an important industry for Belize, producing between five and seven million cases per year. The industry, however, is highly vulnerable to weather and pest/disease catastrophes.

Over the past ten years, the CDB has used SDF loans and grants to strengthen the CGA in a number of ways, including assistance with developing:

- a testing and monitoring capability for agricultural pests and diseases,
- a nursery and extension service to promote the adoption of pest and disease resistant root stock,
- a stronger legislative and administrative framework to prevent the introduction of pests and diseases from abroad, and
- a credit program for small holders, in conjunction with the CDB and the Development Finance Corporation of Belize.

In 1992, CDB provided an SDF Technical Assistance Grant of \$93,000 to strengthen CGA's capability to monitor and control the Brown Citrus Aphid, a transmitter of the Citrus Tristeza Virus, which had decimated citrus holdings in Brazil. The co-operative has built upon this work to establish an official citrus certification program. As well, it has developed a potentially important database on the incidence and pattern of virulent and mild-strain Tristeza virus in Belize. Large country-to-country variations in the economic impact of the virus indicate that understanding these factors is important. The vector has also been found in Trinidad & Tobago, Venezuela, and other countries of the region.

The impact of this long-term consistent support by the CDB for this key pest control initiative is to build a base of knowledge of the factors that influence the spread of the virus to a new territory. The Jamaica situation cited below is the first spin-off.

Impact on Jamaica

The Belize experience has guided a new CDB intervention in Jamaica. In May 2000, the CDB approved a loan to Jamaica of \$9.9 million for a Citrus Tristeza Virus program based on lessons learned in Belize. The program involves OCR funds of \$7.5 million for citrus replanting, and SFR funds \$2.4 million to finance technical services, plus a T.A. grant of 260,000 for the crucially important public awareness component. The cost of the program is \$20.5 million, with the Government, the Agriculture Credit Bank, and agricultural sub-borrowers providing the balance of non-CDB financing.

In Jamaica, citrus represents one of the main agricultural crops, mostly consumed domestically. Small producers account for about 20%, medium-scale growers 40% and large-scale growers 40%; and the farm-gate value of the industry was estimated at \$18 million in 1996/97. Without the project, it is projected that this would decline to \$3 million over the next five years, as there is no known cure for the disease, and the virus would over time destroy the entire citrus tree forest of the country. Eventually, some 10,159 hectares holding citrus at present will need to be cut down and re-planted with disease resistant varieties. The current project, which is Phase One, will cover 2,833 hectares over a five-year period.

In the first five years of the project, yield will decrease as a result of the removal of the infected groves. The economic analysis for the project estimates that, with successful implementation of the project, production over the period will, after declining from 1.23 million boxes of citrus to a low of about 84,000 boxes around year five, begin to increase to 2.01 million boxes in year eleven, and continue to increase thereafter.

The recent plethora of requests for funding for various regional initiatives is particularly troubling, as it has the potential to divert staff time from substantive input and supervision for important country-targeted interventions. The expected use of funds for regional initiatives in SDF IV was \$3 million. Actual use of funds in this area appears to have been rather more than \$6.9 million. The CDB can make an important contribution to regional joint action and problem solving on a regional basis, but it will be important to establish some clear priorities and narrow the field somewhat.

The study team was told that a policy paper on technical assistance and institutional strengthening is under preparation, and that this is expected to address the issues and suggest priorities for the period ahead. This should be a useful and welcome development, and deserves priority in preparing for a further SDF funding cycle.

Endnotes

¹ *Articles of Agreement*, Article 2 .1 and Article 20.

² This general statement of objectives and scope of the program is based on interviews with CDB Management and senior staff, supported by analysis of technical assistance interventions during SDF III and SDF IV.

³ *Resolution and Report of Contributors*, December 1995.

⁴ But note the somewhat longer time period used here for the SDF IV program (1996 to mid-2000), as compared to SDF III (1992-1995).

⁵ Project listings and other data throughout the report are 1996 to June 2000 for project approvals (net of cancellations) and 1996 to March 31, 2000 for disbursements.

⁶ Disbursements up to March 31, 2000. For SDF III projects, this represents a considerably longer period on average than for SDF IV projects and, therefore, as would be expected, SDF III disbursements up to March 31, 2000 are considerably higher than disbursements for SDF IV as of the same date.

⁷ Most of the items under "Other" for SDF III have been discontinued for eligibility under SDF, and since SDF III have been charged to the Administrative Budget.

⁸ A conclusion borne out by project supervision reports and subsequent project appraisal documents.

⁹ Including OCR and Other Special Funds Resources (OSFR).

¹⁰ *Technical Assistance – Training Programme for Development Finance Institutions – Regional*, BD 49/99, May 10, 1999.

¹¹ *Ibid.*

¹² This is now the Human Resources Development Unit, with a number of other responsibilities in addition to training, reflecting some shift in priorities and emphasis in the use of Bank staff.

¹³ *Final Report on PATU II Operations*, March 1990, para. 2.02.

¹⁴ *Mid-Term Evaluation of PATU II, Caribbean development Bank, Project Administration Training Unit (PATU)*, Robert Youker, Management Planning and Control Systems, May 1989, para. 1.02.

¹⁵ Project Preparation and Management Course, CDB, Barbados, September-November 1995.

¹⁶ Two cases examined by the study team were the *Project Preparation and Management Workshop* for the Caribbean Council for Science and Technology, April 1995 (with two participants each from Suriname, Haiti, Cuba and the U.S. Virgin Islands), and the *Project Preparation and Management*

Workshop for the OCES Education Reform Unit, St. Lucia, July 1995 (with two senior participants from the Netherlands Antilles).

¹⁷ *Technical Assistance – Institutional Strengthening of the Caribbean Centre for Development Administration*, BD 84/97, December 11, 1997, para. 8.01.

¹⁸ *Notification of Approval by the President of a Grant – Working Group to Develop Guidelines for a Common Policy and Action Programme on Public Sector Reform*, BD 66/93, October 14, 1993, para. 2.08.

¹⁹ Members of the study team have had occasion to review the work of CARICAD on a previous assignment for another international organisation, as well as in the preparation of this report.

²⁰ *Notification of Approval by the President*, BD 66/93, October 14, 1993, para. 2.06.

²¹ CDB letter to the Government dated May 14, 1999.

²² See, for example, *Technical Assistance – Establishment of a Management Training Programme for Non-Governmental Organisations – Regional*, BD 44/99, May 10, 1999, paras. 2.06 and 5.03-5.04.

²³ *Ibid.*

²⁴ See, for example, *Technical Assistance – Computerisation Project of the Caribbean Confederation of Credit Unions – Regional*, BD 48/90, May 14, 1990, paras. 2.01, 6.01 and 6.02.

²⁵ A technical assistance grant of \$200,000 approved in May 1990, representing 51 per cent of the central CCCU project budget.

²⁶ An independent evaluation being undertaken by a specialist team from the Association of Canadian Community Colleges (ACCC).

²⁷ The first of these was undertaken for IDRC by a private consultant. The 1991 and 1991 evaluations were done by the CDB's PIEU, the first covering administration and technical assistance services, and the second covering CTCS workshops.

²⁸ *CTCS Annual Report, 1999*, February 2000, p. 7.

²⁹ Data from *ibid.*, p. 7.

³⁰ Consultants from the Association of Canadian Community Colleges (ACCC).

³¹ Interviews with the ACCC evaluation team. Responsibility for wording of the conclusions rests with the study team for the present report.

³² A recent evaluation of Commonwealth Secretariat/CFTC senior management training programs may provide some useful approaches for such a study.

³³ *Post-Evaluation of CDB's Technical Assistance Program (1985-91)*, PIEU, December 1994.

³⁴ By the World Bank and the Asian Development Bank.

CHAPTER 7: OTHER ESSENTIAL INFRASTRUCTURE AND DEBT RELIEF

7.1 Other Essential Infrastructure

The planning framework for SDF IV provided for some continuing SDF support for *other essential socio-economic non-financially self-liquidating physical infrastructure*,¹ with a reduced planning figure of \$12 million.²

In earlier cycles of SDF, financing was provided for various types of infrastructure projects. This is shown, in the case of SDF III, in Table 7-1. The SDF III program included seven road improvement projects and several other projects in areas such as industrial estates, rural electrification and tourism sites upgrading.

Table 7-1: Other Essential Infrastructure: Program Overview

	SDF III Projects			SDF IV Projects		
	No. #	Approved \$ 000	Disbursed %	No. #	Approved \$ 000	Disbursed %
SUMMARY						
Loans	12	39,196	72%	1	5,555	42%
Grants	3	236	100%	5	229	89%
TOTALS	15	39,422	72%	6	5,784	42%
PROGRAM AREAS						
Loans						
Road Improvements	7	19,113	77%	1	5,555	42%
Industrial Estates	1	3,300	22%	-	-	-
Rural Electrification	1	8,628	79%	-	-	-
Port Development	1	1,652	99%	-	-	-
Tourism Sites Upgrading	1	2,503	69%	-	-	-
Multi-project Infrastructure	1	4,000	69%	-	-	-
Sub-totals	12	39,196	72%	1	5,555	42%
Grants						
<i>Montserrat</i>						
Little Bay Town Action Plan	-	-	-	1	104	0%
<i>Regional</i>						
Infrastructure Maintenance Conference	1	43	100%	-	-	-
Road Design/Maintenance Training	1	98	100%	-	-	-
Regional Infrastructure Consultancy	1	95	100%	-	-	-
Telecommunication Training	-	-	-	1	64	100%
Retrofitting Building Standards Workshop	-	-	-	1	25	100%
Building Codes Workshop	-	-	-	1	19	100%
Public Utility Regulators Seminar	-	-	-	1	17	0%
Sub-totals	3	236	100%	5	229	89%
TOTALS	27	39,196	72%	6	5,784	42%

For SDF IV, Contributors decided to shift priorities to other objectives, and this was reflected in the indicative planning allocation. Flexibility was, however, provided for the possibility of priority projects in the following areas:

- Rehabilitation of main, feeder and access roads.
- Limited support for air and sea transport infrastructure, linked to cost recovery strategies.
- Rural power and electricity systems

As intended, the level of lending dropped sharply, from \$39.2 million in SDF III to \$5.6 million in SDF IV. It should be noted, however, that other types of infrastructure continued to be financed under human resource development, environment, water and sanitation, and poverty reduction.

Box 7-1:
Outcomes Can Take Time:
the Turks & Caicos Islands Ports Masterplan

Results sometimes do not come according to the expected timepath. The Turks & Caicos Islands Ports Masterplan is a case in point. We had an opportunity to review the project with the TCI authorities during a field visit to that country.

In 1992, an SDF loan of \$407,000 was approved to prepare a Masterplan for the development of ports in the islands and for the design of priority components. In 1994, a further SDF loan of \$425,000 was provided for field investigations for the preparation of detailed designs and cost estimates for selected components of the project. The original project had identified four implementation options for the development of TCI's seaports, but, without additional studies and finance, a final selection from the options was not possible.

A second set of studies was carried out. The principal issue was whether to concentrate in-coming international traffic and reduce shipping charges to the minimum and, if so, *where* – bearing in mind that an inter-island feeder network would be needed as a consequence. A second option was an incremental approach, but still focused on one main gateway. The third option was to provide basic improvements at all the ports in order to facilitate movements. Numerous interests were affected, and for a considerable time, strong debate continued on the options.

Nine years after the original study, an agreement has now just been signed with the EU, using the two ports studies, but with updated traffic data, as the basis for what is reported to be a \$2.5 million port and causeway project that will link the North and Middle Islands.

The one loan approved during SDF IV was for the *Sea Defense and Road Improvement Project in Dominica*, in December 1998. The project has been financed by a blend of OCR and SDF totaling some \$7.5 million, of which \$5.5 million was from SDF. The project involves the construction of about one kilometer of sea defense structures, with associated road improvements, along the coastline north and south from Roseau, the capital.

On our field trip to Dominica, we travelled along a portion of the road, and were able to view the progress of construction. The project's main objective is to improve road communications, but it will also provide environmental improvements by reducing the risk of storm damage around the village of Pointe Michel in the north. Road realignment of a small section of roadway at Massacre in the south will also provide better traffic security. A third component will provide for institutional strengthening of the Ministry of Communications and Works.

Work is progressing well, with over 60 per cent of the seawall completed and the road improvements underway. Thirty-five per cent of the loan has been disbursed.

The use of grants for small interventions has continued at about the same level as in SDF III. With one exception, these were for regional technical assistance in the form of training,

workshops and seminars. There was a training program for telecommunications management, workshops on retrofitting building standards and building codes; and a seminar for Caribbean Public Utility Regulators. The one other grant was in Montserrat for the preparation of an area action plan for the development of Little Bay Town Centre.

Feeder Roads III Project, St. Vincent & the Grenadines

In view of the considerable investment in infrastructure that has been made from SDF in earlier cycles, and since the one SDF IV project in this category is still under implementation, we reviewed a project that had received financing in a previous cycle. This was the *Feeder Roads III project in St. Vincent & the Grenadines*.

The project was approved in March 1986, with cofinancing from IDA in roughly equal proportion to SDF, for a total of \$2.1 million. The objective was to increase productivity of agricultural labour and land on the island of St. Vincent, leading to a higher level of agricultural production. Two outcomes were intended – the construction of seven agricultural feeder roads totalling 15.44 kms. in length, and better access for 467 farm families within the catchment area of 1,913 acres.

The project was delayed for over a year while questions were resolved with IDA on the design parameters and the estimated agricultural benefits. Until these were resolved, the CDB could not make withdrawals from the IDA portion of the project budget. A further delay of 11 months occurred in the issuance of invitations to tender by the Ministry of Communications and Works. There were then construction delays, due to a shortage of crushed stone, leading to a need to install a crushing plant at a different quarry site. The contractor's equipment broke down, and an inadequate number of transport trucks contributed to further delays. Tropical storm "Emily" hit the area in September 1987, resulting in a stoppage of work. A financial dispute between the contractors then led to a further stoppage of work for two months in 1989. On the recommendation of consultants, additional works were authorized, requiring a further year to complete. The final period of construction was 35 months, compared to the 18 months estimated at appraisal.

The project, however, was completed within budget, and the realized economic rate of return was estimated in the CDB's project completion report at 25.3 per cent in constant prices, compared to an estimate of 23.6 per cent at the time of project appraisal, due to lower investment costs and a higher level of incremental benefits resulting from higher yields and output prices.³ A decline in the area cultivated by major crops in the catchment areas occurred, however, as a result of an increased incidence of banana leaf spot disease and some abandonment of lands due to erosion or unsuitability for cropping activities.

7.2 Debt Relief

Heavily Indebted Poor Countries Debt Initiative

The *Heavily Indebted Poor Countries debt initiative (HIPC)* is an international effort, under the leadership of the World Bank and IMF, to provide debt relief for the poorest countries. Under this debt initiative, \$ 7.5 million was provided to Guyana, of which \$ 6.6 million was drawn from SDF, using accumulated reserves for the purpose, and \$ 900,000 was provided from Other Special Fund Resources (OSFR). Guyana is the only Group 4 BMC, and reached the HIPC eligibility point in May 1999. The amount contributed was the Bank's share of a present value debt reduction of approximately \$ 256 million. The question of whether the Bank

should participate in a second HIPC initiative for Guyana was still under consideration at the time this report was prepared.

7.3 General Assessment

Two quite different areas of activity have been considered in the present chapter.

Under *other essential infrastructure*, the level of lending has fallen sharply, largely as intended in the SDF IV planning framework, although somewhat more so than planned.

This category of infrastructure investment, together with the SDF III sub-category of drainage and irrigation, which was not specifically provided for in SDF IV (see Chapter 5), can make an important contribution to other objectives of the Bank, such as economic diversification and poverty reduction. For the future, such investments can appropriately be considered through the *poverty prism* suggested in an earlier chapter and what could be a closely related theme for a future replenishment, a *reduction of vulnerability prism*.

This may not require significant changes in project selection, but may influence the methodologies and appraisal techniques by which CDB projects are developed and adjusted during project preparation and implementation and other points in the project cycle.

Projects in this category, as with those under *environment, water supply and waste management*, can involve or require support from a number of donor agencies, which presents its own challenges of co-ordination, both in getting a project underway and during implementation. Considerable attention needs to be given to co-ordination in such instances, and keeping the various stakeholders working together effectively. There may also be room for the CDB to capitalize on its comparative advantage of strong local knowledge and working relationships to play a more proactive role in some cases, not just with other donor agencies, but with private sources of financing.

With respect to *debt relief*, the issue of participation in such exercises is a difficult one for the Bank and its other BMCs, as it can represent a significant use of scarce concessional resources. Participation as part of a multilateral exercise, however, is also an important objective.

Endnotes

¹ *Resolution and Report of Contributors*, December 1995. See also Box 1-1 in Chapter 1 above.

² *Ibid.* See also Table 1-2.

³ *Project Completion Report*, Loan No. 39/SFR-SVG, Projects Department, Infrastructure Division, August 1993.

CHAPTER 8: OTHER PERFORMANCE ISSUES AND INDICATORS

8.1 Introduction

All of the MDBs have faced increasing scrutiny of their effectiveness in the delivery of concessional funds, and have been expected to demonstrate continuing improvements to achieve better performance, at both the project and country levels.

There are various views on steps needed, including:

- enhanced “ownership” by governments and stakeholders,
- reforms in development policies and practices,
- strengthening project management capacities in executing agencies,
- improved coordination,
- performance-based allocation of resources, and
- improved project supervision, monitoring and evaluation.

In the various reviews of portfolio and project quality undertaken by other MDBs and some of their borrowing member countries, the key factors are clustered in three groups: ¹

- *Quality of projects at “entry” into the portfolio*, covering factors such as the economic and sector policy framework, country level programming, project “ownership”, beneficiary participation, project management capacity, transition planning for the step from project preparation to implementation, and attention to sustainability.
- *Project implementation*, covering the quality and caliber of executing agency personnel, implementation and scheduling, consultant selection and contract award practices, project supervision and mid-term review, procurement practices, interagency (and inter-donor) coordination, and understanding of the procedures and practices of the MDB concerned.
- *“Feedback” mechanisms*, ensuring the availability and use of the lessons of experience at each stage of the project cycle, and covering adequate priority to monitoring and evaluation mechanisms, monitoring and evaluation capacity, and sharing of the lessons learned.

A general review of project quality factors is beyond the scope of the present study, ² although we have commented on certain aspects. This Chapter reviews the CDB’s project implementation monitoring systems and their current results, and then discusses some traditional corporate performance measures, both those used by the CDB and a longer series of comparative indicators. The final sections of the chapter address the issue of improving implementation performance where this is currently weakest, and the importance of strengthening the Bank’s *country focus*, concluding with some general observations.

8.2 CDB's Project and Portfolio Performance Monitoring

The Bank monitors the implementation status of its projects and overall portfolio quality with two systems. Both utilize information prepared as part of the Bank's *Project Supervision Reports*.

The *Portfolio Implementation Performance Index (PPI)* is a rating system for loan project implementation performance. The PPI is computed for each country and sector portfolio, and incorporates the assessment of several project performance criteria. Trends in the PPI for a country, sector or the entire portfolio can provide some indication over time of the effectiveness of the project appraisal and supervision, and help to trigger actions to correct adverse trends.

Seven classification levels are used, ranging from "very poor" to "excellent", depending on the project's overall score on a scale totalling 100. The overall score is arrived at from weighted scores for a range of performance areas such as development objectives, management performance, compliance with loan conditions, financial performance and disbursement management.

The second system is the *Portfolio Quality Rating, or PQR*, which is similar and related to the PPI, but – whereas the PPI focuses only on projects under implementation – includes also projects that have reached the operational stage.

While both systems were previously up-dated annually, only the PPI was up-dated in 1999.

The performance of the portfolio is reported in an *Annual Review of the Performance of the Project/Loan Portfolio*. The most recent review summarizes the Bank's portfolio As of the end of 1999.³ The highlights are shown in Tables 8-1 and 8-2.⁴ SDF-financed projects are not separately assessed, although a separate assessment of the SDF and OCR portfolios is one improvement that would be useful, given the increasing differences in the composition of the two portfolios.

Table 8-1: CDB Portfolio Indicators

	1996	1997	1998	1999
No. of Projects under Implementation*	99	93	94	95
No. of Projects under Supervision**	276	273	264	264
Total of Loans under Implementation (\$ mil.)	525.6	496.0***	582.3	621.0
Cumulative Disbursements (\$ mil.)	193.6	177.6	241.3	309.4
Total Annual Disbursements (\$ mil.)	52.4	62.9	90.3	112.7
SDF(U) Annual Disbursements (\$ mil.)	16.1	23.1	17.1	23.0
Disbursement Rate (%) ⁵	14.8	17.3	26.3	30.3
Ratio (Loans under Implementation) of Cumulative Disbursements to Total (%)	36.8	38.0	41.6	49.8
Portfolio Implementation Performance Index (PPI)	68	68	73	74

Source: Annual Review of the Performance of the Project/Loan Portfolio, BD 30/00, 8 May 2000 and BD 55/99, 15 July 1999; CPPD.

* includes Lines of Credit not fully disbursed.

** CDB continues supervisory functions into post-implementation operations.

*** All figures are net of cancellations. Figure for 1997 reflects unusually high cancellations of \$33.6 million.

Both the number of projects under implementation and those under supervision have remained at roughly the same level or declined slightly over the SDF IV period. Loans under implementation have increased by 18.2 per cent over the period, while cumulative disbursements on the same loans have increased by 59.8 per cent. Disbursements as a

percentage of loans outstanding have shown a marked increase, from 36.8 per cent in 1996 to 49.8 per cent in 1999.

As rated by the PPI, the overall quality of the portfolio has improved steadily, with *an increase in the PPI for the portfolio as a whole from 68 to 74* over the period.

The PPI ratings for individual projects in the portfolio during SDF IV are shown in Table 8-2.

Table 8-2: PPI System Ratings for CDB's Portfolio during SDF IV

Weighted Performance Score	Performance Rating	Per Cent of Portfolio			
		1996	1997	1998	1999
		Percentage			
90-100	Excellent	18.2	16.0	28.8	24.5
80-89	Very Good	17.5	12.6	13.6	14.3
70-79	Good	16.9	18.9	9.3	18.8
60-69	Fair/Satisfactory	10.4	17.2	25.5	27.4
50-59	Marginal	16.9	21.5	10.7	4.9
40-49	Unsatisfactory/Poor	6.6	6.2	8.7	6.0
0-39	Very Poor	13.5	7.6	3.4	4.1

Source: Annual Review of the Performance of the Project/Loan Portfolio, BD 30/00, 8 May 2000, and BD 13/97, 13 March, 1997.

The indicators in both Tables show an improving portfolio performance for loan projects under implementation, insofar as these are measured by the PPI and the overall disbursement ratio. Over the SDF IV period, *the percentage (by approved loan value) of the portfolio rated "Satisfactory/Fair" and higher using the PPI moved upwards from approximately 63 per cent to 85 per cent*. This is the percentage of projects (in value terms) that is considered to be experiencing either no problems, or problems that are not critical enough to place the achievement of the project's objectives in doubt.

Disbursements in 1999 amounted to an all-time high of \$112.7 million, which was 25 per cent higher than in 1998, and 47 per cent over the average of the two preceding years. For SDF, disbursements of \$23 million represented an increase of 34 per cent over 1998 and 15 per cent over the preceding two-year average, and 43 per cent over 1996, the first year of SDF IV.

The disbursement rate of 30 per cent (see Note 5 for the definition used) was the highest since 1991, and the ratio of disbursements to undisbursed balances on loans outstanding continued to improve over the period, from 36.8 to 49.8.

The most recent *Annual Performance Review* identified three factors adversely affecting implementation performance:

- *weak institutional capacity in some BMCs,*
- *delays in satisfying conditions precedent to first disbursement, and*
- *difficulties in complying with loan conditions.*

Remedies that the Bank has indicated will be taken to improve performance include:

- *incorporation of project execution units into project design,*
- *a program approach to project implementation,*
- *the use of Project Launch Workshops in appropriate cases,*
- *reducing the number and nature of loan conditions to the essential, and*
- *requiring that, as far as possible, final design for projects involving construction be completed prior to project appraisal.*

On an overall portfolio basis, the weighted average PPI was 74. The portfolios for seven BMCs were higher than the average, with Cayman Islands at 96 and Belize at 89 leading the way. *Of the nine BMCs and the regional grouping that rated below the average, the lowest ratings were Guyana at 59, and British Virgin Islands at 61.*

The 4.1 per cent of projects rated "very poor" in 1999 compared with 3.4 per cent in 1998, but 7.6 per cent in 1997 and as high as 13.5 per cent in 1996.

