

**CARIBBEAN DEVELOPMENT BANK**



**REGIONAL COOPERATION AND INTEGRATION –  
CONTINUING SUPPORT**

**Replenishment Negotiations for the Special Development Fund - Eighth Cycle**

**July 2012**

## **CURRENCY EQUIVALENT**

[Dollars (\$) throughout are US dollars unless otherwise specified]

## **ABBREVIATIONS**

BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
CARICAD	-	Caribbean Centre for Development Administration
CARICOM	-	Caribbean Community
CARTFUND	-	Caribbean Aid for Trade and Regional Integration Trust Fund
CARTAC	-	Caribbean Regional Technical Assistance Centre
CDB	-	Caribbean Development Bank
CIDA	-	Canadian International Development Agency
DFID	-	Department for International Development
ECCB	-	Eastern Caribbean Central Bank
ECCU	-	Eastern Caribbean Currency Union
HRD	-	Human Resources Development
ICTs	-	Information and Communication Technologies
IMF	-	International Monetary Fund
MDGs	-	Millennium Development Goals
MfDR	-	Managing for Development Results
mn	-	million
MTR	-	Mid