Five projects were identified as poorly performing, with a PPI of under 50.⁶ All were SDF-financed. The projects were:

Dominica	Industrial Estate 6th Loan	Manufacturing
	Hurricane Rehabilitation 3rd Loan	Multi-sector
Guyana	Sea Defense - Berbice	Transport
Jamaica	2nd Water Project	Power, Energy and Water
St. Vincent & the Grenadines	2nd Consolidated Line of Credit Finance	

A review of the Bank's present system for monitoring the performance of its portfolio, including possible improvements to the system, is planned as part of an overall examination of the Bank's performance review and evaluation system, which is being undertaken separately from this report. We believe improvements can be made to integrate the system more closely with the project cycle, to make it less judgmental regarding specific performance areas, and to make it more streamlined and functionally useful as a database.

8.3 Corporate Performance Measures

The CDB tracks a number of administrative performance indicators, intended to help in monitoring its operations as a whole. Some of these are set out in the first three lines of Table 8-3. We have added two SDF indicators, to identify *SDF administrative expenses* and relate these to *SDF loans and grants under implementation*.

Table 8-3: CDB Administrative Efficiency Indicators

	1995	1996	1997	1998	1999
Total Staff	194	198	198	202	209
Total Administrative Expenses (\$ mil.)	10.6	11.4	12.8	13.6	15.1
Administrative Expenses to Average Loans Outstanding in Terms of Signed Agreements (%) ⁷	1.9	2.0	2.3	2.3	2.4
Administrative Expenses Charged to SDF (\$ mil)	5.2	5.6	6.1	7.0	7.3
Administrative Expenses (SDF portion) to SDF Average Loans Outstanding and Average Grants Approved (%) ⁸	2.5	2.5	2.6	2.9	2.9

Source: 1999 SDF Annual Report; 1999 CDB Annual Report; CPPD Database.

Increases in total staff have numbered 11 during SDF IV, or an increase of about 5 per cent. It should be noted that during the earlier SDF I period (1984-87) total staff numbered – on average – 213, or higher than the present figure. From lower levels in the early 1990s (an average of 187), staff numbers have increased slowly to the present level. Administrative expenses over the SDF IV period have increased at a somewhat higher rate, but less when measured as a percentage against total average loans outstanding.

Table 8-3 also shows the trend with respect to those expenses charged to SDF, and their relationship to SDF operations. Social sector and technical assistance operations are, by their nature, generally considered to be more staff-intensive and, as might be expected, the percentage that administrative expenses represent of operations is higher for SDF than for the Bank as a whole. The *rate of increase*, however, as represented by administrative expenses in 1999 over the base year of 1995, appears to have been slightly *less* for SDF than for overall CDB operations and, therefore, on a somewhat lower trend line.

The Bank's current *Strategic Plan*, in its discussion of comparative advantage, refers to the CDB's comparative efficiency in appraising and processing small loan sizes and in supervising the operations/loan portfolios of small DFIs, and the extent to which the Bank has been used as an intermediary for channeling financial resources of other agencies. It concludes that:

"... the Bank should seek to position itself as the principal source of funding, technical assistance and advice for the small island states of the OECS, the United Kingdom Overseas Territories and Belize."

We examine this proposition of comparative efficiency below.

Comparative Indicators

A number of comparative performance indicators have been used by the various MDBs. We have reviewed some of these measures and compiled a few comparative series.⁹ But some words of caution are needed before examining them.

The cost coefficients used in such indicators represent only approximations of the relationship between outputs and costs. Identified outputs do not necessarily reflect adequately the differences in the work of the institutions – for example, in the economic and sector studies carried out prior to project identification and development, or the direct technical assistance provide by staff, or, indeed, in the basic “product lines” of each institution. In the latter respect, the comparators do not easily reflect the differences in policies and operational practices that have been consciously established to provide tailor-made products and services to a specific client base and reflect the objectives of different country memberships.

But comparative indicators do assist in understanding some of the differences between institutions, and can help to identify issues that can be useful to explore further. Table 8-4 sets out the comparative indicators we have used.

In the category of what we have called *physical measures*, Indicators A.1, A.3 and A.4 show that the number of projects approved (loan projects only) for a given level of administrative expenses, the administrative expenses per project approved, and expenses per project under administration, are all *substantially more favourable for the CDB*, although these indicators do reflect a number of factors in the operations of the institutions in addition to efficiency aspects of their cost structures.

The lower ratio of professional staff to projects approved (Indicator A.2) can be interpreted in different ways, since it reflects both differences in relative efficiency (e.g. in travel time), and the nature of the work of the institutions, including project quality issues related to quality at entry and implementation performance. But the indicator does suggest that there is room for staff strengthening in appropriate areas without endangering the Bank's relative efficiency compared to others. This is particularly the case when consideration is given to the fact that the indicators use only loan operations as the measurement base, and that grant-financed SDF

projects are staff-intensive and account for a higher share in CDB operations.

Table 8-4: Corporate Performance Indicators*

Indicators	1996	1997	1998	1999	Average
A. Physical Measures					
1. No. of loan projects approved per \$ mil of administrative expenses					
CDB	1.40	1.30	1.70	1.20	1.40
IDB	0.22	0.23	0.28	0.24	0.24
AsDB	0.74	0.78	0.47	0.63	0.66
2. Professional staff per loan project approved					
CDB	6.0	6.0	4.0	6.0	6.0
IDB	15.2	14.4	12.4	13.9	14.0
AsDB	8.4	9.0	12.8	11.9	11.0
IBRD-IDA	14.3	14.9	13.4	14.0	14.0
3. Administrative expenses per loan project approved (\$ 000)					
CDB	713	753	591	839	715
IDB	4,314	4,095	3,511	4,000	3,980
AsDB	2,354	2,608	3,800	3,684	3,111
IBRD-IDA	4,677	4,873	4,094	4,057	4,425
4. Administrative expenses per loan project under administration (\$ 000)					
CDB	41	47	52	57	49
IDB	752	748	652	664	704
AsDB	427	429	446	480	445
IBRD-IDA	682	659	661	659	665
B. Financial Measures					
1. Administrative expenses per \$ million of loan commitments (\$ 000)					
CDB	134	152	88	100	112
IDB	47	54	33	35	42
AsDB	34	20	33	41	32
IBRD-IDA	56	61	41	42	50
2. Administrative expenses per \$ million of loan disbursements (\$ 000)					
CDB	257	220	162	146	182
IDB	73	60	50	39	55
AsDB	48	29	29	38	36
IBRD-IDA	62	59	47	50	55
C. Other Performance Measures					
1. Project processing elapsed time*					
CDB	22%	86%	62%	82%	76%
IDB	65%	78%	74%	66%	71%
AsDB	64%	84%	65%	59%	68%
2. Disbursement ratio (based on loans effective and available for disbursement) ¹⁰					
CDB	16%	19%	27%	32%	24%
IDB	16%	19%	21%	24%	20%
AsDB	18%	25%	29%	18.5%	23%
CDB/SDF(U)	16%	27%	18%	32%	23%

Sources: CDB Annual Reports; AsDF documentation prepared for AsDF VIII Replenishment negotiations; IDB.

* The definitions used in preparing the various line items are set out in Appendix 3.

The *financial measures* (Indicators B.1 and B.2) reflect the much lower average size of loan outstanding in the portfolio of the CDB than in those of the comparators. In the case of the comparators, project preparation and processing costs are spread over a much larger average size of loan. It should, therefore, be expected that the indicator will show a higher figure for the CDB than for the comparators. Nevertheless, the extent to which the figure for the CDB is higher is considerably less than the extent to which the average size of loan differs between CDB and the other institutions.

The first of the indicators under *other performance measures* is a measure of *project processing elapsed time*. It gives the percentage of projects approved for which processing time from appraisal to Board approval was five months or less. In the case of the CDB, the number of project approvals is small, so that the ratio varies considerably from year to year. On average, *the ratio is roughly similar to that of the two comparator institutions*.

The second measure is a *disbursement ratio*. The intention is to show disbursements in a given year as a percentage of amounts available for disbursement, i.e. loans fully effective (with all conditions precedent met) and undisbursed, including those that come available during the year.

The figures shown for the CDB's total disbursements are similar to those for the two comparators, and improving over time with a strong upward trend, and with a higher ratio at the end of the period than the comparators. Since the CDB's available data for its total portfolio uses loan agreements signed for loans effective (rather than loans fully effective), the series is probably somewhat lower than it would be if data were compiled on exactly the same basis as for the comparators, which strengthens the conclusion.

We have also included *an indicator for SDF disbursements*, and this has been possible to calculate on the same basis as for the two outside comparators. This indicator shows the same general relationship to the comparators, although because of the smaller base there is greater year-to-year variation. *The average for the period is very close to that of the comparators*.

Overall, the comparative data confirm that, *at the corporate performance level, the CDB appears to be operating with reasonable efficiency, and with a comparative advantage in developing and implementing smaller-sized projects in smaller countries in the Caribbean*.¹¹

Although other major aspects of project quality need to be considered in any comparison, the evidence on aggregate corporate performance does support the view expressed in the Bank's *Strategic Plan* that the institution is well positioned to facilitate and assist the work of other financing sources in the region.

8.4 Improving Implementation Performance

Performance during project implementation is one of the most important sets of factors determining project quality, and itself reflects factors in the category of "quality at entry", i.e. during project preparation, appraisal and implementation planning, including how well capacity constraints in the country concerned have been addressed. Questions of project quality and implementation performance were, therefore, very much in mind during our visits to the field.

One of the BMCs visited, Guyana, is faced with especially serious implementation difficulties, which extend also to program planning. This is a longstanding concern, and the Bank has tried different approaches in the past in an effort to improve implementation performance.¹²

Guyana is the one BMC currently classified in Group 4.¹³ This means that, on the basis of country considerations, it is eligible to receive CDB financing only from SDF. Since the SDF(U) was established in 1983, Guyana has received, on a net basis, \$78.8 million in loans, of which only \$5.1 million was approved during SDF IV, in the one year 1998.

There have been problems in program development as well as project implementation and, as a consequence, the CDB has not approved any recent new loans for Guyana, and none are

currently projected in the pipeline. The objective has been, with the concurrence of the Government, to concentrate on improving implementation of existing projects. The Bank has continued to carry out pre-investment work, but has deferred further processing of new projects. This is, in a sense, *the application of performance criteria to resource allocation*, since the planning allocation for Guyana has been only partly used, pending an improvement in program performance. A country strategy planning process has been started, however, as a basis for reviewing the country program and considering program development.¹⁴

Guyana Field Visit Findings

We visited Guyana in April 2000. We interviewed government officials, including the Prime Minister and the President's chief economic advisers. We also interviewed the resident representatives of other donors.¹⁵ Visits were made to several project sites, including some under BNTF, as well as the Poor Rural Communities Support Services project.

Of the Bank's portfolio in Guyana, two of its major projects are performing well – BNTF IV and the Second Road Project.

The Mid-term Evaluation of BNTF IV ranked *Guyana's BNTF program* as the best performing of the nine country programs evaluated. Project management in the field expressed the view that the program could absorb twice the current funding allocation with minor adjustments in procedures and some additional personnel. It was outside the scope of our visit to test this proposition. But our site visits and discussions confirmed that the BNTF program was going well (see Box 3-2 in Chapter 3).

The *Second Road Project* has progressed without serious complications, after a delay of about a year, during which the resurfacing was redesigned. We were told that the project should be completed within budget in mid-2000, and that savings from the redesign have been used to extend the road into other areas – which should result in higher economic rates of return than originally projected.

The rest of the portfolio of SDF projects, however, insofar as could be judged from a short visit, has proved disappointing in almost all aspects of implementation, as well as in project planning and design. As already noted, the Bank's portfolio monitoring system rates the overall country portfolio at 59 out of 100, which for a country portfolio is extremely low, as it suggests that all projects are, on average, at risk of not achieving their objectives. The major projects with slow disbursing balances include: *Sea Defense* (1991), *Drainage/ Irrigation* (1993), *Water Rehabilitation* (1994), and *Rural Support Services* (1998).

One of the factors that can influence the effectiveness of performance where there is weak implementation capacity is the frequency and nature of follow-up on current projects. In Guyana, in the case of several major donors, this is done by local resident offices.

In our interviews in the field, both senior Guyana officials and the resident representatives of other major donors expressed the view consistently, and virtually unanimously, that implementation in Guyana could only be improved through local resident representation. They also emphasized the importance of local-level coordination among the donors and the government, including at the program development stage, during which donors interact with the government on which projects are to be undertaken, and said that more active and continuing participation by the CDB at this level would be extremely useful. These judgments are consistent with other MDB experience in similar situations.¹⁶

We believe there are strong grounds for expecting that program planning and project implementation can be improved if a local office is established, with adequate scope in its functions, and with sufficient authority to facilitate project processing. The benefits should include the following:

- *Facilitating program development.* This is a function, in circumstances such as apply in Guyana, involving close interaction with both the Government and other donors with a resident presence to develop common approaches to individual sectors and projects, and agreement on the roles of different agencies.¹⁷
- *Improved capacity to follow-up on the next steps in project processing.* Those interviewed in Guyana noted that, without such a resident capacity, lengthy delays in project processing could be expected for any donor program in that country.
- *Quicker turn-around time of responses.*
- *Improved capacity for monitoring and evaluation.* Guyana, in geographic size, is the largest of the Bank's BMCs. A local office would help in project supervision and in assessing implementation performance in a program with many projects spread over a large area.
- *Improved aid coordination on a continuing basis.* It was the view of other donor representatives that the lack of a local office for the CDB has hampered efforts at coordination

The World Bank is the only other major donor that has not established a local office, and we were told that it faced similar implementation difficulties¹⁸.

As noted earlier, an experiment with a local CDB capability in Guyana was tried several years ago. There has also been experience with a resident office in Belize in the past. We reviewed both of these with CDB staff. We understand that the Belize experience was helpful, and that, with the benefit of hindsight, the Guyana experiment was hampered by lack of clear guidelines and authority, and probably also the use of someone who was no longer a permanent staff member. Resident office experience elsewhere¹⁹ suggests that the terms of reference, level of representation, and delegated authority of a resident office determine its effectiveness in improving project performance. Its functions need to be well-defined, with adequate authority provided.

Country Focus

The new emphasis in the Bank's program planning on the development of a *country strategy* agreed with the BMC concerned provides an opportunity to provide a parallel *country focus* within the Bank more generally. In the case of Guyana, while there are a number of staff members concerned with that country's program within the organisational structure, only the Director of the Projects Department is in a position to give an integrated and comprehensive view of the Bank's operations. This is too high a high level to provide a strong country focus and deal with the types of issues that the program faces. The present structure makes effective contact between Bank staff and the country authorities more difficult, in that there are different officers involved, whose responsibilities may change, and who are frequently on travel status to deal with responsibilities in other BMCs, or are only partially responsible for the issue under consideration.

Consideration should be given to designating, as in most other MDBs, a principal point of contact for interaction and correspondence for each BMC, and this point of contact should have

authority to handle most ordinary issues, subject to consultation in the normal way. This should also facilitate the preparation of country-level documentation, which may sometimes suffer because the attention of staff is normally more narrowly focused on individual projects. A Country Program requires strategic thinking, and a strategic perspective on the country concerned.

An improved Country Focus within the Bank could strengthen better policy dialogue with the BMC concerned, provide more continuity on programming issues, and facilitate better project selection, as well as perhaps strengthen the Bank's image and role as an important donor for a country such as Guyana.

Multi-donor Projects

A number of those we interviewed in Guyana also observed that the lack of a local office and the consequent difficulties for aid co-ordination placed the CDB at a disadvantage in participating in larger, so-called "jumbo projects" involving several donors. Such projects are difficult to manage, and require regular and timely consultations and coordinated approaches. A review of the projects that have encountered difficulties, compared to those that seem to be performing better, seems to support this observation. We believe that a review of the coordination issue, and more effective approaches to it, would be desirable. In the case of Guyana, if a resident office is established, this could assist substantially.

8.5 General Assessment

There are many elements that enter into project quality, and the quality of project implementation is critically important. Performance during implementation also reflects the quality of previous phases of the project cycle, which we have grouped as "quality at entry", as well as "feedback" from project supervision, monitoring and evaluation.

The Bank's own monitoring of project and portfolio performance shows a generally improving performance of the overall CDB portfolio over the period of SDF IV, insofar as this can be measured by the PPI and other factors in the Bank's reporting system. The trend is strong enough to be significant. The monitoring system also shows, however, that there remain a small number of projects where performance is poor and achievement of project objectives is at risk. There is also at least one BMC (in Group 4) where the country portfolio as a whole is rated as marginal in terms of implementation performance, and a second BMC where the rating is only slightly better.

The Bank has separately commissioned a review of its overall performance review and evaluation system, a step that we believe can be valuable in providing a stronger set of tools for the continuing improvement of project and program quality. With respect to implementation monitoring, an effort should be made to integrate the system more closely with the project cycle, make it less judgmental on specific performance areas, and develop it into a more functionally useful database. These steps would build on the experience of the existing system.

We have reviewed a number of comparative indicators at the corporate level and, with many qualifications on how these can be used, they do demonstrate the comparative advantage in terms of operating costs for the CDB in its role as an MDB specializing in lending and technical assistance for smaller countries, primarily in small projects, which are difficult for larger institutions to undertake without unduly high costs. The indicators also support the view that

there is some room for further strengthening of the institution in terms of its internal resources without putting this comparative advantage at risk. Such strengthening may be necessary if the Bank is to fully exploit its comparative advantage, serve as a channel for resources from other sources, as envisaged in the *Strategic Plan*, and position itself to take on new members.

Program performance in the one Group 4 country currently among the Bank's BMCs is recognized as unsatisfactory, and the Bank has deferred processing of new projects pending an improvement in implementation performance. The SDF IV planning allocation has not been fully used, and has implicitly become available for use where the resources may be used effectively. The Bank, however, is also preparing for development of a country strategy, and giving further consideration to ways of improving program development and project implementation.

We believe that Group 4 performance issues are of a nature that requires a different solution, although one that the Bank has experimented with in the past. Our field visit to Guyana, and a review of the constraints on program delivery in that country, as well as the experience of other agencies operating there through resident offices, has led us to conclude that the appropriate answer is to establish a resident CDB presence in-country. This can draw on the experience of other regional MDBs. Our conclusion also reflects the results of a major OECD study some years ago on the elements of aid effectiveness in a situation of relatively weak implementation capacity, multiple donors, and difficult questions of program development and implementation.²⁰ Guyana remains an important BMC, where the CDB and SDF have a major continuing contribution to make. A resident office, to work more closely with the Government and the resident donor community on a continuing basis, would be an appropriate step to take.

It should also be noted that there are also two prospective new members, Suriname and Haiti, where circumstances may be very similar, and experience in addressing current issues in Guyana should put the Bank in a better position to prepare itself for new members which seem likely to join in the near future.

We have also commented on the importance of the Bank's evolving country strategies, which it is developing in close consultation with the governments concerned, and the issue of *country focus* within the Bank. We believe that the identification of a country-level focal point for each BMC, or group of BMCs, would facilitate further program development and project implementation, and can build on the country strategy approach.

Endnotes

¹ See, for example, *Project Quality: An Agenda for Action*, Proceedings of the Regional Workshop on Project Quality, Asian Development Bank, 1995, pp. 9-74.

² The 1996 evaluation study of the SDF, *Assessing Performance and Improving Program Quality*, identified several key factors specific to the SDF at various stages of the project cycle: *strategic planning for the SDF itself, operational program development, country strategies, adequate assessment of institutional capacity, beneficiary participation, environmental and social impact assessments* (as appropriate), *inclusion of capacity strengthening in project design, use of the "process approach"* (adjustment of a project in the course of implementation) in appropriate cases, *effective transition planning, project launch workshops* where needed, *capacity strengthening*

(training and technical assistance), improved monitoring, project supervision, application of lessons learned, mid-term project reviews, effective monitoring and evaluation systems, project completion reports, post-implementation monitoring of impacts and effects, and sectoral and cross-cutting theme performance reviews (p.133 of the report).

³ *Annual Review of the Performance of the Project/Loan Portfolio for the Year Ended December 31, 1999*, BD 30/00, 8 May 2000.

⁴ Figures for 1996 were drawn from the previous year's Annual Report, BD 55/99.

⁵ Actual disbursements as a percentage of undisbursed balances on signed loans outstanding at the beginning of the year. This differs slightly from the definition that we have used in a later section for comparison with other MDBs (see Note 8 below).

⁶ 1999 *Annual Review*, p. 8.

⁷ This is the Bank's standard published indicator, along with the comparable figure for OCR operations, with the base related to signed loan agreements, as of primary interest to the Bank's capital market partners.

⁸ SDF loans are represented by an average of loans outstanding at the beginning of the year plus loans outstanding at the end of the year, in order to approximate loans outstanding during the year. SDF grants are represented by an average of grants approved in the current and previous years; this substantially understates the level of grant-financed operations that are under implementation at any given time, but is a minimum proxy for grant-financed technical assistance operations.

⁹ We are heavily indebted to another recent such exercise, that undertaken earlier this year by the Asian Development Bank as part of its work on the replenishment of the Asian Development Fund. We have used most of the same series and for the most part the same definitions, which will, therefore, be familiar to some of our readers. We are also indebted to the Inter-American Development Bank, which has provided valuable assistance in compilation of the data.

¹⁰ Disbursements as a percentage of undisbursed balances on loans effective (i.e. for which all conditions have been met to enable disbursements) at the beginning of the year plus loans that become effective during the year, and have included approved grants. This is the definition used in the most recently available comparative indicators for the different MDBs, and we have used it also as a better reflection of disbursements against funds actually available for disbursement. In the case of some of the institutions, the difference between loan agreements signed and loans that are fully effective may be quite significant.

¹¹ At least in terms of its present membership. The CDB's cost structure could change as its membership becomes more diversified.

¹² Two that have been mentioned elsewhere in this report are the earlier experiment with the deployment of a former CDB staff member as a program facilitator in the field, and the recent project management training course offered in Guyana.

¹³ This could change with the admission of new members, or the reclassification of some present BMCs. The Guyana experience may, for example, prove relevant to Suriname and Haiti, should these countries become members, as currently expected.

¹⁴ *Initiating Memorandum, Guyana Country Strategy Paper, 2001-2003*. CDB Economics and Programming Dept., March 17, 2000.

¹⁵ DFID, CIDA, IDB, the European Union, and the UNDP.

¹⁶ There is now considerable experience with resident offices by MDBs. On the issues related to local offices, see several country case studies in a major study conducted for the OECD several years ago (A. J. Barry: *Aid Co-ordination and Aid Effectiveness: A Review of Country and Regional Experience*, OECD, 1998).

¹⁷ The effectiveness of this approach to program development in the field is also discussed in *Aid Co-ordination and Aid Effectiveness*, in its various country case studies.

¹⁸ This opinion was expressed by a number of those interviewed, both government officials and other donor representatives.

¹⁹ For example, Asian Development Bank experience.

²⁰ *Aid Co-ordination and Aid Effectiveness.*

CHAPTER 9: SUMMARY OF FINDINGS AND RECOMMENDATIONS

The present study has reviewed the program operations and performance of the Special Development Fund during the fourth SDF (U) funding cycle,¹ which commenced in 1996. Special attention has been given to the program objectives agreed by Contributors, and the relevance and likely effectiveness of SDF programs and operations in addressing those objectives.

We have reviewed performance under each of the themes set for SDF IV, and examined a number of related evaluation issues, as outlined in Chapter 1. We have done this through an analysis of the program as a whole, its components as they have emerged over the past four and a half years and their relationship to the overall operations of the Bank – and, where feasible, to the work of some of the other agencies involved in development financing in the Bank's borrowing member countries. We have also reviewed a representative sample of projects in the field.

Our conclusions have been broadly positive, in terms of the direction and relevance of SDF operations and most of its components, as well as their probable results and outcomes. There has been a learning experience for the Bank in adapting to the changes in direction in the planning framework for SDF IV, and for the most part this has gone well, drawing support from – and collaborating with – other donor agencies. Some new initiatives have been well worthwhile, and some results have been strikingly good.

There remains much to be done, however, in the continuing process of strengthening the Bank's operations in the relevant sectors and themes, in developing its new country focus and country strategies, and in preparing for a new replenishment of SDF resources. Program development and implementation in at least one major case – the one Group 4 country – present serious challenges that need to be addressed. And a reinforced and more integrated process for performance monitoring and evaluation needs to be put in place. In many cases, this agenda can draw on experience to date, including in several instances work that has already begun. It should be noted, however, that the agenda almost certainly has some resource implications in certain areas of the Bank's staffing, and will require continued funding of SDF at an appropriate level.

SDF IV Operations, by Program Theme

The overarching focus of the mandate provided by Contributors for SDF IV was poverty reduction, with an increase from 25 to 40 per cent in the minimum target for funding for this theme, and new challenges in program targeting, program development and program delivery. The indicative planning allocation for poverty reduction projects was 45 per cent of projected SDF IV program levels.

This theme is now reflected in the Bank's mission statement:

CDB intends to be the leading Caribbean development finance institution, working . . . towards the systematic reduction of poverty in (its BMCs), through social and economic development.²

In terms of program levels for SDF IV, the objective has been met. *The share of SDF IV resources directed to targeted poverty reduction programs has reached 55 per cent* (Figure 2-1 in Chapter 2), and even if unusual factors in the first half of 2000 are factored out, the result is 49 per cent. Poverty reduction programs have increased substantially in comparison with the previous cycle, SDF III (Figure 2-3).

The other three principal SDF IV themes were *human resource development; environment, water supply and waste management; and institutional strengthening*. Outcomes in terms of funds committed have been broadly on target for the first two categories – somewhat higher in human resource development, and somewhat lower in the environment-related group. The results are: *human resource development* 13.2 per cent, and *environment, water supply and waste management* 14.6 per cent. For *governance and institutional strengthening* the outcome has been lower than targeted in dollar terms, at 9.1 per cent, but, nevertheless, this represents both a significant increase over SDF III and an expansion in the number and range of usually small and staff-intensive interventions.

The remaining category, *other essential infrastructure*, was given a reduced priority in the SDF IV planning framework, and this was reflected in the actual use of funds, with an even sharper decline than projected, to 3.7 per cent from the corresponding figure of 32.5 per cent in SDF III, reflecting the attention given to other priorities, particularly poverty reduction (including disaster response, which we consider an important safety net for the poor, who are often disproportionately affected by natural disasters).

Finally, the Bank made a special grant for debt relief for Guyana, financed from SDF net income (rather than SDF IV contributed resources).

Table 9-1 SDF IV Planning Allocations and Program Outcomes 1996-June 2000
In terms of Net Project Approvals by Theme (Loans and Grants)

	Planning Allocations		Outcomes (Net Approvals)	
	Dollar Figures	Per Cent of Total	Dollar Figures	Per Cent of Total
	\$000	%	\$000	\$
Targeted Poverty Reduction	72.0	45.0	85.2	55.1
Human Resource Development	17.5	10.9	20.4	13.2
Environment, Water Supply, Waste Management	29.5	18.4	22.6	14.6
Governance & Institutional Strengthening	29.0	18.1	14.1	9.1
Other Essential Infrastructure	12.0	7.5	5.8	3.7
Debt Relief	-	-	6.6	4.3
Totals	160.0	100.0	154.7	100.0

Presentation of table differs slightly from tables in Chapters 1 and 2, in order to represent more clearly the analysis in preceding chapters.

SDF IV Operations by Country Group

In terms of eligibility for access to SDF resources, the Bank's BMCs are categorized in four country groups, intended to reflect factors such as per capita income, unemployment and other socio-economic factors, including vulnerability. The country groupings also determine the approximate blend of SDF and "harder" OCR resources for a given country (with the one country currently in Group IV, Guyana, being eligible only for SDF resources), as well as the financial terms to be applied in the case of SDF loans.

Actual project approvals were broadly on target with respect to country groups (counting regional programs as one such group). The largest share, as planned, went to Group 3 (see Box 1-3 in Chapter 1 and Figure 2-5 in Chapter 2). There was, however, a significant shortfall in project approvals (and disbursements) for Group IV (Guyana), which reflects special

difficulties in both program development and project implementation that will need to be addressed in planning for the next replenishment cycle. There was also a disproportionately larger use of the unallocated funds for a considerable number of often relatively small regional interventions, an area that we believe requires a sharper focus and clearer priorities for the next planning cycle.

As a proportion of overall CDB operations, SDF IV programming represented 37.7 per cent, a substantial share of the total, although a decline from previous replenishment cycles.

Targeted Poverty Reduction Programs

There has been substantially increased attention to poverty reduction during SDF IV. Our definition of targeted poverty reduction programs follows the approach now used by other MDBs, including basic (primary) education and "safety nets" of special benefit to the poor. But as already noted, it has been a learning process, in which the CDB has made good use of the support of some of the other principal donors, and has in turn contributed to the common knowledge base for poverty reduction programming.

CDB staff put forward a *social policy discussion paper* at the beginning of SDF IV that in many ways anticipated the Comprehensive Development Framework used by the World Bank. The subsequent preparation of *country poverty assessments* under the leadership of national assessment teams, using methodology initially commissioned by CDB in 1993 and benefiting from the strong support of a small donor group, has made a major contribution to providing the essential information needed to formulate social policy and target programs designed to assist the poor. Poverty assessments have now been completed for St. Lucia, Belize, Turks & Caicos Islands, St. Vincent & the Grenadines, and Grenada. Assessments are underway or planned for St. Kitts & Nevis, Anguilla, B.V.I. and Dominica. Their early completion should be a major priority in preparation for a new SDF funding cycle.

Similar poverty assessments were completed for Guyana, Jamaica and Trinidad & Tobago with World Bank assistance, and the IDB provided support for a study in Barbados.

These various assessments found substantial percentages of the population to be income-poor, ranging from 25 per cent to above 40 per cent, and the percentage classified as *indigent* ranged up to 25.7 per cent.³ Several countries have "pockets" of poverty – above 60 per cent on particular islands, in one case.⁴

Income levels are relatively volatile in the Caribbean, reflecting vulnerability to both natural disasters and economic changes affecting highly concentrated productive sectors. Poverty reduction and prevention strategies, therefore, need to take into account not only the absolute poor, but also those who can be easily thrown into poverty, suddenly and unpredictably.

The Bank's new *Disaster Management Strategy* is an important aspect of its response to this vulnerability, and since the poor may be affected disproportionately by natural disasters, we have considered parts of the Bank's operational strategy for helping to deal with such disasters as an important *social safety net* for the poor.⁵

SDF has also been used to support useful initiatives to help to address the issue of economic vulnerability – which is now critical in some of the BMCs. These initiatives include a program to help to develop rural enterprises, and technical assistance interventions such as the creation of regional negotiating machinery to help CARICOM countries deal more effectively with international trade issues.

The Bank's current efforts to develop country strategies provide an excellent means of developing a country-level focus, something which has been largely lacking in the Bank's programming to date. We examined four recent such strategies, and found that poverty reduction was considered in each, and linked with the proposed CDB activities. Development of such country strategies should be a priority focus for the Bank's economic and program development work. We also believe the strategies should be taken one stage further, and identify specific priorities and action plans for poverty reduction.

We have commented at some length in Chapter 3 on the major areas of poverty reduction programming during SDF IV (see Box 9-1).

Box 9-1
Poverty Reduction Programs

- The Basic Needs Trust Fund
- Other social and community investment
- Micro and small scale enterprise
- Rural enterprise development
- Low income housing
- Basic education
- Natural disaster safety nets

We found evidence of substantial benefits to the poor from these programs, and have commented favourably on new developments during SDF IV. The latter have included *new directions for BNTF*, particularly a strengthening of participation at the community level, better targeting of community selection in some (but not all) cases, and the provision of a *performance incentive allocation* to encourage better results. SDF IV also included four *rural enterprise development* projects, the recent introduction of a *micro finance guarantee program*, increased

flexibility in *responding to natural disasters*, and *low-income housing finance*, although we have noted the difficulties in targeting the latter to the poorest.

The use of *mid-term evaluations*, notably for BNTF IV and for two rural enterprise projects, is a valuable tool for improving targeting and effectiveness of programs and projects. The Bank should continue to undertake these for key projects and programs. They need to be complemented by a *better performance information system*, and a more systematic approach to monitoring and evaluation.

Recommendations on SDF Poverty Reduction Programming

We recommend:

1. ***Poverty reduction should continue to be the main focus of SDF programming in future.*** This focus should include both targeted poverty reduction programs and the use of a *poverty prism* through which other projects are viewed during appraisal, performance monitoring and evaluation. Such a "poverty prism" does not necessarily mean substantial changes in project selection, but rather a poverty-sensitive approach to their design and implementation. We also suggest that this be complemented by a closely related *vulnerability prism*, in which project design is consciously tailored to the objective of strengthening the ability of BMC economies – and in particular the poor – to withstand the shocks of natural disasters and economic adjustments and dislocations.
2. ***Access to SDF resources should be adjusted and tailored to both the new evidence on substantial incidence of poverty in the BMCs, and differences in vulnerability,*** whether measured by an index, or simply the best available evidence. There is a need to review the country group classification, and perhaps complement it with an appropriate means of responding to pockets of poverty in all of the BMCs (as well as introducing considerations of policy and institutional performance). This can best be done as part of the proposed SDF V replenishment negotiations.

3. **Early completion of poverty assessments for the remaining BMCs should be a major priority for the first year of the new replenishment cycle, and should be followed by an updating of earlier poverty assessments on a three to five-year cycle.** Continuing support from the existing donor group will be needed, and consideration should be given to the recruitment of one or two additional SDF donors with a strong interest in poverty reduction programming. The poverty assessments should be the basis for the development of the poverty focus in country strategies, the design and development of poverty reduction programming, and the application of the proposed *poverty prism*.
4. **Priority should also be given to the early completion of a poverty reduction strategy paper that covers all BMCs and all relevant aspects of the Bank's activities. This should be targeted for completion in the last quarter of calendar 2000 in order to be available as an input into the consideration by Contributor governments of the coming replenishment.** The strategy paper should then become the basis for a formal **poverty reduction policy paper** to be presented to the Board in 2001. Work on the initial strategy paper has begun, and should be given priority.
5. **Country strategies should be continued and strengthened as a principal means of programming for all CDB activities.** These should be strengthened by the addition of a country poverty reduction strategy that identifies priorities.
6. **The Basic Needs Trust Fund has proved its worth, and should be continued, possibly at an increased level of funding.** An effort should be made to target BNTF to the poorest third of communities, as defined by average per capita incomes. Administrative procedures should be simplified as much as possible, in order to free staff for higher value-added activities.
7. **Basic education, low-income housing finance and micro enterprise programs should be reviewed to strengthen their focus on the very poor.**
8. **The Bank's poverty reduction programs need a modern and effective system to gather and use performance information.** This system should ideally be Bank-wide, and we support CDB Management's decision to design and implement such a system.⁶ It should integrate project appraisal, project supervision and portfolio quality data, and post-implementation evaluation into one coherent system. It should also incorporate estimates of poverty impact for each project, and draw lessons relevant to the CDB's poverty reduction objectives. As this happens, the Bank can gradually put more emphasis on assisting BMCs to improve their own poverty-impact evaluation.

The BNTF needs to be part of this evaluation system. In the interim, we suggest that the consultant on each BNTF project be asked to rate the performance of the project at completion, and that a sample of these ratings (perhaps a 10% random sample) be audited and verified by the CDB. The consultant's rating could use either a simplified version of the CDB's *Portfolio Performance Index* or another scale such as the one used in the *Aggregate Project Performance Index* of the World Bank. It should aim at poverty reduction as well as efficiency objectives. The rater should assess five dimensions: *outcomes including poverty reduction, sustainability, institutional impact, CDB performance, and grantee performance*. Each could be assessed on the same scale: *highly satisfactory, satisfactory, marginally satisfactory, marginally unsatisfactory, and unsatisfactory*.

9. **Poverty reduction program development requires more effective databases for purposes of analysis, program design and monitoring by management than are currently available within the CDB.** An early investment in upgrading the CDB's

management information systems and improving staff capabilities to construct, maintain and use such databases should be a priority.

Human Resource Development

Program levels in human resource development have increased substantially in SDF IV, by more than 60 per cent for the program areas we have somewhat narrowly considered in Chapter 4, and by about 100 per cent for all HRD-related programs (Figure 4-1 and Box 9-1).

The program areas we have considered under this theme are *secondary and post-secondary education, student loans, distance education and technology training*. We have included primary education with poverty reduction programs, as well as BNTF skills upgrading. CTCS, CDB-provided project cycle training, and institutional development in areas such as training for the maritime sector, we have reviewed separately with other institutional strengthening programs.

The Bank's framework in this area is a *sector policy paper on human resource development*, issued during SDF III. The policy is meant to address long-term issues facing the region, and includes enhancing the capacity of BMCs in HRD policy development and planning, and institutional development. The Bank normally requires that its interventions be undertaken in the context of an education strategy or plan, and if this is lacking will support its development.

In the four categories we have, for convenience, covered in Chapter 4, rather more than half of the dollar level of assistance has been used for student loan lines of credit, an increase of some 89 per cent over SDF III. This is a distinctive and widely recognized CDB program, now supported by OCR as well as SDF resources. The objective is to train young people in areas where shortages of qualified manpower are apparent, and local advisory bodies are used to define eligible fields of study. The program was last subject to an independent evaluation in 1988, although a very useful CDB staff review in 1997 provided insights into the program's results and led to changes in guidelines to improve program effectiveness.

The Bank's definition of *basic education* has generally covered secondary as well as primary education, based on the view that the challenge for most BMCs is now in secondary education to provide the essential skills required in the job market, even in traditionally low skill areas such as tourism. Primary education in the Caribbean is not sufficient to ensure that the person will not be caught in a poverty trap.

Some of the more innovative program areas have been in distance education, technology training, and support for innovation, and regional approaches have been supported where these seemed likely to provide an effective answer.

We believe the Bank has taken some interesting and useful initiatives to meet the human resource development needs of the BMCs. The emphasis on appropriate regional solutions and on national education strategies should clearly be continued. Some of the closely related areas, such as support for regional training for the maritime sector, and development of private sector

Box 9-2: Human Resource Development Programs

- Primary education
- Secondary and post-secondary education
- Student loan lines of credit
- Distance education
- Technology training
- BNTF skills upgrading
- Caribbean Technological Consultancy Services (CTCS)
- Project cycle training
- Institutional development for sector-specific skills development

skills development through CTCS, can also provide good results in terms of strengthening employment in the region. A revisiting of the policy framework, however, would seem to be desirable, to ensure that an appropriately broad view of human resource development is reflected in the Bank's new country strategies, and the development of a new social sector and *poverty reduction strategy paper* provides such an opportunity.

Recommendations on HRD Programming

Our recommendations are:

- 10. Human resource development should continue to be a high priority for the use of SDF resources, with appropriate leveraging of OCR and other funds to strengthen investment in this sector.***
- 11. Investments in HRD should be developed, where possible, in the context of country HRD strategies, and in their design and implementation should be viewed through what we have described as poverty and vulnerability prisms.***
- 12. The Bank's policy framework for HRD should be revisited as part of a new social sector and poverty reduction strategy paper.*** A broad or holistic view needs to be taken, with continued emphasis on national education strategies, tailored sector interventions, and regional solutions where appropriate.
- 13. The planned evaluation of the student loan program should be completed in time to provide a basis for program decisions with respect to the next SDF replenishment cycle.*** This provides an opportunity to assess the current role of the program and how it fits into an overall human resource development strategy. We believe that such an evaluation should do the following:
 - Assess the rationale for SDF financing of student loans, and the balance of SDF and OCR financing.
 - Assess the impact of student loans on the students and on technical and professional services available in the country, the public sector, and the private sector.
 - Review accessibility to the program for different income groups, and assess the extent to which the system is serving the requirements of the population at large.
 - Consider whether the program could be adjusted to improve accessibility for the poor.
 - Assess the efficiency and effectiveness of student loan management and policies, including the appropriateness of eligibility criteria, selection and approval systems (including delegated authorities), collection/repayment performance, guarantees and collateral requirements, interest rate policies, and general portfolio management.
 - Review alternative means of supporting post-secondary education, including possible ways to make the program more widely accessible, the possibility of innovative schemes such as savings plans, and possible greater involvement of the private sector.

Environment, Water Supply and Waste Management

Project approvals during SDF IV for environment, water supply and waste management programs have, in dollar terms, been about the same as under SDF III, if a specific program

area no longer specifically eligible under SDF IV is excluded.⁷ There was some shortfall from the planning allocation, but our conclusion is that the program has been well targeted on the objectives, and has had – or is reasonably expected to have – positive outcomes and benefits.

The Bank's *sector policy paper on the environment*, issued during SDF III, is still sound, and broadly relevant. Its objectives are to:

- Integrate environmental, social and economic concerns into all aspects of the Bank's operations;
- Assist with the development of national policies, institutions and human resources concerned with environmental and natural resource management;
- Mobilize financial resources, on concessional terms where possible, for cost-effective projects with substantial environmental benefits; and
- Promote regional and sub-regional collaboration and coordination on common environmental objectives.

One prominent feature is the need to reduce coastal pollution and degradation of coastal and land resources.

The Bank's operating procedures require that all investment projects be screened for potential environmental impact. We reviewed the environmental guidelines and procedures and found them to be adequate.

Mention has already been made of the recent (1998) policy on *Natural Disaster Management*, elements of which fall in the category of protection of the quality of the environment. We consider this to be a sound and highly responsive policy, potentially of real benefit to the BMCs. There remain difficulties in implementation, although these may be less significant in the area of disaster mitigation, which we consider under this program theme, than in disaster response, where there appear to be various factors contributing to delays in implementation.

Box 9-3
Environment, Water Supply and
Waste Management Programs

- Environment (excluding other categories)
- Waste management
- Water supply
- Disaster mitigation

CDB staff is currently working on an integration of the Bank's guidelines for the social analysis of development projects and its guidelines related to the environment, and this will be a useful step.

Considerable use has been made of technical assistance for the development of policies and strategies to promote sound environmental and natural resource management, including

environmental impact training. Some distinctive regional and sub-regional approaches have been used, including on environmental standards and EIA training. We believe that such technical assistance can be expected to make a significant contribution in improving capabilities of BMC officials in this field.

The largest regional initiative during SDF III and SDF IV has been support for the OECS solid waste management program, with projects in five OECS countries. These are addressed to an important problem threatening the quality of the environment, and although implementation has been slow, and progress mixed, the expected results justify the effort.

Individual water and sewerage projects and disaster mitigation projects (to strengthen social infrastructure and avert the worst effects of natural disasters) are the other principal elements of the program.

Recommendations on Environment, Water Supply and Waste Management

We recommend:

14. ***The Bank should continue to give attention to the environment, and to waste management, disaster mitigation and, as appropriate, water supply, using its comparative advantage in terms of local knowledge and experience within the region.*** Regional approaches should continue to be used where these are appropriate and likely to be more effective than stand-alone national initiatives.
15. Because of the Bank's efforts to protect the environment, and international concerns on the seriousness of the environmental problems of the region, ***an environmental impact evaluation of the Bank's overall operations would be appropriate.*** Such an evaluation can be used to increase public awareness, including among BMC authorities, of the importance and priority of environmental protection, not least for the continued vitality of the tourist industry. The objectives of such an evaluation would be to:
 - Establish whether the selection of projects submitted to a full environmental impact analysis has been appropriate and relevant, and determine whether the analyses themselves were well focused.
 - Determine whether the design of the project or program clearly identified a detailed and relevant environmental action program designed to mitigate or improve environmental impact.
 - Ascertain whether environmental indicators have been adequately defined during the appraisal stage and whether they are clear and objectively verifiable.
 - Assess CDB performance during implementation, to ensure compliance with proposed environmental measures.
 - Assess borrower/executing agency performance in complying with agreed environmental measures.
 - Judge the final results and impacts of the projects and programs being studied, in terms of environmental sustainability.

This is a task where the Bank might wish to seek assistance from one or more of the other interested donor agencies.
16. As in other areas, ***projects in environment, water supply, waste management, and disaster mitigation should be viewed through the poverty and vulnerability prisms during project design and implementation.***

Governance and Institutional Strengthening

Most interventions in the area of governance and institutional strengthening are relatively small, with a high preponderance of small grants, which are relatively staff-intensive. It is not easy to increase the volume of this kind of work and maintain project quality. What is noteworthy, therefore, is the significant increase in the level of funding from SDF III to SDF IV – slightly more than 50 per cent. The number and range of interventions also increased. In relation to the ambitious planning allocation for SDF IV, however, there was a substantial shortfall, in terms of value of project approvals.

The broad objective has been to improve the performance of the public sector in the delivery of public services, particularly where there is a linkage with the planning and implementation of the public sector investment program, including projects in which the CDB itself would

expect to be involved, but also increasingly extending to more general issues of the policy and institutional framework for public sector management.

The range of programs is shown in Box 9-4, and the relative size of each of these in Table 6-1 and Figure 6-1 in Chapter 6.

The largest, and most traditional, category is the strengthening of the *direct delivery of public services*. The long-standing program for *strengthening development finance institutions (DFIs)* as delivery vehicles for the Bank's product lines (as well as other financing) in a number of fields (including newer SDF-financed poverty reduction programs) has continued. Over the years, the program can be considered to have had generally outstanding success.

There has also been an increasing range of interventions to *strengthen program delivery ministries and administrative agencies*, in some cases in challenging circumstances, but with what we believe are generally good results. In one case that we observed on our field visit to Belize, the results have been excellent (see Box 6-1).

A third program area in this category is the intensive training programs in project preparation and management – known as *project cycle training*. These have been delivered by the CDB's Training Unit (now the HRD Unit), and were begun as a joint program of three agencies under CDB leadership and delivery. They have been highly regarded and have made a substantial contribution to improving the project development and implementation work of the BMCs. They have also (where permitted) attracted participation, paid for by other agencies, from non-members such as the Netherlands Antilles, Haiti, Suriname and the Dominican Republic.

Most recently, however, there has been some reallocation of resources, as well as a rethinking of the Bank's role in this area, and efforts at cost-recovery. Regular regional courses have been discontinued, and the SDF IV allocation – although substantially reduced from previous cycles – has been substantially underspent, in part apparently reflecting some delays in the intended redesign of the program. Our own assessment is that the program is high-value, reflects an acquired comparative advantage of the CDB, and responds to a continuing requirement. It addresses an area that project quality reviews in other MDBs have found to be critical to project quality. We recommend an evaluation of the program and a policy review, as a basis for programming and design decisions for SDF V.

The three categories that we have defined as *economic management, governance structures and processes*, and *civil society* have seen substantial increases in activity under SDF IV.

Under *economic management*, there have been interventions to strengthen central economic ministry functions, improve central statistical services, and support trade-related initiatives. Some of these interventions have shown good results, while in other cases it is too early to make a judgment.

**Box 9-4:
Governance and Institutional Strengthening Programs**

- Direct delivery of public services
 - Development finance institutions
 - Ministries & administrative agencies
 - Project cycle training
- Economic management
- Governance structures and processes
 - Public sector reform
 - Local government reform
 - Other
- Civil society
- Private sector

Under *governance structures and processes*, we have grouped some interesting initiatives to advance the public sector reform process, and to support local government reform efforts and the political process of constitutional reform.

Strengthening the institutions of *civil society* has also seen some thoughtful and valuable interventions. Such organisations are potential partners in the delivery of programs funded by SDF and other sources (including poverty reduction programs), and have contributed to social stability. SDF projects have included strengthening of credit unions and a new management training program for NGOs. There has been support from other donors for CDB activities in this area, and their continued support would be valuable. Limited CDB staff resources for project supervision, however, and competing priorities in other fields of technical assistance, may limit the range of such activities.

Under *private sector institutional strengthening*, we have included the longstanding “flagship” program known as the *Caribbean Technological Consultancy Services Network (CTCS)*. A separate evaluation and strategic planning exercise on this program is currently nearing completion. Our own observations confirm its valuable role. Results have generally been excellent, and restoration of the reduction in funding level that occurred in SDF IV – or a further increase – may be justified for the next SDF cycle, depending on the availability of funds.

Recommendations on Governance and Institutional Strengthening

Our recommendations:

17. ***Governance and institutional strengthening should continue to be a high priority in the next SDF funding cycle.*** Emphasis should be placed on areas reflecting the Bank’s comparative advantage in improving the performance of the public sector in the delivery of public services, extending to selected issues in the policy and institutional framework for public sector management. Selected initiatives in other areas such as public sector reform and civil society should also continue to be considered, reflecting the CDB’s role as an important partner institution for its BMCs and the Caribbean Community. Some further emphasis on strengthening social planning and social policies would also be desirable
18. ***Currently, the CDB is preparing a new policy paper on technical assistance and institutional strengthening; this can make an important contribution to targeting activities in the next SDF funding cycle. The paper should be completed in time to be considered by Contributors to the replenishment.*** The paper should set out a policy and program framework, establish clear objectives, and provide a more selective focus for regional interventions in particular, i.e. a *regional strategy*.
19. ***Two programs that have received reduced funding during SDF IV – CTCS and project cycle training – should be revisited as part of the planning process for SDF V.*** There is a strong case for strengthening the role of both, and the funding required is modest.
20. ***Adequate staff supervision time needs to be available for technical assistance projects.*** This has been a conclusion of evaluation work in this area in other MDBs, and was a conclusion of the last evaluation of the CDB’s technical assistance activities. We believe there needs to be a careful balance between available staff resources and the range and number of T.A. interventions that are undertaken.

Other Infrastructure

In earlier SDF cycles, financing was provided for a range of social and economic infrastructure projects. The SDF IV planning framework involved a reorientation of priorities, and there was a sharp reduction in the provision for "other essential socio-economic non-financially self-liquidating physical infrastructure". Actual program levels fell sharply, from \$39.2 million in SDF III to \$5.8 million in SDF IV. Only one capital project was undertaken, for a sea defense and road improvement project in Dominica. There were, however, a small number of regional technical assistance grants, for such purposes as workshops related to building standards and telecommunications training.

For the future, infrastructure for which SDF financing may be justified can for the most part be dealt with under other themes. Some use of SDF resources for carefully selected and designed infrastructure of other types should not necessarily be ruled out, however. Where, for example, a contribution can be made to poverty reduction or economic diversification (as in access roads or irrigation) or reducing physical vulnerability to natural disasters, partial funding by SDF may be justified. There may also be cases where the CDB can capitalize on its competitive advantage in terms of local knowledge and experience in the region and assist in "making happen" a high-priority project that might otherwise be unable to proceed.

Recommendations on Other Infrastructure

- 21. Priority areas of infrastructure for the use of SDF resources can in future, for the most part, be dealt with under other SDF themes. Flexibility, however, might reasonably be retained, where use of the poverty and vulnerability prisms can yield an effective design likely to have high socio-economic returns and meet overall SDF objectives.***

Other Performance and Program Issues

Our review of other performance issues has noted the generally improving implementation performance, as measured by the Bank's own reporting and the PPI measure that it uses. We have also noted, however, that in one important country the performance for most – although not all – projects is marginal at best, and the country program is in difficulty, with project objectives at risk, a finding confirmed by our own visit to the field.

We believe, as does Management, that there is a need to strengthen the Bank's current performance monitoring and evaluation system. We welcome Management's intention to proceed with such a strengthening. We also believe there is a need to address the difficulties of program development and project implementation in Group 4 with vigorous action, and similarly endorse the broader step of strengthening the *country strategy* process. We also believe that CDB programs, including the SDF, would benefit from the introduction of a *country focus* in terms of staff responsibilities.

Our conclusions and recommendations:

- 22. Management's objective of developing and introducing a more integrated and modern Bank-wide system to gather and use performance information is an important priority. It should provide a strong underpinning for the next cycle of SDF.***
- 23. Performance issues for Group 4 require the introduction of a well defined and appropriately mandated resident presence of the Bank, using permanent CDB personnel with sufficient seniority to assist in program development, facilitate the continuing interaction with the Government and the resident donor community that***

is necessary to develop agreed approaches to the provision of assistance, and accelerate project implementation. This should be an early priority, and a necessary step for improving country portfolio performance. It can be undertaken concurrently with the development of a *new country strategy*, for which the Bank has been preparing. Such a resident office can be supplemented with *further project cycle training* for officials of planning and executing agencies, which can be of assistance to the country's overall development effort, given the Bank's comparative advantage in this field. It is also possible that the resident office could serve a wider role if neighbouring Suriname becomes a member, as is currently expected, and were also to be classified in Group 4.

- 24. *The Bank's evolving country strategies are a strong underpinning for effective programming and beneficiary ownership. They are an essential step for a new SDF replenishment cycle, and need to develop further their focus on priorities for poverty reduction and the application of poverty and vulnerability prisms for viewing the Bank's overall operations. They should be accompanied by the development of a country focus at the operational level within the Bank's organisational structure and staff assignments.***

Presenting the Work of the SDF

The SDF is a separately funded part of the CDB's operations. Its objectives and role have become more distinctive, and although all parts of the Bank's work must serve its established mandate and current strategic mission, the composition and character of operations may very appropriately differ between differently funded operations. The Contributors and the shareholders generally require more comprehensive reporting on the work and outcomes of the SDF. And there is a good story to report.

- 25. *SDF operations should be presented more clearly and distinctively in the Bank's Annual Report, and summaries of the Bank's operations should present separate series of data on SDF as well as OCR operations and those of the Bank as a whole. The SDF Annual Report should also be viewed as a major opportunity to present to the Contributors and the public at large the character and achievements of the SDF, possibly supplementing a report on the year past and appropriate longer term reporting with a theme report that would differ from year to year.*** Both reports should provide a comprehensive and consistent basis for Contributors to undertake their own policy analysis and reporting to their own Parliaments and stakeholders. Distinctive parts of SDF operations, such as the BNTF, also need to be separately presented and understood as part of an overall communications strategy.

The Bank has cooperated with other development agencies in a variety of contexts. It has in some cases served as a valuable channel for resources from other sources, and this function is separately identified in the current *Strategic Plan*. It has drawn on the experience and resources of others in addressing the SDF mandate, and has both supported valuable activities where the lead role has been taken by others and served as a catalyst for bringing other resources to bear on projects where it has played a stronger role. We have found that this part of the Bank's work is inadequately understood and appreciated.

- 26. The CDB should identify a focal point within the Bank, similar to that of other MDBs, to assemble an accurate record of cooperation and joint financing with other agencies and serve as a focal point of contact with such agencies.**

Endnotes

¹ References in the report to the Special Development Fund are to the Unified Special Development Fund [SDF(U)], unless the context indicates otherwise. Other special fund resources are generally referred to as OSFR.

² *Strategic Plan 2000-2004.*

³ We have not seen an estimate of the percentage of *indigent* for Guyana, where the general poverty level has been estimated at above 40 per cent. We have also not seen the study for Barbados, and figures for that country are not included in the references in the report.

⁴ Turks & Caicos Islands. Similar pockets of poverty are likely to be found in other countries in the region.

⁵ The strategy is reviewed in detail in Chapter 3.

⁶ Such a design study has been separately commissioned by CDB Management.

⁷ Agricultural irrigation.

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
LOANS:				
Anguilla				
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises	Jul-98	200	0	200
Natural Disaster Emergency Loan for Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500
Natural Disaster Rehabilitation following Hurricane Lenny To restore critical social and economic infrastructure.	May-00	2,400	0	3,700
Antigua and Barbuda				
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises	May-97	1,000	111	1,000
Natural Disaster Rehabilitation To assist in meeting expenses for cleaning and clearing areas affected by Hurricane Georges and for early restoration of services.	Dec-98	500	0	500
Belize				
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises	Jul-96	1,000	766	1,000
Low-income Housing To provide credit for low-income housing.	Jul-96	2,500	2,500	4,000
Rural Development To provide investment capital for community and micro-enterprise projects to enhance the communities' capacity to contribute to socioeconomic development of Southern Belize.	Jul-98	3,380	15	3,380
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises.	Oct-98	1,300	125	1,300
Low-income Housing To provide credit for low-income housing.	Oct-98	2,500	488	2,500
Dominica				
Rural Enterprise Development To assist poor rural households by providing access to credit and to support them with production, marketing and development of businesses.	Dec-96	3,480	582	3,480
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises.	Dec-97	600	93	600
Natural Disaster Emergency Loan for Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500
Natural Disaster Rehabilitation following Hurricane Lenny To restore sea defense and west coast roads.	May,00	6,350	0	9,400
Grenada				
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises.	Dec-97	600	149	600
Natural Disaster Emergency Loan for Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
LOANS (Continued)				
Grenada				
Natural Disaster Rehabilitation following Hurricane Lenny To restore critical social and economic infrastructure.	May,00	6,400	0	9,000
Guyana				
Rural Support Services To rehabilitate and upgrade drainage and irrigation systems and provide other sustainable services to rural communities.	May-98	5,100	0	5,100
Jamaica				
Social Investment Fund To finance 160 community-based investments and social and economic infrastructure, social services and organisational strengthening of the sub-projects.	Dec-99	7,005	0	14,128
St. Kitts and Nevis				
Basic Education To expand and upgrade primary schools and construct a Teacher Resource Unit.	May-96	2,500	908	11,180
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises.	Jul-96	270	200	270
Rehabilitation Following Hurricane Georges To rehabilitate critical health and educational facilities and retrofit selected public buildings for use as hurricane shelters.	Dec-98	3,223	0	3,223
Rehabilitation Following Hurricane Georges To finance labour, building materials and transportation for emergency rehabilitation of social and economic infrastructure.	Dec-98	500	495	500
Micro and Small Scale Enterprise Development To finance micro and small-scale enterprises and agricultural credit.	Feb-99	500	0	500
Low-Income Housing To provide credit for rehabilitation of low-income houses damaged by hurricane.	Feb-99	2,000	1,142	3,500
Natural Disaster Emergency Loan following Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500
Natural Disaster Rehabilitation following Hurricane Lenny To restore critical social and economic infrastructure.	May,00	2,000	0	3,000
St. Lucia				
Rural Enterprise Development To expand income-earning opportunities for poor rural families by providing access to credit, production and marketing advice.	Dec-96	955	220	955
Micro and Small Scale Enterprise Development To finance micro and small-scale enterprises.	Dec-97	662	0	662
Low-Income Housing To provide credit for low-income housing.	Feb-99	800	0	800
Micro and Small Scale Enterprise Development To finance micro and small-scale enterprises.	Feb-99	200	0	200

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
LOANS (Continued)				
St. Lucia				
Natural Disaster Emergency Loan following Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500
Natural Disaster Emergency Loan following Landslide To assist with restoration of services to areas affected by landslides	Feb-00	500	0	500
St. Vincent and the Grenadines				
Basic Education				
To expand and upgrade primary schools and construct a Teacher Resource Unit. To equip, furnish and provide educational materials.	May-96	2,500	1,179	6,083
Micro and Small Scale Enterprise Development				
To finance micro and small-scale enterprises.	Mar-98	375	115	375
Natural Disaster Emergency Loan following Hurricane Lenny To finance cleaning, clearing and restoration works.	Feb-00	500	0	500
Turks and Caicos Islands				
Shelter Development				
To establish a Shelter Infrastructure Revolving Fund to undertake site development, and to establish a Special Mortgage Program to finance low-income housing.	Dec-97	1,622	0	1,622
SUB-TOTAL - LOANS		65,922	9,088	96,258

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
GRANTS:				
Anguilla				
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
Belize				
Basic Needs Trust Fund - 4th Program	May-96	1,334	965	1,334
Dominica				
Basic Needs Trust Fund - 4th Program	May-96	1,326	840	1,326
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
Grenada				
Basic Needs Trust Fund - 4th Program	May-96	1,304	731	1,304
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
Guyana				
Basic Needs Trust Fund - 4th Program	May-96	5,000	2,446	5,000
Emergency Relief for Drought Areas	May-98	100	94	100
Training in Technical Services for Poor Rural Communities	May-98	462	462	462
Montserrat				
Basic Needs Trust Fund - 4th Program	May-96	464	277	464
St. Kitts and Nevis				
Basic Needs Trust Fund - 4th Program	May-96	994	666	994
Consultancy Services for Basic Education Program	May-96	69	67	69
Emergency Relief following Hurricane Georges	May-98	100	90	100
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
St. Lucia				
Basic Needs Trust Fund - 4th Program	May-96	1,361	550	1,361
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
Disaster Management Consultancy Services, Landslide	Feb-00	20	0	20
St. Vincent and the Grenadines				
Basic Needs Trust Fund - 4th Program	May-96	1,314	1,152	1,314
Consultancy Services for Basic Education Program	May-96	60	0	60
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	20	0	20
Turks and Caicos Islands				
Basic Needs Trust Fund - 4th Program	May-96	414	252	414
Regional				
Basic Needs Trust Fund - 4th Program	May-96	4,489	0	4,489
Program of Support for Evacuees affected by Soufriere Volcano	May-98	100	74	100
Study on the Health, Aging and Well-being of the Elderly	Jul-99	100	20	100
Disaster Management Consultancy Services, Hurricane Lenny	Feb-00	100	50	100
SUB-TOTAL - GRANTS		19,231	8,736	19,231
TOTAL - POVERTY REDUCTION		85,153	17,824	115,489

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
ENVIRONMENT, WATER AND SANITATION				
LOANS:				
Anquilla				
Fountain National Park To determine feasibility of establishing a viable heritage eco-tourism project.	Sep-96	90	27	90
Belize				
Water Project (2nd Loan) To install water mains, upgrade intake water meters in all water districts except San Pedro	Dec-97	3,447	2,057	13,830
Disaster Management To put in place structural measures to mitigate vulnerability, improve response capacity and to support long-term sustainability.				
	Oct-99	4,250	0	8,500
Dominica				
Roseau Water and Sewerage To provide water and sewerage facilities in the Greater Roseau District.	Dec-97	3,933	0	8,270
Grenada				
OECS Waste Management To upgrade or construct sanitary landfills and establish operational and legal framework for managing solid waste.	Dec-99	1,620	301	1,620
Jamaica				
Citrus Replanting To provide technical services in citrus certification, extension, research and project management.	May-00	2,380	0	9,900
St. Lucia				
Disaster Mitigation To construct bank walls along Castries River, construct drainage and install drainage pump sets and storage reservoirs.	May-98	2,894	822	3,805
OECS Waste Management To upgrade or construct sanitary landfills and establish operational and legal framework for managing solid waste.				
	Dec-99	2,420	0	2,420
Turks and Caicos Islands				
Comprehensive Solid Waster Management To undertake pre-investment studies for an integrated solid waste management program suited for a multi-state situation.	Jul-99	190	0	190
SUB-TOTAL - LOANS		21,224	3,207	48,625

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
ENVIRONMENT, WATER AND SANITATION				
GRANTS:				
Grenada				
Monitoring System for Kick'em Jenny Volcano	Feb-99	171	75	171
Jamaica				
Establishment of Water Users' Association	Jul-99	67	0	67
Public Education to Control Triseza Virus on Citrus Plants	May-00	260	0	260
St. Lucia				
Reorganisation of Water and Sewerage Authority	Mar-99	97	97	97
Regional				
Seminar on Demand Management and Conservation	Jul-96	20	20	20
Symposium on Beach Management	Oct-96	10	10	10
Seminar on Integrated Water Resource Management	Jul-97	25	25	25
Action to Control Pink Mealey Bug	Oct-97	250	78	250
Environmental Impact Assessment Training Course for OECS	Dec-97	66	66	66
Conduct of a national Water Resources Situational Analysis and Preparation of a Regional Water Resources Management Report	Mar-99	32	21	32
Institutional Strengthening , Beach Management Capabilities	May-99	90	0	90
Training Workshops on Fundamentals of safe drinking Water	May-99	31	20	31
Caribbean Tourism, Health, Safety and Resource Conservation	Oct-99	370	0	370
SUB-TOTAL - GRANTS		1,489	412	1,489
TOTAL - ENVIRONMENT, WATER AND SANITATION		22,713	3,619	50,114

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
HUMAN RESOURCE DEVELOPMENT				
LOANS:				
<u>Antigua and Barbuda</u>				
Student Loan Program To finance technical, vocational and professional education.	Dec-97	500	192	1,500
Secondary Education Project To repair and expand secondary schools and the state college.	Dec-97	3,566	161	10,640
Student Loan Program To finance technical, vocational and professional education.	Jul-98	500	0	500
<u>British Virgin Islands</u>				
Student Loan Program To finance technical, vocational and professional education.	Dec-99	750	0	1,500
<u>Belize</u>				
Student Loan Program	Jul-96	400	364	2,000
Student Loan Program	Oct-98	1,000	251	2,000
<u>Dominica</u>				
Student Loan Program	Dec-97	900	868	1,500
<u>Grenada</u>				
Student Loan Program	Dec-97	400	400	500
<u>Jamaica</u>				
UTECH Centre To transform Utech's Entrepreneurial Extension Centre into a Technology Innovation Centre and to train students and provide management support.	May-99	2,900	0	2,900
<u>St. Kitts and Nevis</u>				
Student Loan Program	Dec-96	650	552	1,625
Student Loan Program	Feb-99	1,500	571	1,500
<u>ST. Lucia</u>				
Student Loan Program	Dec-97	1,200	607	3,000
Student Loan Program	Dec-99	2,000	0	4,000
<u>St. Vincent and the Grenadines</u>				
Student Loan Program	Mar-98	1,000	308	1,000
<u>Turks and Caicos Islands</u>				
Further Education Project To modify, rehabilitate and upgrade a former military base and convert to a community college.	Oct-97	2,000	277	3,971
SUB-TOTAL - LOANS		19,266	4,551	38,136

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
HUMAN RESOURCE DEVELOPMENT				
GRANTS:				
Guyana				
Establishment of a Youth Training Programme	Dec-99	410	0	410
Regional				
School Maintenance Program	May-96	64	64	64
Workshop for Development of Associate Degree in Agriculture	May-97	25	25	25
Conference on Early Childhood Education	May-97	25	15	25
Tourism Training Needs Assessment	Oct-97	81	60	81
Pilot Project on Introduction of Informal Science Education	May-98	100	72	100
Feasibility Study of Broadcasting for Distance Education	May-98	100	66	100
Awareness Workshop on Dyslexia	Oct-98	85	40	85
Establishment of UWI Certificate Program in Agriculture	Feb-99	150	75	150
Regional Study on Gender Imbalance in Achievement	May-99	23	17	23
Establishment of a Scholars and Artists in Residence Programme	Jul-99	96	40	96
SUB-TOTAL - GRANTS		1,159	474	1,159
TOTAL - HUMAN RESOURCE DEVELOPMENT		20,425	5,025	39,295

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
LOANS:				
Anguilla				
Institutional Support for the Development Board To fund consultancies to assist with the preparation of policies and procedures manual and develop strategic plan for micro enterprises.	Jul-98	87	0	87
Institutional Support for Port Authority To provide consultancy for port management and development study and advise on development, financial and operational management of the port.	Oct-98	249	0	249
Antigua and Barbuda				
Institutional Support for Tourism Development Corporation To finance services of a consultant/manager to organise and manage the Tourism Development Corporation.	Oct-97	177	0	177
Institutional Support for Development Bank To finance preparation of a 3-year strategic plan, compilation of a policies and procedures manual and implementation of a MIS.	May-97	225	25	225
Consultancy Services for Public Sector Reform To review the public sector and make recommendations, and assist in their implementation and action plan for the reform program.	July-98	97	0	97
Belize				
Institutional Strengthening for the Ministry of Works To provide institutional support and training for the Ministry of Works to support the implementation of the Southern Highway project.	Jul-96	1,800	220	1,800
Jamaica				
Institutional Support for the Maritime Sector To assist the government in instituting additional precursor training and development and engage consultants to study information for the appraisal of a capital project.	July-98	1,106	133	1,106
St. Kitts and Nevis				
Institutional Support for the Government To provide consultancy to investigate all aspects of establishing a commercial quarrying operation at the Canada Estates in St. Kitts.	Dec-96	135	0	135
Institutional Support for Nevis Island Administration To undertake analysis of current and future demand for electricity in Nevis and to advise on the steps necessary to establish an Electricity Utility.	Oct-98	132	54	132
Institutional Support for Public Works Department To recruit consultants to prepare a road transportation master plan for Basseterre identifying cost effective solutions to traffic problems.	Mar-00	168	0	168
St. Vincent and the Grenadines				
Design of a New Development Bank Consultancy to advise government on size, operating and legal framework, capital requirements, etc., for a new development bank.	Dec-97	185	107	185
Turks and Caicos Islands				
Institutional Support for Government To finance services of Project Coordinator/Advisor to advise on post-secondary and further education.	May-97	75	75	75

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
LOANS (Continued)				
<u>Regional</u>				
Regional Market Survey				
To finance a regional market survey of the audience, readership and business clientele of Caribbean News Agency.	Oct-96	41	37	41
SUB-TOTAL - LOANS		4,477	651	4,477

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
GRANTS:				
Antigua and Barbuda				
Institutional Strengthening, Preparation of an Education Plan	Dec-97	92	0	92
Consultancy for Public Sector Reform	Jul-98	96	0	96
CTCS Projects	96-99	52	52	52
Project Preparation and Appraisal Training for Public Sector	May-97	18	18	18
Project Management Training for Public Sector	Feb-98	28	28	28
Bahamas				
Institutional Strengthening for the Development Bank	Dec-98	164	164	164
CTCS Projects	96-99	106	106	106
Barbados				
Project Management Training for Public Sector	Jan-97	10	10	10
Project Launch Workshop for Specific Education Project	Jan-99	2	2	2
CTCS Projects	96-99	95	95	95
Belize				
Institutional Strengthening for the Credit Union	Jul-96	80	80	80
Institutional Strengthening for the Development Finance Institutions	Jul-98	160	0	160
Conduct of Family Health Survey, 1999	Oct-99	122	90	122
Strategic Assessment of the Development Finance Corporation	Oct-99	11	8	11
CTCS Projects	96-99	39	39	39
British Virgin Islands				
CTCS Projects	96-99	3	3	3
Dominica				
Project Training for Public Sector	Jun-96	10	10	10
Project Management Training for Public Sector	Apr-97	14	14	14
Study of Local Government Reform	May-98	49	0	49
Public Sector Reform	Oct-99	20	0	20
CTCS Projects	96-99	98	98	98
Grenada				
TA and Training for Micro and Small-scale Enterprise Development	May-97	65	40	65
Planning Engineering for 2nd Multi-Project Loan	May-98	147	0	147
Project Management Training for Public Sector	Jun-99	23	23	23
CTCS Projects	96-99	85	85	85
Guyana				
Institutional Strengthening for Teacher Training Institution	May-96	56	56	56
Institutional Strengthening for the National Dairy Development Program	Oct-99	100	0	100
Project Management Training for Public Sector	Nov-99	21	21	21
CTCS Projects	96-99	84	84	84
Diagnostic Study for Computerisation of the Ministry of Home Affairs	Feb-00	100	0	100
Institutional Support for the Ministry of Health and Labour	Feb-00	148	0	148
Jamaica				
Institutional Strengthening for the Maritime Sector	May-98	100	89	100
Institutional Strengthening for the Ministry of Finance	Jul-98	290	222	290
Project Launch Workshop for Specific Education Project	Sep-99	2	2	2
Institutional Strengthening for the Social Investment Fund Program	Dec-99	244	0	244
CTCS Projects	96-99	111	111	111
Montserrat				
Institutional Strengthening for the Development Unit	May-99	86	0	86
CTCS Projects	96-99	13	13	13

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
GRANTS (Continued)				
St. Kitts and Nevis				
Project Launch Workshop for Specific Education Project	Jun-96	2	2	2
Institutional Strengthening for the Development Bank	Jul-96	65	0	65
Institutional Strengthening for the Planning Unit	Mar-97	128	0	128
Constitution Commission	Oct-98	57	36	57
Constitution Review	Oct-99	100	25	100
CTCS Projects	96-99	163	163	163
St. Lucia				
TA for MSE Program for the Development Bank	Oct-97	163	163	163
Institutional Strengthening for the National Development Corporation	Oct-97	190	38	190
Institutional Strengthening for Local Government Reform	Dec-98	46	34	46
CTCS Projects	96-99	78	78	78
St. Vincent and the Grenadines				
Project Launch Workshop for Specific Education Project	Aug-96	2	2	2
Institutional Strengthening for the Ministry of Trade	Mar-99	93	0	93
CTCS Projects	96-99	103	103	103
Trinidad and Tobago				
Project Launch Workshop for Specific Education Project	Mar-97	4	4	4
Project Management Training for Public Sector	May-98	7	7	7
CTCS Projects	96-99	37	37	37
Turks and Caicos Islands				
Institutional Strengthening for the HRD Policy Consultant	Oct-97	70	70	70
Project Launch Workshop for Specific Education Project	Mar-98	3	3	3
Institutional Strengthening for the Statistical Services Department	Dec-98	88	0	88
Regional				
Regional Survey on Audience Readership for Caribbean News Agency	Feb-96	40	40	40
Seminar on Commercial Investment and Development Banking	Mar-96	20	20	20
Consultancy to Evaluate Operations of SDF	May-96	80	80	80
Institutional Support for Caribbean Agriculture Research & Development	Jul-96	99	70	99
Development of New Approches to Public Sector Development Seminar	Oct-96	73	73	73
Institutional Support for the Jamaica Maritime Institute	May-97	300	221	300
Establishment of Regional Machinery to Prepare for and Undertake External Negotiations by Caribbean Community	May-97	500	293	500
Caribbean Business Mission to Canada	Jul-97	83	83	83
Regional Conference on Violence, Self and Young Male	Jul-97	44	40	44
Strategic Planning for Caribbean Network Rural Development	Oct-97	27	20	27
Institutional Support for Caribbean Centre for Development Administration	Dec-97	500	293	500
Institutional Strengthening for Caribbean Examination Council	Dec-97	224	83	224
Consultancy to Prepare Country Strategy Notes	May-98	65	2	65
Workshop on Organic Farming	Jul-98	25	25	25
Institutional Strengthening for Disabled Peoples' Organisation	Jul-98	140	72	140
Conference on World Heritage Convention	Jul-98	57	0	57
Development of National Plans for Year 2000	Oct-98	86	69	86
CTCS Projects	96-98	19	19	19
Smart Partnership and Hyper-growth Workshop	Feb-99	93	76	93
Fisheries Policy Development Project	Feb-99	48	43	48
Consultancy, Share Valuation of Caribbean Financial Services Corp.	Mar-99	23	23	23
Establishment and Enhancement of Standards Management Capacity	May-99	600	100	600
Management Training for Non-governmental Organisations	May-99	264	39	264
Training for Development Financial Institutions	May-99	234	0	234
Workshop for Credit Union Leaders	Jul-99	14	10	14
Workshop for High Impact Growth Strategy in CDB's BMCs	Jul-99	100	95	100
Institutional Support for the Statistical Offices and Departments in OECS	Jul-99	502	0	502

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
GRANTS (Continued)				
Consultancy to Assist the Banana Industry Task Force	Jul-99	22	22	22
Establishment of Risk Management Programme in CDB's BMCs	Jul-99	25	19	25
Symposium on Caribbean Civil Society	Oct-99	23	23	23
Establishment of Risk Management Programme in CDB's BMCs	Oct-99	150	60	150
Training Course, Uruguay Round and Future Negotiations	Oct-99	50	44	50
Assessment of the role of CDB in Financing Private Sector Development	Dec-99	33	33	33
TA to CDB to enhance Knowledge on Micro-finance in the BMCs	May-00	94	0	94
Participants at UN Office of Drug Control and Crime Prevention Offshore Forum	May,00	65	0	65
Project Management Training for Health Planners	Feb-96	2	2	2
Project Management Training for Health Planners	Jan-97	12	12	12
Joint World Bank/CDB Programme Review	Jun-97	2	2	2
Training for Trade Unionists	Jul-97	24	24	24
Y2K Seminar for Information Technology/Planning Personnel	Oct-97	8	8	8
Seminar on Globalisation for Trade Unionists/Planners	Jul-98	43	43	43
Project Training for Caricom Staff	Jun-99	5	5	5
Regional Training Course for Project Planners	Sep-96	307	307	307
Technical Meeting on Small States	Feb-00	20	0	20
SUB-TOTAL - GRANTS		9,488	4,821	9,488
TOTAL - INSTITUTIONAL STRENGTHENING		13,965	5,472	13,965

SDF IV PROGRAM 1996 - June, 2000 (Classified by Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
OTHER INFRASTRUCTURE AND OTHER FINANCING				
LOANS:				
Dominica				
Sea Defense and Road Improvement				
To construct 1 km of roadway, institutional strengthening of the Ministry of Communications and Works.	Dec-98	5,555	2,345	7,456
SUB-TOTAL - LOANS		5,555	2,345	7,456
GRANTS:				
Guyana				
Assistance to Heavily Indebted Poor Countries Debt Initiative	Oct-99	6,600	1,400	7,500
Montserrat				
Development of Little Bay Town Centre, Area Action Plan	Oct-99	104	0	104
Regional				
Training in Telecommunications Management	Jul-97	64	64	64
Training Workshop in Retrofitting Building Standards	Dec-97	25	25	25
Workshop on Building Codes	Oct-98	19	16	19
Seminar for Caribbean Public Utility Regulators	Dec-99	17	16	17
SUB-TOTAL - GRANTS		6,829	1,521	7,729
TOTAL - OTHER INFRASTRUCTURE		12,384	3,866	15,185
GRAND TOTAL		154,640	35,806	234,048

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
LOANS:				
British Virgin Islands				
Micro and Small Scale Enterprise Program To provide credit for people involved in agriculture, fisheries & industry.	Oct-93	1,400	389	3,400
Belize				
Market Infrastructure To rehabilitate and construct access roads and marketing facilities for low income producers.	Dec-92	1,530	1,142	2,510
Micro and Small Scale Enterprise Program To finance micro and small-scale enterprises	May-93	1,210	1,210	1,210
Low-Income Mortgage Finance To finance mortgages to low-income people.	May-93	500	500	1,000
			0.7931034	
Dominica				
Micro and Small Scale Enterprise Program To finance technically sound and viable projects in agriculture, industry and tourism for low-income people.	May-82	1,500	1,413	4,000
Hurricane Damage Rehabilitation To rehabilitate the banana industry, sea defense and associated infrastructure.	Dec-95	3,550	1,087	8,445
Montserrat				
Micro and Small Scale Enterprise Program To finance technically sound and viable projects in agriculture, industry and tourism for low-income people.	Dec-93	1,010	436	1,010
Low-Income Mortgage Finance To finance mortgages to low-income people.	Dec-93	700	207	1,000
St. Kitts and Nevis				
Hurricane Damage Response To rehabilitate roads, sea defense, houses and other shelter and resuscitate the agriculture sector.	Dec-95	3,181	3,181	3,181
St. Lucia				
Storm Damage Response To rehabilitate banana fields, forestry and fisheries, feeder roads and bridges, water supply, houses, schools and hospitals.	Dec-94	3,941	3,941	3,941
Turks and Caicos Islands				
Low-Income Mortgage Finance To finance mortgages to low-income people.	Oct-92	500	500	1,000
Micro and Small Scale Enterprise Program To finance technically sound and viable projects in agriculture, industry and tourism for low-income people.	Dec-95	100	83	1,800
SUB-TOTAL - LOANS		19,122	14,090	32,497

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
POVERTY REDUCTION				
GRANTS:				
<u>Belize</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,327	1,194	1,327
<u>Dominica</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,386	1,168	1,386
<u>Grenada</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,439	1,196	1,439
<u>Guyana</u>				
Basic Needs Trust Fund - 3rd Program	May-92	5,000	3,943	5,000
Integrated Rural Development Fund	Mar-95	196	196	196
<u>Montserrat</u>				
Basic Needs Trust Fund - 3rd Program	May-92	907	838	907
<u>St. Kitts and Nevis</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,055	874	1,055
<u>St. Lucia</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,433	1,197	1,433
<u>St. Vincent and the Grenadines</u>				
Basic Needs Trust Fund - 3rd Program	May-92	1,297	1,192	1,297
<u>Turks and Caicos Islands</u>				
Basic Needs Trust Fund - 3rd Program	May-92	400	361	400
<u>Regional</u>				
Basic Needs Trust Fund - 3rd Program	May-92	756	0	756
Time-Phased Action Program for West Indies Banana	Oct-92	295	295	295
Training Seminar on the Family and the Disabled	Oct-94	20	20	20
Shelter and Settlement Upgrading	Feb-95	50	50	50
Regional Strategy to Promote Enterprise Development	May-95	8	8	8
Emergency Rehabilitation for Countries affected by Hurricane Luis	Oct-95	100	100	100
SUB-TOTAL - GRANTS		15,669	12,632	15,669
TOTAL - POVERTY REDUCTION		34,791	26,721	48,166

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
HUMAN RESOURCE DEVELOPMENT				
LOANS:				
Barbados				
Secondary Education				
To provide training of teachers in technical, vocational, industrial arts, computer assisted teaching and special needs education.	Dec-95	778	141	12,226
Belize				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	May-93	500	500	4,142
British Virgin Islands				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	Oct-93	600	453	600
Dominica				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	May-92	500	462	4,000
Montserrat				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	Dec-93	300	62	1,000
St. Lucia				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	Dec-93	2,000	1,880	8,000
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies.	May-95	1,500	1,411	4,500
Turks and Caicos Islands				
Student Loan Program				
To provide loans to eligible students to pursue technical, vocational and professional studies. (Part of Line of Credit)	Dec-95	300	249	1,800
Regional				
UWI Distance Education				
To improve and upgrade communication technology for distance education and teleconferencing.	Oct-92	5,672	5,152	8,896
SUB-TOTAL - LOANS		12,150	10,310	45,164

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
HUMAN RESOURCES DEVELOPMENT				
GRANTS:				
<u>Turks and Caicos Islands</u>				
Study to guide the Development/Establishment of a Community College	May-94	18	18	18
<u>Regional</u>				
Consultancy Services to Prepare and Appraise the Technology Component of a Project to Develop Distance Education at UWI	Mar-92	23	23	23
Enhancement of Caribbean Examinations Council Data Processing System	May-92	60	60	60
Continuing Studies and Distance Education Programme	Oct-92	219	219	219
Consultancy to Determine the Adequacy of Materials for Technical/ Vocational Education Project	Feb-93	22	22	22
Discussion on CDB's Draft Policy Paper on Human Resources Development	Jul-93	21	21	21
Regional Intensive Course on Policy and Planning for Vocational Education	Oct-93	10	10	10
Seminar on Management of Culture	Feb-94	25	25	25
Andrew Mellon Foundation Project on Critical Issues in Caribbean Dev.	Oct-94	75	75	75
Conference on Narco-trafficking	Mar-95	20	20	20
World Conference on Cooperative Education	Oct-95	25	25	25
SUB-TOTAL - GRANTS		518	518	518
TOTAL - HUMAN RESOURCES DEVELOPMENT		12,668	10,828	45,682

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
ENVIRONMENT, WATER AND SANITATION				
LOANS:				
<u>Belize</u>				
Study of Proposed Water and Sewerage Expansion Project To finance Consultancy to undertake a study of the proposed expansion of the water and sewerage system in Belize City.	Jul-92	205	205	205
Environmental Study for Belize Electricity Ltd. To undertake an environmental study of sediment transport and resuspension.	May-94	42	42	42
<u>Cayman Islands</u>				
Environmental Impact Assessment Feasibility study of the environmental impact on the extraction of construction and fill material.	May-92	291	0	291
<u>Dominica</u>				
Water Supply (2nd Loan) To install transmission and distribution mains and bulk meters leading to reduction of infections caused by waterborne diseases.	Jul-92	2,073	2,073	2,073
OECS Waste Management To upgrade dumpsites to sanitary landfill, construct landfills and establish operational and legal framework to manage solid waste.	Jul-95	1,220	49	1,220
<u>Grenada</u>				
OECS Waste Management To upgrade dumpsites to sanitary landfill, construct landfills and establish operational and legal framework to manage solid waste.	Jul-95	1,060	301	3,650
<u>Guyana</u>				
Drainage and Irrigation To rehabilitate and replace several pumping units on Guyana Sugar Corporation's estates in Berbice and Demerara.	Oct-93	5,050	0	5,050
Water Rehabilitation Project To rehabilitate water system and related engineering services.	Dec-94	8,801	345	8,801
<u>St. Kitts and Nevis</u>				
OECS Waste Management To upgrade dumpsites to sanitary landfill, construct landfills and establish operational and legal framework to manage solid waste.	Jul-95	2,050	0	3,190
<u>St. Lucia</u>				
OECS Waste Management To upgrade dumpsites to sanitary landfill, construct landfills and establish operational and legal framework to manage solid waste.	Jul-95	1,110	0	1,110
<u>St. Vincent and the Grenadines</u>				
OECS Waste Management To upgrade dumpsites to sanitary landfill, construct landfills and establish operational and legal framework to manage solid waste.	Jul-95	1,560	0	3,530
<u>Trinidad and Tobago</u>				
Beetham Sewerage Project To rehabilitate the Beetham Sewerage System.	Mar-95	500	500	592
SUB-TOTAL - LOANS		23,962	3,515	29,754

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
ENVIRONMENT, WATER AND SANITATION				
GRANTS:				
Belize				
Establishment of a Tourism and Environmental Development Plan	Mar-92	117	117	117
Establishment of a Mechanism to Monitor and Control the Citrus Triteza and Toxopetra Citricidus	May-92	93	93	93
Dominica				
Environmental Advisor for Industrial Estate	Jul-92	42	42	42
Technical Assistance for the Upgrading of Ecotourism Sites	Dec-94	42	42	42
Grenada				
Physical Planning and Environmental Management	Dec-95	100	100	100
Insectary for Pink Mealy Bug	Dec-95	18	12	18
St. Lucia				
Environmental Impact Assessment of Adventura Hotel	Dec-92	16	16	16
Regional				
Caribbean Basin Water Management Programme	Mar-92	29	29	29
Environmental Impact Assessment Training Programme	May-92	43	43	43
Environmental Impact Assessment of CDB-funded Feeder Roads Project	Oct-92	120	120	120
Conference on Sustainable Development on Small States	Jul-93	50	50	50
Conference on Sustainable Development	Feb-94	25	25	25
Workshop on The Planning and Development of Coastal Areas	Oct-94	14	14	14
Consultancy for Coordination of Supervision Activities for the OECS				
Solid Waste Management Project	Jul-95	310	107	310
Water Supply and Sanitation Meeting	Oct-95	25	25	25
Economic Impact of Tourism	Dec-95	100	100	100
SUB-TOTAL - GRANTS		1,144	935	1,144
TOTAL - ENVIRONMENTAL, WATER AND SANITATION		25,106	4,450	30,898

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
LOANS:				
Barbados				
Institutional Support for the Ministry of Transport and Works Consultancy to develop proposals for the improvement of storm water drainage.	Oct-93	285	285	285
Belize				
Air Transport Sector Study, Institutional Support Consultancy to plan the safe and orderly development of the air transport sector in Belize.	Jul-92	117	117	117
Institutional Support for Port Authority To provide Consultancy for a tariff study for the Port Authority.	Oct-95	58	48	58
Institutional Support for the Development Finance Corporation To finance services of a Financial Advisor for one year.	May-93	65	65	65
Dominica				
Institutional Support for Ministry of Trade Industry and Tourism Consultancy to prepare a project proposal for tourism and agricultural sectors.	Mar-92	86	86	86
Institutional Strengthening for Port Authority Consultancy to study tariff for port operation and to develop an appropriate tariff structure.	Feb-93	30	30	30
Institutional Strengthening for Bridge and Road Project Pre-investment study for bridge and road improvement works and institutional strengthening for Ministry of Communications and Works.	May-93	194	137	194
Grenada				
Institutional Support for Ministry of Finance Consultancy to assist the Ministry with 1992 budget preparation and medium-term policy framework paper.	Feb-94	103	103	103
Institutional Support for Roads Division To provide institutional support for the Roads Division of the Ministry.	Jul-95	240	240	240
Jamaica				
Institutional Support for the Peoples Cooperative Bank Institutional support for the Peoples Cooperative Bank in implementing the Rural Financial Services Sector project.	May-92	134	134	134
St. Kitts and Nevis				
Institutional Strengthening for Road Department To provide the necessary information on the design and estimated cost of the proposed road improvement works - pre-investment study.	Jul-94	78	78	78
St. Lucia				
Institutional Strengthening for Hotel Feasibility Study To undertake preliminary evaluations of three project options for a hotel in Vieux Fort and to comprehensively study the selected options.	Jul-94	47	47	47

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
LOANS (Continued)				
<u>Turks and Caicos Islands</u>				
Institutional Support for Ports and Sea Transport Masterplan Consultancy to study sea transportation requirements and prepare a masterplan for ports development.	Mar-92	407	407	407
Institutional Support for Ports and Sea Transport Masterplan To finance investigative field studies to facilitate preparation of detailed designs and cost estimates for the capital project.	Jul-94	425	422	425
SUB-TOTAL - LOANS		2,269	2,199	2,269
GRANTS:				
<u>Anguilla</u>				
Institutional Strengthening for the Ministry of Education	Dec-92	99	25	99
CTCS Projects	92-95	25	25	25
<u>Antigua and Barbuda</u>				
CTCS Projects	92-95	65	65	65
<u>Bahamas</u>				
CTCS Projects	92-95	76	76	76
Strengthening of Project Planning Capability				
Training to improve the capacity of public servants to prepare and appraise development projects.	Jun-92	38	38	38
Strengthening of Project Management Capability				
Training to improve the capacity of public servants to manage projects in the public sector investment programme.	Jan-93	44	44	44
<u>Barbados</u>				
CTCS Projects	92-95	116	116	116
Strengthening of Project Management Capability				
Training to improve the capacity of public servants to manage projects in the public sector investment programme.	Feb-92	30	30	30
Strengthening of Project Planning Capability				
Training to improve the capacity of public servants to prepare and appraise development projects.	May-94	26	26	26
<u>Belize</u>				
Industrial Sector Projects	Feb-92	106	106	106
Institutional Strengthening for Micro and Small Scale Enterprise Projects	May-93	200	200	200
CTCS Projects	92-95	58	58	58
Strengthening of Project Planning Capability				
Training to improve the capacity of public servants to prepare and appraise development projects.	Apr-93	17	17	17
Strengthening of Project Management Capability				
Training to improve the capability of public servants to manage projects in the public sector investment programme.	Jun-94	32	32	32
<u>British Virgin Islands</u>				
CTCS Projects	92-95	7	7	7

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
GRANTS (Continued)				
Cayman Islands				
CTCS Projects	1995	5	5	5
Dominica				
Strengthening of Project Management Capability				
Training to improve the capacity of public servants to manage projects in the public sector investment programme.	Feb-92	11	11	11
Technical Assistance for Agricultural and Industrial Development Bank	May-92	156	156	156
CTCS Projects	92-95	43	43	43
Grenada				
Consultancy to Audit the Ministry of Finance	Feb-92	22	22	22
Institutional Strengthening for Grenada Development Bank	Feb-94	117	117	117
CTCS Projects	92-95	167	167	167
Strengthening of Project Management Capability				
Training to improve the capability of public servants to manage projects in the public sector investment programme.	Feb-93	22	22	22
Guyana				
Consultancy to Expedite Implementation of CDB-funded Capital Projects	Jul-94	42	42	42
CTCS Projects	92-95	113	113	113
Strengthening of Project Planning Capability				
Training to improve the capacity of public servants to prepare and appraise development projects.	Apr-92	26	26	26
Strengthening of Project Management Capability				
Training to improve the capability of public servants to manage projects in the public sector investment programme.	Feb-94	23	23	23
Jamaica				
CTCS Projects	92-95	210	210	210
Strengthening of Project Management Capability				
Training to improve the capability of public servants to manage projects in the public sector investment programme.	Jan-94	29	29	29
Montserrat				
CTCS Projects	92-95	41	41	41
Institutional Strengthening for the Public Works Department	Jul-92	23	23	23
General Manager/Technical Officer for Port Development	Dec-92	240	240	240
St. Kitts and Nevis				
CTCS Projects	92-95	129	129	129
St. Lucia				
Consultancy Services for Basic Education	Feb-92	29	29	29
CTCS Projects	92-95	89	89	89
St. Vincent and the Grenadines				
Institutional Strengthening for the Development Corporation	Mar-92	69	69	69
CTCS Projects	92-95	153	153	153
Strengthening of Project Planning Capability				
Training to improve the capacity of public servants to prepare and appraise development projects.	Feb-95	40	40	40

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
INSTITUTIONAL STRENGTHENING				
GRANTS (Continued)				
Trinidad and Tobago				
CTCS Projects	92-95	69	69	69
Project-launch Workshop for two Infrastructure Projects	Jul-95	5	5	5
Turks and Caicos Islands				
Establishment of an Investment Agency	Jul-95	50	0	50
Regional				
Conference on International Competitiveness of the Banana Industry	May-92	5	5	5
Seminar on Project Implementation and Supervision	Oct-92	5	5	5
Consultancy to prepare New Common External Tariff	Oct-92	15	15	15
Investment Sector Diagnostic Studies	Oct-92	100	100	100
Regional Space Segment Agency	Dec-92	251	251	251
Local Area Network and Projects Information System for CDB	Dec-92	138	138	138
Consultancy Services for the Privatisation of LIAT	Dec-92	171	171	171
ACURIL XXIII Conference On Information Horizons	Mar-93	10	10	10
Automation of Customs Procedures and Trade Data and Establishment of ASYCUDA Support Centre for the Caribbean Basin Countries	May-93	250	250	250
Institutional Strengthening for OECS Exports of High Quality Rum	May-93	57	57	57
Review and Evaluation of Ongoing Studies of Caribbean Tourism	May-93	21	21	21
Consultancy Services for the Privatisation of LIAT	May-93	163	163	163
Procurement and Installation of BANKMOD Computer Software	Jul-93	15	15	15
Institutional Strengthening for Development Financial Institutions	Jul-93	50	50	50
Development of Common Policy for Public Sector Reform	Oct-93	93	93	93
Advisory Services to Promote the Formation of an Association of Caribbean States	Dec-93	93	93	93
Participation of CDB's BMCs at NGO Forum	May-94	50	50	50
Consultancy for Project Implementation and Portfolio Quality Management	May-94	56	56	56
Development by UWI of a West Indian Legislation Indexing System	May-94	20	20	20
Consultancy to Review Export Credit Fund in Trinidad's Central Bank	Dec-94	19	19	19
Leeward Islands Course to Strengthen Project management Capacity	Jan-92	80	80	80
Regional 12-week Project Preparation and Management Course	Sep-92	319	319	319
Regional Seminar on Public Expenditure Control	Jul-92	48	48	48
Regional 12-week Project Preparation and Management Course	Sep-93	365	365	365
Regional Training Course on Procurement and Contract Negotiation	Jul-93	41	41	41
Regional Workshop on Privatisation	Aug-93	101	101	101
Joint CDB/IICA Regional Seminar	Oct-93	39	39	39
Regional 12-week Project Preparation and Management Course	Sep-94	332	332	332
Regional Seminar for Development Finance Corporations	Jul-94	26	26	26
Economic Management Seminar for Regional Planners	Jul-94	87	87	87
Regional Poverty Assessment Seminar	Sep-94	46	46	46
Project Management Workshop for Leeward Islands (4 weeks)	Jan-92	80	80	80
Project Management Workshop for Leeward Islands (4 weeks)	May-95	80	80	80
Project Planning Workshop for Education Planners in the OECS	Jul-95	29	29	29
Regional 12-week Project Preparation and Management Course	Sep-95	319	319	319
Training Course for Caribbean Council for Science and Technology	Jun-95	51	51	51
CTCS Projects	1995	28	28	28
Institutional Development of Information Export Services	Feb-95	95	95	95
Conference on Prospects for Export of Professional Services	May-95	8	8	8
Consultancy for the Enhancement of CDB's MIS	Jul-95	234	234	234
Consultancy to Prepare CDB's Guidelines for Choice of Consultants	Jul-95	25	25	25
Conference on Global Trade Liberalisation and Caribbean Agriculture	Oct-95	15	15	15
Participation at IADB High Level Housing Policy Seminar	Dec-95	37	37	37
SUB-TOTAL - GRANTS		6,929	6,805	6,929
TOTAL - INSTITUTIONAL STRENGTHENING		9,198	9,004	9,198

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
OTHER INFRASTRUCTURE AND OTHER FINANCING				
LOANS:				
Anguilla				
Road and Sea Transport (Part of 2nd Multi-project Loan) To construct two roads and a jetty as high priority for the transport and fisheries sectors.	Dec-93	620	620	1,710
Dominica				
Industrial Estate (6th Loan) To construct six factory buildings with 8,144 sq.m of factory space.	Jul-92	3,300	722	4,400
Upgrading of Tourism Sites To develop 5 tourists sites at Soufriere Hot Springs, Freshwater Lake, Morne Diablotin National Park, Middleton Falls and Carib Reserve.	Dec-94	2,503	1,716	3,061
Grenada				
Road Development (Part of Multi-project Loan) To reconstruct 2 miles of coastal roads in Carriacou.	Oct-94	945	945	4,331
Road Improvement and Maintenance Project To improve 9.2 km of eastern main road, drainage and reconstruct 5 km of airport road.	Jul-95	416	416	8,344
Guyana				
Road Project (2nd Loan) To rehabilitate Linden Highway.	Jul-93	11,000	6,905	11,000
Jamaica				
Rural Electrification To provide 13.8 kW distribution lines and wire about 6,000 houses in rural Jamaica	Jul-93	8,628	6,802	8,628
St. Kitts and Nevis				
Road Improvement and Maintenance To improve approximately 24.2 km of the Island's main road.	Jul-92	982	932	4,450
Port Development To develop seaport facilities at Long Point, Nevis South/W est Coast.	Dec-92	1,652	1,628	4,364
St. Lucia				
Road Improvement (2nd Loan) To rehabilitate six secondary roads about 33 km long.	Dec-93	2,150	2,150	6,150
St. Vincent and the Grenadines				
Multi Project (Essential Infrastructure) To widen roads and install drainage system in Bequia, construct airport runway in Canoun, construct road and jetty in Union Island.	Jul-93	4,000	2,758	5,000
Road Project (2nd Loan) To improve two sections and a major realignment of one section of the Central Leeward Highway.	Jul-93	3,000	2,757	4,000
SUB-TOTAL - LOANS		39,196	28,351	65,438

SDFU III PROGRAM 1992 - 1995 (Classified by SDF IV Themes)

PROJECT	DATE APPROVED	NET APPROVED FROM SDFU (\$'000)	AMOUNT DISBURSED FROM SDFU (\$'000) @ June-00	TOTAL CDB FINANCING (\$'000)
OTHER INFRASTRUCTURE AND OTHER FINANCING				
GRANTS:				
Regional				
Infrastructure Maintenance Conference for Senior Government Officials	Oct-92	43	43	43
Training in Highway Design and Maintenance	May-93	98	98	98
Consultancy to Undertake a Caribbean Regional Infrastructure Study	Dec-95	95	95	95
SUB-TOTAL - GRANTS		236	236	236
TOTAL - OTHER INFRASTRUCTURE		39,432	28,587	65,674
GRAND TOTAL		121,195	79,590	199,618

CORPORATE PERFORMANCE INDICATORS – DEFINITIONS & METHODOLOGY

General

1. The table deals only with loan projects.
2. An institution-wide approach has been taken, i.e., total administrative expenses, or the administrative budget in support of these loan projects.
3. Since the Table is intended to provide only a broad comparison at the institutional level, the same parameters or denominators are used to the greatest extent possible. It would be difficult to obtain detailed expense and project data from the MDBs at the program or activity levels.

A. Physical Measures

1. "Projects approved" refers to the number of projects, not the amount of projects approved.
2. "Administrative expenses" is inclusive of both OCR and concessional funds.
3. "Professional staff" refers to the number of authorized (or Board approved) positions – not staff-years, and do not include long term consultants.
4. "Administrative expenses" refer to total administrative inclusive of those for processing as well as for administration. They are not net of other activities (e.g. technical assistance)

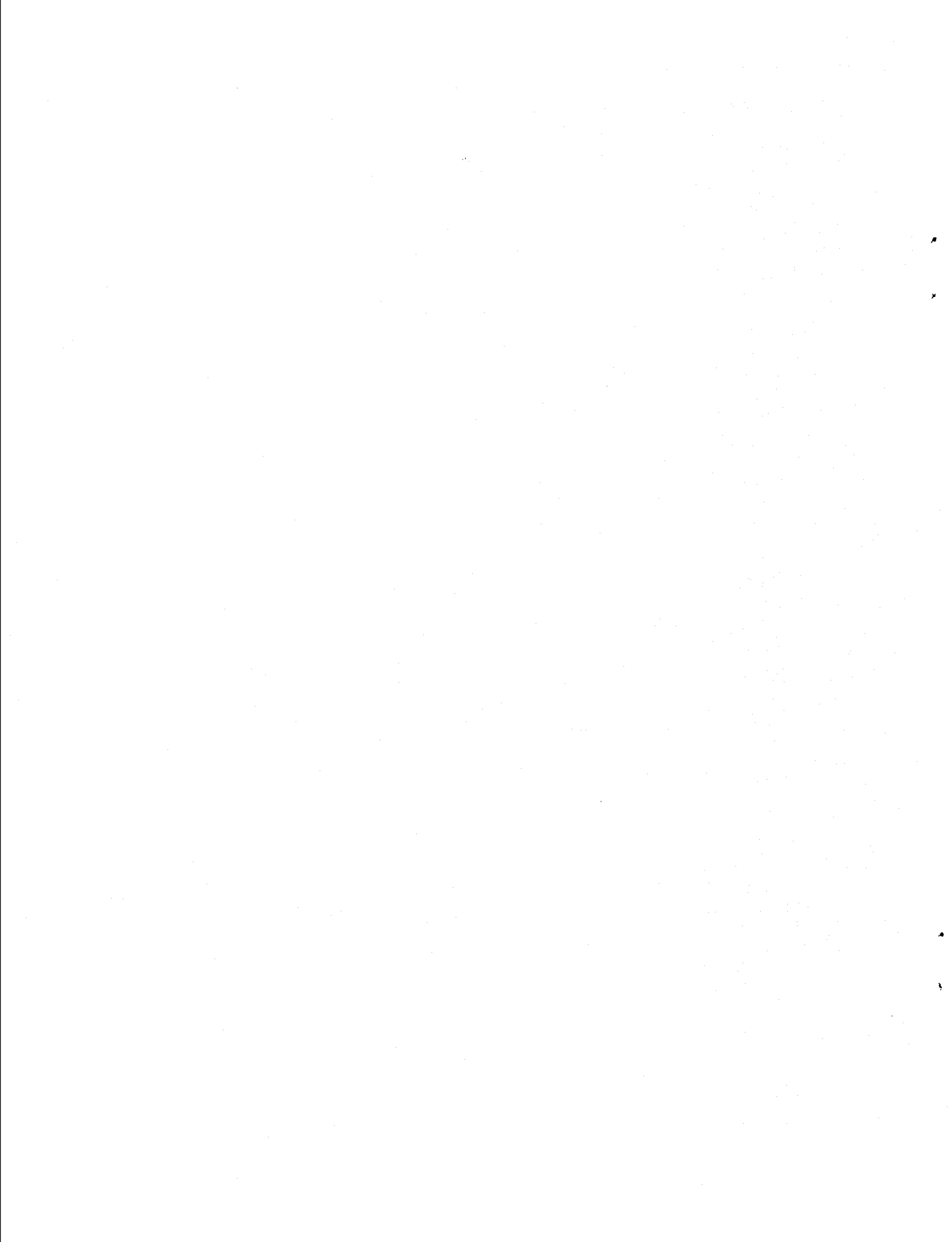
B. Financial Measures

5. Commitments and disbursements for technical assistance grants, non-core lending, etc. are excluded. The data refers to public sector loans in the case of project approval/commitment and, in the case of disbursements, to public sector and private sector loans. The key issue is that each comparator institution has its own program costing and program/sector/activity classification – there is no uniform approach on this and it is difficult to obtain costing levels for meaningful comparisons among MDBs.

C. Other Performance Measures

6. "Project processing elapsed time" refers to the percentage of the number of project approvals for which processing time from appraisal to Board approval lasted for five months or less.

"Disbursement ratio" is defined as the ratio of total disbursements in a given year over the net loan amount available at the beginning of the year plus the loan amounts of newly approved loans that had become effective. The term "net loan amount available at the beginning of the year" refers to all loans that were effective at the beginning of the year, while "loan amounts of newly approved loans which have become effective" refers to all loan approved before and after the beginning of the year that have become effective after the beginning of the year.



Rethinking Project Evaluation
***Harmonizing Evaluation at Each Stage
of the Project Cycle***

for
The Caribbean Development Bank

September 2000

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September 9, 2000

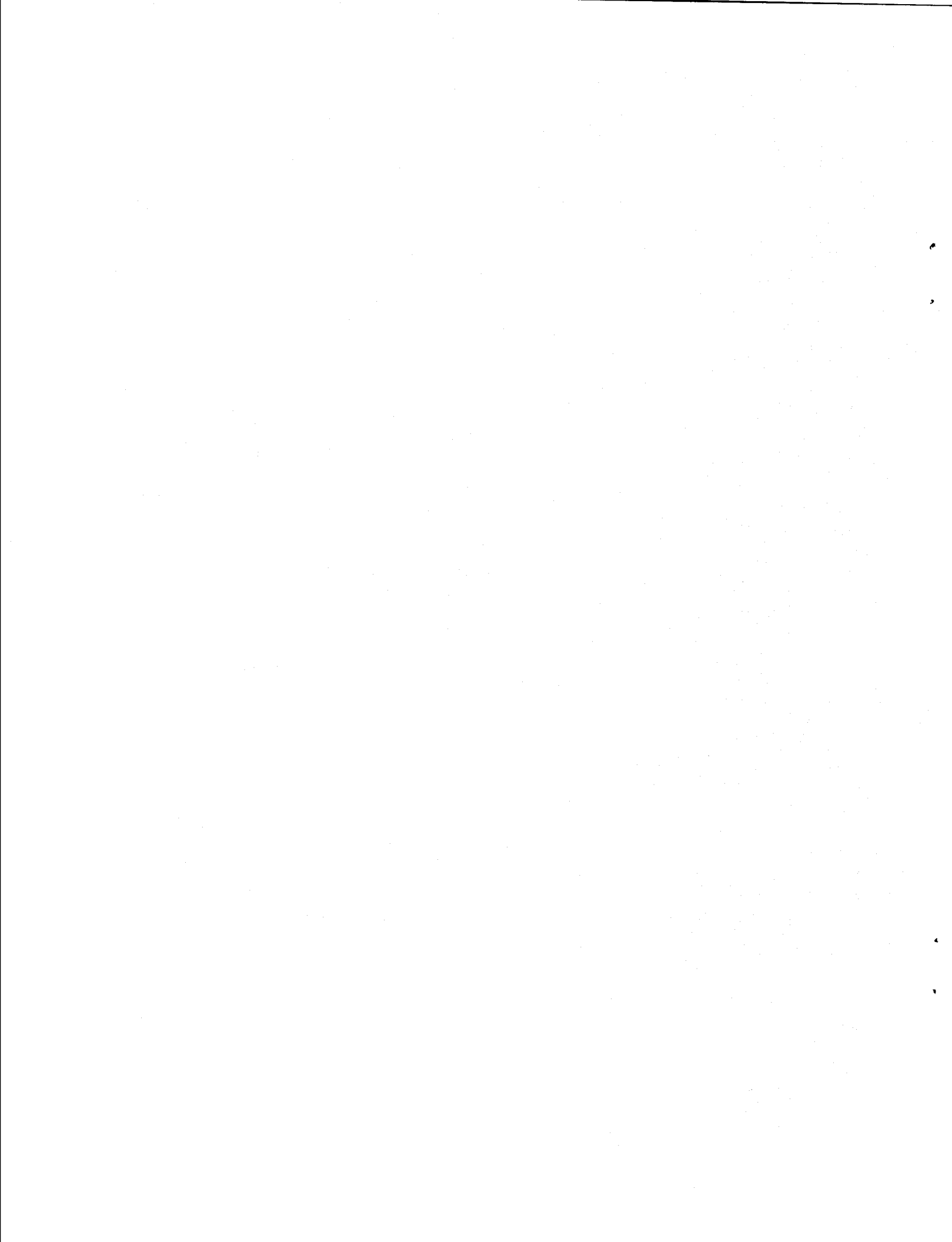
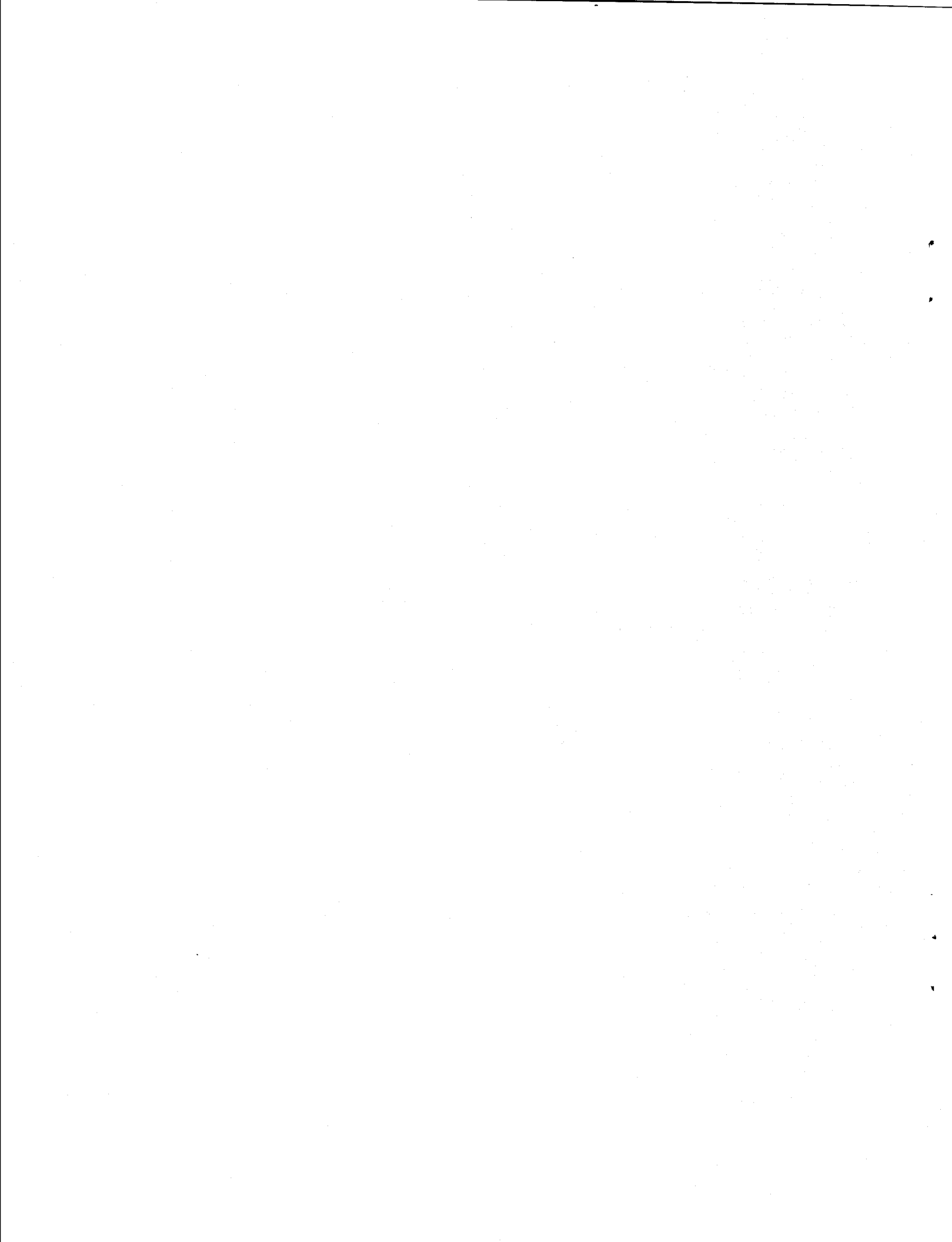


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1.0 INTRODUCTION

1.1 A Harmonized Project Performance Evaluation System

Over the past five years, project evaluation has become a more sophisticated business. There have been several important changes. First, the frameworks for development have changed. For example, poverty reduction, governance and institutional development, among other factors, have become more prominent, and therefore evaluation criteria and weights have changed. Second, traditional economic evaluation of projects has been integrated with evaluation approaches from other disciplines. Third, the use of project performance data to help judge country performance has become more common and more important.

In this context the members of the Caribbean Development Bank have encouraged the Bank to improve its approach to project evaluation. At the annual meeting in 2000, the President made a commitment to develop and harmonize the Bank's project evaluation systems as a high priority. Harmonization of project evaluation systems has two aspects:

- Within the Bank, project evaluation at different stages of the project cycle should be harmonized. The same evaluation criteria should be consistently addressed at each stage from appraisal, through supervision, to project completion.
- Among MDBs, project evaluation should be harmonized as far as is reasonable. At a minimum common evaluation criteria should be used unless there is a good reason otherwise. Multilateral development banks are currently making a concerted effort towards harmonization of evaluation.¹ The regional MDBs have been working towards this goal for several years. In addition, the newly formed Sub-Regional Evaluation Coordinating Group [S-R ECG]² is a forum within which the sub-regional multilateral development banks of the Americas will consider similar matters.³

1.2 What is "Harmonization"?

Evaluation is harmonized when the same terminology, evaluation criteria and weights, and scoring procedures are used throughout a project's life cycle. Harmonization of project performance evaluation has two objectives.

- A. To make evaluation as simple and efficient as possible by avoiding "reinventing the wheel" at each stage of evaluation in the project's life cycle.
- B. To made evaluation clear and useful by having a reasonable level of standardization of approach. This facilitates learning by comparison across projects, sectors, countries, the CDB portfolio, and across development institutions.

1.3 Purpose of this Report

The writing of this discussion paper in conjunction with CDB staff is a step towards a harmonized project performance evaluation system for the CDB. The objective of the Bank is that evaluation at each stage of the project cycle should be harmonized with earlier evaluations of the same project. A second, less important but still valuable, objective is that evaluation should be harmonized with the systems of other multilateral development banks where practical.

This report is written with public sector projects in mind. However, the general evaluation criteria should be adequate measures of most private sector CDB-financed projects as well, although sub-criteria might differ.

The study team considered the following questions:

- At what stages of the project cycle will evaluation be done, and by who? Will all projects be assessed or a sample?
- What standard criteria will be used to evaluate projects?
- What weights [if any] will be used for each criterion?
- How will projects be scored against these criteria?
- Will there be an aggregate "single measure" of project performance?
- How should the data be kept, accessed, reported and used?
- What organizational arrangements should be in place to deliver the PPES? What skills would be needed in the new system? What staff and budget resources are needed?
- What databases need to be maintained, in what form?

The report is based on the completion of three main tasks. First, the consultants reviewed the project evaluation systems of the Bank, including project appraisal; supervision and mid-term evaluation; post-implementation evaluation; and portfolio monitoring. This involved examining evaluation systems and practices, quality of outputs, and the usefulness of the outputs.

Second, the consultants reviewed the literature of best evaluation practices among international financial institutions, including the work by the Evaluation Cooperation Group on *"Harmonization of Evaluation Criteria among the Multilateral Development Banks"*. This involved working from documents, correspondence with the IFIs, and interviews with evaluators at the World Bank and the IADB.

Third the consultants identified options for a harmonized project performance evaluation system for the CDB, and made recommendations [See Section 8 *"Conclusions and Summary of Recommendations"*].

1.4 The Role of Scoring and Ranking in Managing Development Projects

The raison d'être of a development bank is more than lending alone, but also encompasses providing advice to BMCs, based on lessons learned in past projects. Therefore project evaluation is a key function. Scoring and ranking are essential:

- to identify the best potential investments
- to identify projects at risk
- to facilitate learning about types of projects and development themes
- to guide portfolio management
- to guide the next round of resource allocation

1.5 MDB Efforts to Harmonize Evaluation Practice

MDBs agree that it makes sense to harmonize evaluation practice wherever possible.

"The [Evaluation Cooperation Group] noted that there is important work underway in most MDBs on internal harmonization of evaluation at each phase of the project cycle. All agreed that the ultimate goal is a harmonized evaluation framework from project identification through ex-post evaluation".⁴

The S-R ECG and ECG efforts to harmonize project performance evaluation across the MDBs are paralleled by efforts within the MDBs themselves to harmonize the language and procedures of evaluation at each stage of the project cycle. Where there is doubt about what language and process should be adopted, the consensus seems to be that the more rigorous should prevail. In most cases this means that the standards adopted are those of the project completion reports and the associated evaluations.

"Evaluations carried out by the MDB's ex-post evaluation units should govern practice in all guidelines."⁵

In many cases the harmonization process has resulted in a realization that some factors that were previously treated only at one stage of evaluation are important to address at other stages as well. For example, the ECG considered at length whether "relevance" should be addressed at all stages of the project and, if so, what are the implications of project re-designs during implementation.

"Foremost in the convergence of the thinking of the MDB evaluation units is a greater recognition of relevance and institutional development, but also a more explicit inclusion of the large number of factors that affect sustainability."⁶

However, the ECG has found that the MDB guidelines are consistent only in regard to one evaluation criterion, efficiency. This has become a somewhat less prominent part of project evaluation [the calculation of economic rates of return in a rigorous way] because the MDBs have increasingly funded 'softer' projects that do not lend themselves as well to quantitative investment analysis as infrastructure projects.

"Criticism from professional specialists regarding inadequate capture of externalities and risks have resulted in the MDBs introducing other criteria such as relevance, sustainability, and institutional development impact."⁷

2.0 PROJECT PERFORMANCE EVALUATION CRITERIA AND RATINGS.

2.1 Selecting Evaluation Criteria

The main set of project evaluation criteria should be sufficiently general to apply to all types of instruments and all sectors equally. However, sub-criteria may be instrument-specific or sector-specific. The criteria should be useful as measures of outcomes [and impacts] rather than outputs alone, while remaining within the scope of what can be measured at reasonable cost. In particular, the criteria should enable an informed judgement about the contribution of the project to achieving the CDB's poverty reduction mandate. The main criteria should be adequate, all together, to give a complete picture of the performance of the project.

Finally, the criteria should be conceptually separate from one another – that is, they should measure clearly different aspects of performance, not be redundant. This is not easy to achieve. In fact, the eight criteria adopted by the regional MDBs are not completely independent of each other. For example, “efficacy” and “cost-efficiency” overlap, and “sustainability” [risk] overlaps both. Similarly, “institutional development impact” is, to a considerable degree, a component of “efficacy”. Short of doing pure cost-benefit analysis [which is a fully integrated methodology], some such overlaps between criteria are inevitable. However in return for some redundancy and conceptual messiness, multiple criteria can provide a certain richness of management information that is not available in a single elegant performance index.

2.2 Evaluation Criteria Adopted by the Evaluation Cooperation Group

In January 1999, the MDB Evaluation Cooperation Group agreed on a preliminary set of evaluation criteria for public sector projects. In the following months the Group held five workshops that refined the criteria and worked to standardize terminology. This effort was financed by the Swiss Agency for Development Cooperation. On October 11, 1999, the Group agreed on a final set of eight criteria.

Project performance criteria

- | | |
|---|---|
| 1. Relevance ⁸ | [fit with country and Bank development strategy] |
| 2. Efficacy ⁹ | [achievement of objectives] |
| 3. Efficiency ¹⁰ | [how much do benefits exceed costs?] |
| 4. Sustainability ¹¹ | [will results last for the full expected life?] |
| 5. Institutional
development
impact ¹² | [will the project improve the country's ability to make effective
use of its financial, human and natural resources] |

A composite rating

- | | |
|-------------------------------------|---|
| 6. Project
performance
rating | [an aggregate measure that combines some or all of the five project
performance scores into a single index number] |
|-------------------------------------|---|

Development partners performance

7. Borrower performance
8. Bank performance

2.3 Comparing CDB Evaluation Criteria with MDB Harmonized Criteria

These eight harmonized criteria adopted by the MDB Evaluation Cooperation Group provide a general framework within which one can evaluate projects. The concepts are familiar and compatible with criteria that the CDB is already using. The main difference is that the CDB does not presently have a standard set of criteria that it uses at all stages of the cycle. Table 1 shows the eight harmonized criteria and the corresponding criteria that the CDB has used at different stages of the project cycle. The CDB criteria are organized first by "direct lending" and "financial intermediaries". Then, within "direct lending", we have distinguished between two phases of a project: appraisal, supervision and completion; and Operations.

This distinction would not fit all MDBs because most do not continue their project supervision activities into the operations phase as the CDB does. The project completion report [PCR] overlaps the implementation and operations phases of the project, so we have listed PCR criteria under both, depending on where the criterion is mentioned in CDB materials. We have noted in Table 1 whether the criterion is listed in CDB guidelines as an appraisal criterion, a supervision criterion, or a project completion criterion [or a combination of several of these].

Some of the main differences between the harmonized criteria and the CDB criteria are as follows:

- The CDB does not follow a single set of evaluation criteria through all phases of the project cycle, although there is substantial overlap among the criteria used at different stages.
- The CDB does not assess institutional development impact in a formal way.
- The CDB bases its "portfolio performance indicator" on supervision data during implementation rather than on project completion reports as is more common in other MDBs.
- The CDB's project performance scores are not available to the BMC project manager, and therefore are not part of the immediate dialogue during supervision. However, they are generally available to senior BMC officials as part of the 'country portfolio review' that precedes the CDB's development of a new country strategy.

The CDB's project performance assessments are light on consideration of sustainability, but this is true of the other MDBs as well. The CDB's approach to assessing "efficacy and efficiency", which might reasonably be regarded as core criteria, is similar to the approach of the regional MDBs. In fact, the regional MDBs are most similar among themselves on these two criteria as well.

Table 1: The evaluation criteria recommended by the Evaluation Cooperation Group, and the corresponding criteria CDB uses at appraisal, supervision and project completion

CDB Criteria			
ECG/ MDB Criteria	Direct Lending		Financial Intermediaries
	Appraisal, Supervision and Project Completion	Operations monitoring	
1. Relevance [Fit with country strategy & MDB statutes, strategy, comparative advantage and policy priorities]	Appropriate project design [S,PCR]	Development objectives [S]	Is on-lending appropriate to development objectives [S,PCR]
2. Efficacy [Extent to which project achieved objectives - policy, physical, financial, social and environmental objectives]	Environ. impact [S] Social impact [S] Attrition (student loans) [A] ¹³ Production performance ¹⁴ [PCR]	Environ. impact [S] Social impact [S] Outputs [S]	Environment checklist [S] Sub-loan performance [S]
3. Efficiency [Extent to which benefits exceed costs. Timeliness.]	Financial FRR ¹⁵ ,ERR [A,PCR] Return on rate base, cash flow break even, financial ratios, least cost, repayment rates. [A] ¹⁶ Timeliness [PCR] Benefits&costs ¹⁷ [S,PCR]	Financial ¹⁸ [S,PCR] Technical ¹⁹ [PCR] Management ²⁰ [PCR] Debt service [S]	Financial performance [S] Performance of sub-borrowers ²¹ [PCR] Debt service [S]
4. Sustainability [Likelihood of achieving full expected life - technical soundness; government commitment; socio-political support; economic and financial viability; institutional, organizational, and management effectiveness; environmental impact; resilience to exogenous factors.]	External factors [S] Expected sustainability [PCR]		External factors [S]
5. ID Impact [Extent to which better norms and practices enable better use of human, financial & natural resources]			
6. Aggregate [1 to 5] [Single measure of overall performance]	PPI [S]		
7. Borrower performance* [Adequacy of assumption of ownership and responsibility for success and sustainability.]	Counterpart \$ [S,PCR] Project management performance [S,PCR] Compliance with loan conditions [S] ²² Procure. management [S,PCR] Org./Admin. [PCR]	Counterpart fund. [S] Project management performance [S] Compliance with loan conditions ²³ [S] Disbursement management [S]	Project management performance [S] Compliance with loan conditions [S] Adequate accounting system? And MIS [PCR]
8. Bank performance [Quality of services, especially quality at entry and viability of implementation and operations arrangements.]	Project identification and design [PCR] Disbursement management [S] Project scheduling [S] Consultant performance [PCR]	Quality of CDB-BMC relationship [PCR]	

[A]=Appraisal, [S]=Supervision, [PCR]=Project Completion Report

* CDB's PCR Guidelines speak of "borrower and executing agency performance", PPM402-9

2.4 Alternative Scoring Systems

Once the criteria have been set, the next step is to score projects according to their performance on each criterion. To enable scoring, there has to be a scale of measurement. To some extent the selection of a scale is arbitrary since scoring on a scale of 1-10, say, or 1-100, will not affect the ranking of projects. However, things are not quite so simple since all of the MDBs use a combination of categories [ordinal] scales and numbers [cardinal] scales. In fact, some get themselves into difficulties by starting with category scales alone and then later attempting to convert these category scales to numbers so that a single index of performance can be constructed. It is much better to make both the categories and the numbers clear to those doing the original scoring.

The CDB's project performance rating system does make categories and scores transparent to the scorer. For each area, for example "counterpart funding", the project is given a score on the following scale:

Very good	4
Good	3
Satisfactory	2
Poor	1

In addition, the CDB gives a "trend score" to each evaluation criterion as follows:

Improving	1
Unchanging	2
Deteriorating	3

The CDB project performance scale has some limitations. First it is an even-numbered [4] category scale which does not fit the probable underlying structure of the data very well. This underlying structure is probably a "normal distribution" [bell curve], which is better represented by an odd number of categories since it inherently has a peak in the middle of the distribution. Second, the scale is unbalanced, having three "good" categories and only one "bad" category. Third, a 1 to 4 scale is not sufficiently sensitive to modest but important differences among projects. Using such a gross scale makes improvements from year to year difficult to discern in the data. For all these reasons, we suggest the adoption of a different scale that avoids all these problems. The following scale, scored in increments of 0.5, would be a good choice.

Table 2: The Recommended Performance Scoring Scale

Performance category	Score range	Example scores
Excellent	9 or 10	9.0
Highly satisfactory	7 or 8	7.0
Satisfactory	5 or 6	6.0
Marginally unsatisfactory	3 or 4	3.0
Poor	1 or 2	1.0

The high score in each category adds a "+" – for example "8" = Highly satisfactory+

2.5 Recommended Approach to Scoring

If the CDB follows the recommended scoring approach and uses the harmonized evaluation criteria, then a scoring sheet will look something like the following:

Table 3: An Example of Project Performance Scoring

Criteria	Raw score
Relevance	
Excellent	
Highly satisfactory	7
Satisfactory	
Marginally satisfactory	
Poor	
Efficacy	
Excellent	
Highly satisfactory	
Satisfactory	5
Marginally satisfactory	
Poor	
Efficiency	
Excellent	
Highly satisfactory	
Satisfactory	5
Marginally satisfactory	
Poor	
Sustainability	
Excellent	9
Highly satisfactory	
Satisfactory	
Marginally satisfactory	
Poor	
Institutional development impact	
Excellent	
Highly satisfactory	
Satisfactory	
Marginally satisfactory	2
Poor	
TOTAL	28.0

Of course it only makes sense to add raw scores together if each criterion has the same weight. This is not necessarily the case. If the criteria have different weights then only the weighted scores should be added to obtain a total. [See discussion of weights below.]

2.6 Validation of Scores

Project performance scores are only useful to the extent that one can rely upon their objectivity. This is difficult to ensure. The Project Supervisor assigns the scores and inevitably he or she has an incentive to present the project as successful. The World Bank approaches this problem by having a separate evaluation department review and validate the performance scores. This is done only once at project completion on the basis of a desk review of the Project Completion Report or, in about one quarter of the cases, on the basis of an on-site audit. The Operations Evaluation Department is outside the line management hierarchy of the Bank, reporting only to the Board, to ensure independence and objectivity. This approach produces good data, but is expensive.

Another approach might be to have the original score produced by the project staff, but reviewed by someone independent of the project staff. For example:

1. Have the Project Supervisor assign the original score, and have the BMC review and comment on the scores. The score should not be changed in direct response to the BMC's disagreement, but the comments should be noted on file.
2. Have an independent institute validate a sample of project scores once a year [say a 10% random sample] by examining their performance directly, and adjust all project scores that year up or down by the average adjustment made to the scores in the sample. It may be that the CDB could exchange validation services with another regional or sub-regional development institution – each reviewing a sample of the other's performance scores.

3. A COMPOSITE SINGLE MEASURE OF PERFORMANCE

3.1 Pros and Cons of Composite Measures

"The aggregate project performance indicator is not an independent evaluation criterion. However, all MDBs, though not equally, feel a need for an overall or composite indicator that captures the evaluation findings under the various criteria they use. They all have developed some aggregate indicator and are highly conscious of the inevitable problems of an optimal aggregation."²⁴

"The most significant evolution toward harmonization is the attempt across MDBs to have a single, rated, indicator for measuring a project's performance... All MDBs, with the exception of the IADB which is not actively pursuing this at present [Author's note – *this exception is now out of date with the recent appointment of Mr. Stephen Quick as IADB's Director of Evaluation*], are struggling to find a conceptually clean approach to incorporate in an overall indicator what the underlying criteria have captured."²⁵

The only way that one can rank or compare projects is to have a single measure of performance. Otherwise all we know is that some projects are good on some criteria and some projects good [or bad] on other criteria. However, collapsing all of the information about performance on various criteria into a single number that can be used to rank projects is not easy. Weights are necessary to express the relative importance of the criteria. However, weights inevitably embody a large element of subjective judgement. The alternative approaches to this problem are:

- Undertake a cost-benefit analysis of all projects, and rank projects in order of their net present values
- Use a multi-criteria project scoring system and a set of importance weights for each criteria to construct an performance "index" that results in a performance number for each project – such numbers have no absolute meaning but can be used to rank projects by their relative performance

Both approaches have value. Cost-benefit analysis is the more rigorous of the two. However, cost-benefit analysis requires special training, and requires data that is often expensive to generate, and, in the end, still includes a subjective element [although a smaller subjective residual than any other method].

On balance, we recommend that cost-benefit analysis be undertaken during appraisal, and the net present value recalculated at the end of implementation, for all projects larger than \$us 5 million [This cut-off is simply a matter of economy. Smaller projects should be analyzed as well if they are sufficiently important and instructive.] We also recommend that all projects be scored according to a multi-criterion system as described in other sections of this report. When a cost-benefit analysis is done, it should be taken into account in scoring the project as well as used itself. [See Section 4.2]

Once projects have been scored on different criteria, one needs to have "criteria weights" to be able to combine these scores into a single number that reflects overall performance by the project.

3.2 Weighting the Criteria

"All MDBs are conscious of the dangers of double counting in the aggregation process, the need for transparency as to the weights attached to each criterion, each underlying factor and their ratings, and that an aggregation rating system must allow evaluators to override purely mechanistic ratings."²⁶

At present, the CDB uses weights for each "area" of project performance. For example, the Project Performance Rating System lists 11 implementation areas and 8 operations areas, each of which receive a score and have a weight. As discussed in the previous section, the maximum score is 4. The individual weights vary from 1 to 5. So the maximum weighted score that any single area can receive is 20. The weights add to 25 [in direct lending, implementation, for example]. Therefore the maximum total weighted score a project can receive is 100. This approach has, first of all, the weakness of all weighting schemes. That is, it is arbitrary and the weights are sometimes difficult to justify. For example, "social impact" has a weight of 2, while "project scheduling" has a weight of 3. In the operations phase "development objectives" have a weight of 5 but in the implementation phase "project design" has only a weight of 3. As well, virtually all the weights are 1, 2 or 3. These are large difference for weights. Is "disbursement management" really always three times as important as "counterpart funding"?

The Evaluation Cooperation Group has not yet agreed on weights. Therefore the CDB must adopt interim weights, and then participate in the S-R ECG's deliberations on harmonized weights. The most recent round of work by the ECG recommended a "deepening of the harmonization process" in two ways – first by analyzing and standardizing some of the factors that make up the 8 major evaluation criteria already agreed, and second by "assessing the weighting of these factors within each evaluation criterion".²⁷ This is an understatement because not only has the Group not agreed on sub-criteria and their weights, it has not agreed yet on the weights for the main criteria.

"At present, the systems used by MDBs for the purpose of aggregation vary significantly. This is the most evident when it comes to the "quantitative" aspects – that is, the aggregation of ratings. At one end of the spectrum is AsDB, which uses, first, an arithmetic [unweighted] averaging of ratings of all factors in each criterion and, second, averages the ratings of each criterion to give an overall rating. At the other end are EIB and IADB, which aggregate the qualitative findings related to [part of] the basic five evaluation criteria. AsDB is closer to EIB, also relying on a largely qualitative aggregation but with a major constraint – evaluators have to give principal weight to efficiency. In the middle are the EBRD and the WB. The former gives evaluators some leeway in their weighting but also provides clearly spelled out constraints, which inter alia give high recognition to relevance/transition impact. The WB has been testing a system, in the context of the Annual Review of Development Effectiveness, which combines sustainability and institutional development impact [both weighted] with its outcome rating [which itself combines relevance, efficacy, and efficiency using a weighted formula]... One other issue merits flagging, namely that EBRD includes its own MDB performance in its aggregate project performance indicator".²⁸

Assuming that the CDB adopts harmonized evaluation criteria, it would be these criteria that receive weights. The "areas" to which the CDB presently assigns weights could perhaps be recast as sub-criteria of the five ECG performance criteria, with sub-weights. However this is a refinement that can wait until after some basic decisions are made. It is also possible to consider whether some evaluation weights

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should be varied at different stages of the project life cycle [doubtful]. The simplest approach would be to weight the five main criteria equally.

Table 4: Option 1 for a Weighting Scheme - Equal weights

Relevance	0.2
Efficacy	0.2
Efficiency	0.2
Sustainability	0.2
Institutional development impact	<u>0.2</u>
	1.0

Weights can be deliberately selected to minimize the effects of overlap between criteria. For example, "economic efficiency" has three parts – efficacy, cost efficiency, and sustainability [risk]. Option 2 clusters the criteria and weights in this way.

Table 5: Option 2 for a weighting scheme - giving cost-efficiency more weight, and grouping the economic outcome indicators together to give them more visibility

Relevance	0.2
Economic efficiency	
Efficacy	0.1
Cost efficiency	0.3
Sustainability	0.2
Institutional development impact	<u>0.2</u>
	1.0

Another attractive way to proceed while still keeping relatively close to the criteria that the ECG has espoused, is to emphasize "relevance" more, especially poverty relevance. The ECG was somewhat critical of the World Bank, for example, for not giving poverty a larger and more visible role in determining "relevance".

Table 6: Option 3 for a weighting scheme - emphasizing relevance more, especially poverty relevance

Relevance	
- Strategic relevance	0.1
- Poverty relevance	0.2
	<small>[broad-based growth, vulnerability & safety nets, targeted to low income]</small>
Economic efficiency	
- Efficacy	0.3
- Cost efficiency	0.1
- Sustainability	0.1
Institutional development impact	0.2
	<hr style="width: 10%; margin-left: auto; margin-right: 0;"/> 1.0

3.3 An Aggregate Measure of Project and Portfolio Performance

The CDB calculates a project performance index [PPI] number, based on supervision data not on project-completion data. The PPI is calculated by multiplying the performance score for each area by the importance weight for that area and adding the results together for all areas relevant to the project. This PPI number ranges from 25 [where the project receives the lowest possible raw performance score for each area] to 100.

Table 7: Existing PPI Categories

PPI	Quality rating
90-100	Excellent
80-89	Very good
70-89	Good
60-69	Fair/Satisfactory
50-59	Marginal
40-49	Unsatisfactory/Poor
00-39	Very poor

An overall PPI for the whole portfolio is calculated by weighting the project PPIs by the budget proportion [the ratio of the project budget to the total budget for the portfolio, country or sector, as appropriate].

Categorizing the overall performance of the project or the portfolio in this way – “excellent”, for example, or “very poor”, is unusual among the MDBs, but is very helpful in interpreting the performance data. The World Bank does something similar by focusing on its “outcome” indicator and collapsing the results into SAT/UNSAT – that is, the WB focuses on what percentage of projects has at least a “satisfactory” result. The World Bank APPI index is broader.²⁹ However this procedure is clearly inferior to present CDB practice.

The CDB prepares an annual review of the performance of the project/loan portfolio,³⁰ which draws upon the PPI data. In addition to discussing rating methodology, and putting the results into the context of the current economic environment, the annual review describes changes in the portfolio and in the performance indicators since the previous year and comments on portfolio management. The annual review also describes portfolio performance by country and by sector, which is an important contribution to the CDB’s ongoing country and sector strategies. The review also normally describes the performance of financial intermediaries, the DFIs. The major limitation of the CDB review is that the PPI data will be kept year by year in an accessible computerized database only when the Project Performance Management System is functional. [See Section 7.1]

3.4 A Summary of the Recommend Approach

Table 8 shows a summary of the recommended criteria, weights and scores.

Table 8: Performance Criteria, Scores and Weights

Performance Criteria and their Weights	Factors to be taken into account	When?	Score
Rationale:			
Strategic Relevance [Weight 0.1]	Fit with country strategy & MDB statutes, strategy, comparative advantage and policy priorities.	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Poverty Relevance [Weight 0.2]	Fit with BMC and CDB poverty reduction strategies.	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Outcomes:			
Efficacy [Weight 0.3]	Extent to which project achieved objectives – policy, production, physical, financial, social and environmental objectives. Sub-loan performance.	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Cost Efficiency [Weight 0.1]	Extent to which benefits exceed costs. Timeliness. [Financial FRR,ERR. Return on rate base, cash flow break even, financial ratios, least cost, repayment rates.]	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
ID Impact [Weight 0.2]	Extent to which better norms and practices enable better use of human, financial & natural resources.	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Sustainability [Weight 0.1]	Likelihood of achieving full expected life in the light of all known internal and external factors.	Appraisal Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Summary of project performance:			
Overall project performance	PPI	Supervision Completion	Excellent [8 to 10] Highly satisfactory [6 to 7.5] Satisfactory [4 to 5.5] Marginally unsat. [2 to 3.5] Unsatisfactory [0 to 1.5]
Institutional performance			
Borrower and executing agency performance	Adequacy of assumption of ownership and responsibility for success and sustainability.[For example: counterpart \$, project management, compliance with loan conditions, procurement management, org./admin.]	Supervision Completion	Excellent Highly satisfactory Satisfactory Marginally unsatisfactory Unsatisfactory
Bank performance	Quality of services, especially quality at entry and viability of implementation and operations arrangements. [For example, project identification and design, disbursement management, project scheduling, and consultant performance.]	Supervision Completion	Excellent Highly satisfactory Satisfactory Marginally unsatisfactory Unsatisfactory

4.0 STAGES OF PROJECT PERFORMANCE EVALUATION

Project evaluation is important at all stages of the life cycle, particularly at three points:

- Initial appraisal of the proposed investment
- Mid-term evaluation [a major supervision milestone], and
- Completion of implementation

4.1 Appraisal: General Approach

The CDB project review unit appraises about 20 projects each year. The project officer completes a first draft of a financial, economic and social project appraisal, calculating an economic rate of return [ERR] where possible. The project review unit checks the validity of the analysis.

The guidelines for project appraisal are presently being revised. There is an appraisal criteria matrix that lists 6 main criteria, and indicates what sectors and types of loan are most relevant to each criterion. The six criteria are:

- Financial rate of return
- Return on rate base
- Cash flow break even
- Financial ratios
- Repayment and attrition
- Least cost analysis

This criterion matrix needs updating for newer sectors and types of project, such as human resource or institutional strengthening projects, and social sector projects. As well, economic conversion factors that are important to economic analysis in specific countries need updating.

At the same time as the economic and financial analysis is undertaken the project coordinator prepares a 'logical framework' for the project. This log-frame analysis identifies the project objectives, its outputs and outcomes, and its performance indicators. The performance indicators are specific to the project, not standard.

The project team does the first draft of the project proposal and appraisal. The second, along with the log-frame and economic analysis, is reviewed at the divisional level. At this stage, the PIEU, Post Implementation Review Unit, reviews the proposed performance indicators. The third draft receives departmental/interdepartmental review. It is then sent to the Loans Committee, which determines the project's readiness for submission by the President to the Board of Directors.

A meeting is convened by the Director, Projects, to consider the proposal and appraisal. After revision, the document goes to the Loans Committee for approval.

4.2 Appraisal: ERR and Outcome/Sustainability Ratings

At present the calculation of rates of return [IRR financial, and ERR economic] is conducted without any clear reference to "outcomes and sustainability". However, the two should be related. Since it is the more rigorous methodology, the results of ERR analysis should be primary, and should largely determine the "outcome" and "sustainability" scores. The following three situations call for somewhat different approaches.

Situation 1: Economic and financial rates of return can be calculated from the data available, and risk taken into account in adjusted flows of expected costs and benefits, using software such as @RISK or Crystal Ball.

Relating IRR/ERR and Outcome/Sustainability [Situation 1]

1. If the economic and financial calculations both yield a positive net value (NPV) using a 10% real (after inflation) discount rate, then both outcome and sustainability are fully satisfactory.
2. If the economic NPV is positive and the financial NPV negative, then outcome is still fully satisfactory (assuming this is the intended result, as it is in school construction and operation, for example). However, in this case, second-order questions about the commitment and ability of the designated agency to cover the financial deficit must be asked as a basis for a sustainability rating.
3. If the financial NPV is positive but the economic NPV negative, then the outcome is unsatisfactory. This might occur, for example, when an industrial facility imposes pollution costs on the surroundings that are not internalized in the project financial accounts but are counted as economic costs. In such a case, the longer the project continues, the worse the result (sustainability is not desirable). Therefore, the scale is reversed; that is, if the project has a long expected life, its sustainability is highly unsatisfactory, and if it has a short expected life, its sustainability is highly satisfactory.
4. If both financial and economic NPVs are negative, the outcome is highly unsatisfactory. However, such a project is unlikely to last long, given its poor financial picture, so sustainability is unlikely and this is highly satisfactory.

The minimum requirement for an adequate measure of the outcome of a particular project is that measurable high-level outputs are specified. These outputs should be selected and defined to be as close as possible to ultimate "outcomes" without becoming unmeasurable.

Situation 2: Economic and financial NPVs cannot be calculated from the available data, but project documents contain explicit criteria for assessing outcomes and sustainability. That is, satisfactory performance on these two dimensions is defined, but not by NPV calculation.

Rating procedures [Situation 2]

1. Gather all necessary and sufficient evidence to assess performance against each criterion.
2. Adjust the performance rating if necessary.

Each level of sustainability must be defined in terms of how long the project is expected to continue producing outputs and outcomes. The economic life of some projects is easy to define, and of others, difficult. For example, if an agricultural extension project aims to accelerate adoption of new seeds that would be adopted in time anyway, a rating of *highly sustainable* is equivalent to a rating of *fully accelerated*.

Policy-based lending is an important special case where "outcome" is the degree to which the desirable policy regime is actually put into place. In some cases a single enactment— legislative, regulatory, or administrative—is sufficient to define outcome. In other cases, enactment, implementation, and enforcement are all necessary to define outcome. Measurement of whether the new policy regime actually has the expected results may be necessary.

Situation 3: Economic and social rates of return cannot be calculated from the data available, and the project documents do not contain an adequate definition of satisfactory outcome and satisfactory sustainability.

Rating procedures [Situation 3]

1. Formulate appropriate criteria and obtain agreement from the borrower before proceeding.
2. Proceed as in Situation 2.

Situation 4: Clear and explicit criteria of outcome and sustainability were formulated during project preparation but changed at a later date.

Rating procedures [Situation 4]

1. As in Situation 3, obtain agreement from the borrower on criteria before proceeding. Ascertain whether changes in criteria reflect learning, circumstantial changes, an attempt to avoid accountability, or other more complex forms of goal displacement.

Once appropriate criteria are agreed, proceed as in Situation 2.

4.3 Appraisal: Logical Framework Analysis

The harmonized evaluation criteria are compatible with the use of Logical Framework Analysis by the CDB. The harmonized criteria develop the LogFrame further in three areas: outcomes, sustainability, and institutional impact. Table 9 shows one way of constructing a LogFrame Matrix using the harmonized criteria. [See Annex 1 for an example].

Table 9: The Main Categories of Logical Framework Analysis, compared with Harmonized Evaluation Criteria

Harmonized Criteria	Old LogFrame Main Categories
---------------------	------------------------------

All Stages of Project Evaluation

Relevance

[Goal, purpose, fit with strategy]

Goal Purpose

Outcomes

Efficacy

[Objectives achieved.]

Outputs [Some aspects of 'outcomes' are often specified as part of the 'goal statement' above.]

Efficiency

[Objectives achieved per unit cost cost/benefit, rate of return]

Inputs

Sustainability

[Risk]

[Could be treated under outputs and inputs above, but not explicitly visible in the matrix at present.]

Institutional development

Impact

[Could be treated under outputs and inputs above, but not explicitly visible in the matrix at present.]

Implementation and operations stages only

Composite single measure of performance

Bank performance

Borrower performance

Three columns of the LogFrame Matrix would remain unchanged whatever the main "horizontal" categories of the matrix. These three are: "objectively verifiable indicators", "means of verification", and "assumptions". If the LogFrame is completed early, using the harmonized criteria, then it can provide a quick but still relatively rigorous test of whether a full appraisal is worthwhile or not.

4.4 Supervision

The Portfolio Monitoring and Review Unit [PMRU] keeps and analyses performance data generated by Project Supervision Reports. Guidelines indicate that these supervision reports should be done quarterly by the project supervisors. However, in practice, the supervisors exercise their discretion as to when a new supervision report is completed.

The supervisor scores direct-lending project performance in the implementation phase for 11 areas, and in the operating phase for 8 areas.

Table 10: CDB 'Performance Areas' for Direct Loans

Implementation performance	Operating performance
1. Project design	1. Development objectives
2. Counterpart funding	2. Financial performance
3. Project management performance	3. Project management performance
4. Compliance with loan conditions	4. Compliance with loan conditions
5. Procurement management	5. Output
6. Disbursement management	6. Debt service
7. Project costs	7. Environmental impact
8. Environmental impact	8. Social impact
9. Social impact	
10. Project scheduling	
11. External factors	

However in the early stages of the project, there may not be sufficient information to assign performance scores to all of the "implementation performance areas". In this case, only some of the areas are scored and the aggregate performance score is based only on those areas scored.³¹

Table 11: Existing Performance Areas Scored during Supervision, Compared with the Harmonized Evaluation Criteria

Harmonized Criteria	Performance areas presently scored by CDB during supervision	
	Implementation	Operation
Relevance [Goal, purpose, fit with strategy]	Project design	Dev. Objectives
Efficacy [Objectives achieved.]	----- Environ. impact Social impact	Output Environmental impact Social impact
Efficiency [Objectives achieved per unit cost cost/benefit, rate of return]	Project costs Counterpart funding Sub-loan portfolio performance [financial intermediaries only]	Debt service Financial performance
Sustainability [risk]	External factors	
Institutional development Impact		
Composite single measure of performance	PPI	PPI & PQR
Bank performance	-----	-----
Borrower performance	Project management Project scheduling Compliance with loan conditions Procurement management Disbursement management	Project management Compliance with loan conditions

4.5 Projects at Risk

If projects are scored as recommended in 2.5 above, during supervision, then the scores can be used to trigger "projects-at-risk" red flags. If the composite score falls below a certain threshold, it could raise a red flag, or if the score declines by, say, more than 10% of the previous supervision score.

Table 12: Recommended Criteria to be Scored during Supervision

	<u>Performance</u> Score	<u>Weight</u>	<u>Trend</u> Score
Relevance [Goal, purpose, fit with strategy. Development objectives. Project design/adjustment]	1-10	30%	1-3
Efficacy [Outputs. Achievement of policy, physical, financial, and social objectives Environmental impact.]	1-10	30%	1-3
Efficiency [Objectives achieved per unit cost cost/benefit, rate of return. Sub-loan portfolio performance (financial intermediaries only). Counterpart funding. Debt service.	1-10	10%	1-3
Sustainability [risk, external factors]	1-10	10%	1-3
Institutional development Impact	1-10	20%	1-3
TOTALS [Weighted scores used to calculate a composite single measure of performance: PPI]	5-100	100%	5-15

Two additional criteria would be assessed qualitatively, but not scored nor weighted because they are not components of the PPI.

Bank performance	Excellent Good Adequate Unsatisfactory Very unsatisfactory
Borrower performance	Excellent Good Adequate Unsatisfactory Very unsatisfactory
Project management	Good
Project scheduling	Adequate
Compliance with loan conditions	Unsatisfactory
Procurement management	Very unsatisfactory
Disbursement management	

This data is used by the CDB for project and portfolio scoring and ranking. It is unusual among MDBs that project supervision data should be used for this purpose. For the most part, other MDBs track 'projects at risk' during implementation, but score and rank project performance only at completion. The World Bank, for example, has a quality assurance group [QAG] that handles supervision data separate from the Operations Evaluation Department, which does the scoring

validation at completion. QAG focuses on various aspects of quality of the portfolio, including a key indicator "projects at risk". The existence of two groups, OED and QAG, one reporting to the Board and one reporting to the President, has historical roots that are not particularly relevant to the CDB.

The CDB's use of supervision data for scoring and ranking projects has been discussed in detail in earlier sections of this paper.

4.6 Mid-Term Evaluation

In recent years the CDB has undertaken several mid-term evaluations that are more substantial than the routine project supervision reports. Under the proposed system they would use the same harmonized criteria.

4.7 Project Completion Assessment

The CDB's principal evaluation products are Project Completion Reports [PCRs] and Ex-Post Evaluation Reports. It is the responsibility of the Projects Department to prepare PCRs.³² It is the responsibility of the Post-Implementation Evaluation Unit [PIEU] to audit every PCR, carry out other evaluation studies, and prepare periodic summaries of post-evaluation findings and lessons of experience. The product of the PIEU is called a *Project Performance Audit Report* [PIAR].

The PCR is in effect the final supervision report of the implementation phase. It indicates the extent to which the objectives specified in the original appraisal of the project are likely to be achieved. It re-estimates, wherever applicable, the financial and economic rates of return in the light of actual experience. It also includes an assessment of the performance of the CDB, the borrower, the executing agent, and other individuals and organizations that may have had a significant role in the implementation of the project. Conclusions are drawn and lessons learned indicated. Follow-up actions by the CDB, the borrower and/or the executing agent, which are necessary for the project to operate effectively, are outlined in the PCR.

The CDB intends that a PCR be prepared for every project 6 to 18 months after completion. The preparation does not need to await final disbursement if there are delays on final payments. It can be undertaken after substantial completion. Once the computerized *Project Portfolio Management System* is complete it will be much easier to write PCRs – some of the quantitative data will be automatically compiled and only commentary will be needed. This should enable a major improvement in the PCR completion rate. This is important since only about 10 PCRs have been written since 1991, and none in the past three or four years. Nor have Project Performance Audit Reports been prepared. Those few PCRs that were written did not build upon the supervision reports explicitly, nor recalculate nor sum up the project scores and ranks calculated during supervision, nor sum up the trend data. Therefore, at present, PCRs are less useful than they might otherwise be in comparing project performance relative to other projects of the same type or for deriving portfolio management lessons.

4.8 Post-Operation Evaluation

The CDB's Post-Implementation Evaluation Unit [PIEU] is responsible for the major evaluations conducted by the Bank. These evaluations are highly customized to a particular project. Therefore they almost always cover all of the issues, including the general issues of relevance, efficacy, efficiency, institutional impact and sustainability.

Evaluations are often initiated by a request from the President or the Board, by a request from another MDB or bilateral donor in regard to a co-financed operation, or from a CDB unit that has recognized a need to learn from a particularly difficult or interesting project.

However, the annual budget available for these evaluations is small and therefore they are few.

5. PERFORMANCE EVALUATION PROCEDURES

5.1 Sampling

Although CDB evaluation guidelines call for quarterly evaluation during supervision, and for a summative evaluation at project completion, these tasks are frequently not done. It would be better if the requirements for evaluation were less frequent, but were consistently achieved.

However, all projects must be fully appraised at the start to ensure good investment decision-making, and evaluated at completion to derive lessons from the experience.

"MDBs that do not prepare completion reports for all completed projects will face a question as to whether the sample selected is skewed towards more successful projects. At the AsDB, EBRD, IADB and EIB, completion reviews are done for all projects with the associated performance data. However, unlike at the WB, these are not all subject to an independent desk review by an independent evaluation unit. Therefore the selection of projects for completion review might lean towards either those that are more successful or those that are problematic..."³³

It might be possible to simplify evaluation during supervision by requiring performance scoring only at mid-term and at completion, not at every quarterly supervision milestone.

5.2 Resources for Evaluation

The CDB has a backlog of unevaluated projects. In order to avoid an accumulation of projects to be evaluated, the CDB must evaluate each year at least the same number of projects approved during the year – usually around 20. To some degree projects can be grouped by sector or theme and evaluated as a group, and this can help moderate the resources that need to be spent on evaluation.

The CDB needs to assess the use of existing staff for these evaluation tasks, whether changes in methods would be more efficient, and whether additional resources are needed.

6.0 USING THE HARMONIZED CRITERIA TO EVALUATE DIFFERENT TYPES OF PROJECTS

6.1 Scoring Strategic "Relevance"

Strategic relevance is defined as consistency of the project with [1] the country's overall development strategy and the MDB's assistance strategy for the country as reflected in the Country Assistance Strategy or equivalent, and [2] the MDB's statutory requirements, comparative advantage and policy priorities. The relevance criterion normally refers to current circumstances at the time of the evaluation, and at the time of Board approval. Sometimes these are the same, and sometimes either circumstances or project design change significantly in implementation. The Evaluation Cooperation Group has noted that evaluators who stress accountability are more concerned with relevance at the time of approval. Others focusing on learning from the project emphasize the importance of relevance at the time of the evaluation. Although evaluations need to encompass both accountability and lesson learning, there appears to have been an evolution in MDB practice towards the latter and therefore towards assessing relevance at the time of the evaluation.³⁴

"Relevance has taken on increasing importance as an evaluation criterion with MDBs as they have sought to ensure a more formal consistency of projects with country development strategies and with MDB assistance strategies. All MDBs have incorporated some relevance factors in their evaluation criteria. However, much room is left for a more systematic recognition of this evaluation criterion. Noteworthy is the vigorous effort made by EBRD to assess the impact of each project on transition from a centrally planned socialist system to a market democratic system [for "transition" read "development" in other contexts].³⁵

6.2 Scoring "Poverty Relevance"

Poverty relevance is judged by consistency with the country's poverty assessment and action plan, and with the CDB's poverty policy and strategy.

6.3 Scoring "Efficacy, Efficiency, and Sustainability"

[A] Efficacy

Efficacy is defined as the extent to which the project achieved the development objectives that were articulated at approval - policy, physical, financial, institutional, social and environmental goals [recognizing any change in the project design since approval].

"Unanimity was evident on the definition of efficacy. There was broad agreement that goal-based evaluation enhanced accountability. However, MDB evaluators recognize that one must assess outcomes in terms of realistic goals - that is, excessively modest or excessively ambitious objectives should be normalized when assessing efficacy."³⁶

[B] Efficiency

Efficiency is defined as the extent to which the project's benefits, actual or expected at the time of evaluation, are commensurate with inputs, looking at costs and

implementation time. Economic and financial rates of return are used or, if not possible, other measures of cost effectiveness.

"The ECG evaluators were unanimous also on the definition of efficiency, but raised several issues. The conceptually most satisfactory criterion for efficiency [net present value and economic/financial rates of return] is being used for fewer projects as time goes on. Thus other cost effectiveness criteria and qualitative judgements are needed, especially in the social sectors, for which indicators are sometimes undeveloped or difficult to use consistently. As well, there are overlaps between the net present value criteria and sustainability [risk] and institutional development impact. Finally, special care is needed in presenting costs and benefits of projects that are restructured during implementation so as to avoid doubtful sunk cost assumptions."³⁷

[C] Sustainability

Sustainability is defined as the likelihood that the project results, actual or expected at the time of evaluation, will be maintained over the intended useful project life. The ECG suggested that at least eight factors need to be considered: technical soundness, government commitment including supportive legal and regulatory frameworks, socio-political support, economic viability, financial viability, institutional and organizational and management effectiveness, environmental impact, and resilience to exogenous factors.

"The ECG noted that sustainability could be at least partly taken into account under the three 'outcome' criteria [relevance, efficacy, and efficiency]. Nevertheless, sustainability should be recognized and assessed separately because risk is important in an increasingly volatile operating environment... By concentrating attention on the factors likely to impact on sustaining project benefits, sustainability analysis can trigger actions complementary to a project."³⁸

"Sustainability has become increasingly important in the MDBs guidelines, even though they recognize it rather unevenly. Good attention to environmental sustainability has become common. AsDB has probably captured most extensively the many facets of this evaluation criterion. However, many evaluators express concern about "double counting" between "efficiency" and "sustainability".³⁹ [Author's note: Economists normally treat "sustainability" as part of risk, and risk as part of the probabilities of costs and benefits actually occurring. Therefore, in their tradition, sustainability is an integral part of efficiency analysis.]

6.4 Scoring Institutional Development Impact

Institutional development impact is defined as the extent to which the project has contributed to improvements or other changes in norms and practices [institutional capacities, policy frameworks, etc.] that enable the country to make efficient use of its human, financial and natural resources, whether these changes were intended or not.⁴⁰

The evaluation of institutional development impact is uneven across MDBs. Some consider that the topic is adequately addressed in their evaluations under other criteria. For example, the EBRD focus on changes in the "rules of the game" in transition from planned to market economies shows a strong interest in institutional development impact although this MDB does not presently use the evaluation term. Nevertheless, all of the MDBs involved in the Evaluation Cooperation Group who do not presently have ID impact as an explicit criterion are in the process of adopting it.

The ECG evaluators have raised two main issues in regard to the use of an ID impact criterion. They relate to the scope of the criterion and the coverage of unintended as well as intended impacts.

"As to scope, ID impact covers the full span of the "rules of the game" – the formal laws, regulations and procedures, and informal norms and practices that govern social and economic interactions and exchanges between people. Thus this criterion embraces a great deal more than organizational strengthening, with which it was primarily associated in the past. Therefore evaluators have called for new guidelines on how to rate institutional development impact. Some felt that the scope of the criterion was too broad for consistent application."

6.5 Scoring and Rating CDB and Borrower Performance

"The project evaluation work of all MDBs is mostly related to the basic five criteria – relevance, efficacy, efficiency, sustainability, and institutional impact. The other two criteria, borrower and MDB performance, are used mostly for quality management purposes although the combination of MDB, borrower and partner performance, together with exogenous factors, determine the outcomes and the performance rating."⁴¹

To some extent the CDB's performance is independent of the main five project evaluation criteria [relevance, efficacy, efficiency, ID impact, and sustainability]. All these can be rated unsatisfactory, for example, and yet the Bank's performance be rated highly satisfactory, or vice versa. That is, sometimes a project will fail and sometimes succeed brilliantly not caused by the Bank either way. Therefore, at a minimum, the project definition document should state specific targets and standards for CDB performance on key tasks [timing, budget control, and quality of services]. However it is also true that independence is the exception. For the most part, CDB performance is reflected in the outcomes of the project.

"MDBs are uniquely responsible for independent project appraisal, in contrast to the preparation and implementation phases where the borrower clearly has primary responsibility."⁴²

Similarly, borrower performance is also partly, but not fully, reflected in the outcomes of the project. Some important external factors are typically not controllable. Nevertheless there are crucial dimensions of borrower performance that must be visible in an evaluation of the project. These include:

- | | |
|-------------------------------|--|
| Ownership | Did the borrower take full responsibility for the success of the project? |
| Goal consonance ⁴³ | Did the borrower act as if it were truly pursuing the declared goals of the project? |

"Borrower performance is perhaps the key determinant of project success or failure, although increased focus on partnership approaches inevitably has produced a correlation between borrower and Bank performance."⁴⁴

Project evaluators should be careful to assess whether any mid-project changes in objectives and/or in project design reflect legitimate adjustments, or, alternatively, are a symptom of illegitimate goal displacement.

7.0 USING PERFORMANCE DATA

7.1 Project Portfolio Management System

The CDB is developing a Project Performance Management System [PPMS] to record a comprehensive record of information for each project at all stages of its life cycle. It is designed to be a central depository for information that can be accessed by all Bank staff. Each record will contain all of the key documents for a project stored in a way that enables one to search and, where desirable, combine information from various stages of the project life cycle for analysis.

If the same evaluation criteria are used at the key milestones in the project cycle, one will be able to analyse changes and trends as well as see the current status of active projects. The ability to query all of the relational databases of the Bank in regard to information on a single project will increase the Bank's capacity to harmonize the various stages of project evaluation – one stage building upon the previous stage.

The PPMS is not yet functional. As an Interim measure, the CDB needs to improve its ability to store project information on spreadsheets [such as supervision scores, for example], and to share this information.

7.2 Portfolio Performance and Performance-Based Budget Allocations

"Some BMCs have made remarkable progress while others have lagged behind. Recent studies on aid effectiveness⁴⁵ have explained this mixed record in terms of differences in the quality of policies, institutions and governance. In settings where poor policies were pursued, or where the institutional environment was weak, aid has not worked. Not surprisingly, where policies were sound and institutions strong, aid has accelerated the process of poverty-reducing growth. It follows that to realize the overarching goal of poverty reduction, a MDB must strengthen the linkage between performance and the allocation of scarce resources among countries."⁴⁶

Performance-based allocations of concessionary funding have become extremely important to MDB planning over the past three years. The AsBD and the World Bank/IDA⁴⁷ have led the way in this regard. Most weight is typically given to country policy and institutional performance [general economic, social and environmental management]. However some weight, in the IDA case 20%, and the AsDB 15%, is given to the performance of the loan/grant portfolio for that country.

Portfolio performance can be judged on either project completion data or on supervision data. Both the AsDB and the WB/IDA use "projects at risk", a number derived from supervision reports, as the basis of their estimates of portfolio performance. They also allow the evaluator some discretion to vary this number where circumstances indicate.

In the SDF replenishment negotiations the topic of performance-based resource allocations will be on the agenda. Therefore the CDB intends to develop an approach to be presented in this forum. This adds some urgency to the reform of project performance evaluation in general since the data underlying a performance-based allocation must be reliable.

8.0 CONCLUSIONS AND SUMMARY OF RECOMMENDATIONS

We recommend that the following steps can be taken without added burden on the CDB staff [with the exception of the Project Performance Management System which requires substantial investment.]

1. *The CDB should adopt the harmonized evaluation criteria, and weights, as shown in Table 8.*
2. *The harmonized criteria should be used at all stages of the project evaluation cycle – especially appraisal, supervision, and project completion. The LogFrame Matrix should use the harmonized evaluation criteria to organize the narrative summary. Supervision reports should include scores against each of the harmonized criteria, and the PPI should be calculated on the basis of these scores. Project Completion Reports should be written for each project at the end of implementation, summing up the performance of the project against the harmonized criteria.*
3. *To simplify matters for the project managers, in an effort to have the requirement consistently achieved, the CDB should require a full project scoring effort during supervision only once each fiscal year [This is a minimum and the project manager is free to do supervision more frequently if the project requires it.]*
4. *The CDB should develop a method of verifying project performance scores, perhaps in cooperation with another MDB.*
5. *The CDB should incorporate the harmonized evaluation criteria in the Project Portfolio Management System and should make that system functional as quickly as possible.*
6. *The CDB should join the Sub-Regional MDB Evaluation Cooperation Group dialogue on project performance evaluation, and, when possible, participate as an observer in the regional ECG.*
7. *The CDB should develop sub-criteria and performance 'indicators', by sector and major type of project (TA, for example), for each of the eight general evaluation criteria.*
8. *The CDB should consider instituting an appropriate set of incentives and checks to ensure that project performance evaluation reports are actually done for all projects at the key stages of the life cycle.*
9. *The CDB should offer training in the use of the new evaluation terminology and methods to all professional staff.*
10. *Once basic decisions are made on these recommendations, a second phase of the study is needed to detail the sub-criteria, develop performance indicators, and redesign instruments, including the LogFrame, the supervision report, and the project completion report.*

Annex 1: Example LogFrame Matrix Using the Harmonized Criteria

Narrative Summary	Objectively Verifiable Indicators/Targets	Means of Verification	Assumptions
1. Relevance/Goal			Relate 'goal' to development priorities
2. Relevance/Purpose			Relate 'purpose' to 'goal'
3. Relevance/Fit with Strategy			Relate 'goal' & 'purpose' to Bank strategy
4. Efficacy/Outputs			Link 'outputs' to 'purpose' to establish 'efficacy'
5. Efficiency	Cost/unit, cost/benefit, IRR, ERR		Link 'outputs' to 'costs'
6. Sustainability	Eight criteria of 'sustainability'. See Section 6.2		Describe risks in relation to 'outputs' and 'costs'
7. Institutional development impact	Improvements in norms and practices [institutional capacities, policy frameworks, etc.] that enable the country to make better use of its human, financial and natural resources [Section 6.3]		Describe links between 'outputs' and 'institutional development impact'.
8. Inputs	List inputs and associated costs by time period.		What are the counterpart input commitments by the borrower?
9. Costs profile	Cost summary – totals in each time period		Key assumptions underlying cost projections?

Endnotes

¹ MDB Evaluation Cooperation Group [ECG], *Harmonization of Evaluation Criteria Among the Multilateral Development Banks*, December 1999

² The Secretariat for the S-R ECG is the headquarters of the Central American Bank for Economic Integration [CABEI] in Tegucigalpa, Honduras.

³ The ECG is considering inviting a member of the S-R ECG to attend its meetings for the purpose of communications and coordination.

⁴ *Ibid*, p.7

⁵ *Ibid*.

⁶ *Ibid*, p.10

⁷ *Ibid*, pp.8-9

⁸ "Relevance" is defined as "Consistency of project with (i) Country's overall development strategy, and the MDB's assistance strategy for the country [reflected in the Country Assistance Strategy, CAS, or equivalent], and (ii) MDB's statutory requirements, comparative advantage and policy priorities. The relevance evaluation refers to current circumstance; i.e. it is based on (i) and (ii) above as they stand at the time of evaluation, and at board approval, if different at that time. Any changes introduced in the project since board approval should be taken into account.

⁹ "Efficacy" is defined as the extent to which project achieved development objectives articulated at approval and specified in categories such as policy goals, physical, financial, institutional, social and environmental, recognizing any change introduced in the project since Board approval.

¹⁰ "Efficiency" is defined as the extent to which the project benefits, actual or expected at the time of evaluation, are commensurate with inputs, looking at cost and implementation time. Economic and financial rates of return should be used or, if not possible, other measures of cost effectiveness.

¹¹ "Sustainability" is defined as the likelihood that project results, actual or expected at the time of evaluation, will be maintained over the intended useful project life (there is a need for consistency on anticipated life with the economic rate of return calculation for efficiency where applicable). Eight factors are to be considered in establishing likely sustainability (no priority ranking intended). These are: technical soundness, government commitment including supportive legal and regulatory framework, socio-political support, economic viability, financial viability, institutional and organizational and management effectiveness, environmental impact, and resilience to exogenous factors.

¹² "Institutional Development Impact" is defined as the extent to which the project has contributed to improvements or other changes in norms and practices [institutional capacities, policy frameworks, etc.] that enable the country to make more effective use of its human, financial and natural resources, whether these changes were intended under project objectives or otherwise.

¹³ Project Review Unit, Appraisal Criterion 5, Policies and Procedures Manual PPM-A8, Page 3.

¹⁴ The CDB Guidelines list the following examples of production performance factors, noting that some might also apply in evaluations of the operational phase, since implementation and operations overlap: "levels of utilization of plant capacity, employment generation, sales levels, progress in civil and other engineering works, acquisition of key machinery equipment and spares, acquisition of critical inputs and materials, levels of commitments, levels of disbursements, number of subloan approvals, value of subloan approvals, value of arrears of principal and interest, general performance and institutional performance in areas such as general management and management of consultants." CDB PPM-A79, Page 6.

¹⁵ Project Review Unit, Appraisal Criterion 1, Policies and Procedures Manual PPM-A8, Page 3.

¹⁶ Project Review Unit, Appraisal Criteria 2,3,4,6. Policies and Procedures Manual PPM-A8, Page 3.

¹⁷ The CBD Guidelines state that cost analysis should also include a full consideration of problems such as "implementation delays, investment cost overruns, revenue shortfalls, counterpart funding deficiency, technical problems, management problems, inappropriate interest rate policy, sub-loan arrears, deficiencies in operating systems and procedures, and insurance coverage." CDB PPM-A79 Page 7

¹⁸ The CDB Guidelines state that the evaluator should assess financial performance "using the financial statement and discussions with management and the monitoring indicators selected at appraisal as a basis, and compare appraised surplus/deficit position with actual giving explanations for variances.

Follow-up on insurance coverage necessary to protect investments. Assess ability to service debt from project revenue, and examine profitability, liquidity, and capital structure." CDB PPM-A79, Page 10.

¹⁹ The CDB Guidelines state that the evaluator should assess technical performance including "equipment obsolescence and technology know-how problems and adequacy of maintenance repairs and replacement of assets to protect the environment." CDB PPM-A79, Page 10.

²⁰ The CBD Guidelines state that the evaluator should assess management performance in the operating phase. "Monitor adequacy of management capability and any adjustments necessary to meet changing conditions, marketing management and staffing; and should monitor adequacy of operating systems and procedures, especially loan administration and supervision in the case of DFIs." CDB PPM-A79, Page 10.

²¹ "Depending on the number of beneficiaries of the respective Line of Credit, all beneficiaries or a representative sample of beneficiaries from that Line of Credit will be evaluated as if loans were made directly to them by CDB." PPM 403, October 19892, Financial Intermediaries, Page 3.

²² Some of the factors mentioned by the CDB Guidelines PPM-A79 in regard to evaluating compliance with Loan Agreement Covenants include: consultants hiring/adequacy; staffing/staff training; pricing covenants; auditing; borrower's contribution of capital; and others.

²³ Conditions included in financing agreements can include: "policy reform, environmental concerns, appointment of key staff, selection and engagement of consultants, selection and engagement of contractors, acquisition of project site, provision of counterpart contribution by the recipient of CDB financing/EA, maintenance of assets, designing and implementing accounting and management information systems, financial conditions [such as financial performance, tariffs, rates of return, or debt limitation], loan security, insurance often as security for the loan and of goods acquired for the project, reporting requirements, or institutional reform." CDB *Guidelines for Project Supervision*, April 2000, Appendix 1.

²⁴ ECG, op. cit., p.6

²⁵ Ibid, p.11

²⁶ ECG, "Harmonization of Evaluation Criteria", op. cit., p.11

²⁷ ECG, "Harmonization of Evaluation Criteria", op. cit., p.10

²⁸ ECG, "Harmonization of Evaluation Criteria", op. cit., p.12

²⁹ For a discussion of the theory underpinning the World Bank Aggregate Project Performance Index see: "Measuring Development Effectiveness: the search for a measure of overall project results", by Federico Mini, Operations Evaluation Department, November 1998.

³⁰ See, for example, Paper BD 44/97.

³¹ CDB, *Guidelines for Project Supervision*, April 2000

³² CDB, *Guidelines for Post-Evaluation*, Volume 4, October 1992, PPM 401

³³ ECG, "Harmonization of Evaluation Criteria", op. cit., p.14

³⁴ Ibid, p.9

³⁵ ECG, "Harmonization of Evaluation Criteria", op. cit., p.9

³⁶ ECG, "Harmonization of Evaluation Criteria", op. cit., p.12

³⁷ Ibid.

³⁸ Ibid.

³⁹ Ibid, p.9

⁴⁰ For a good discussion of institutional development impact as an evaluation criterion see: Douglas C. North, *Institutions, Institutional Change and Economic Performance*, Cambridge University Press, 1990, ISBN 0-521-39416-3

⁴¹ ECG, "Harmonization of Evaluation Criteria", Box 2 and Section 10.

⁴² ECG, "Harmonization of Evaluation Criteria".

⁴³ The CDB and the BMC have 'consonant' goals if their objectives are truly the same.

⁴⁴ ECG, "Harmonization of Evaluation Criteria".

⁴⁵ Performance-based resource allocation was promoted particularly by *Assessing Aid: What Works, What Doesn't, and Why*. A World Bank Policy Research Report, 1998.

⁴⁶ Asian Development Bank, *Performance Based Allocation of ADF Resources*, Asian Development Fund Donor's Meeting, Chiang Mai, May 2000, p.1

⁴⁷ See World Bank, *IDA Country Performance Rating Process*, Annual Report 1999, February 2000.

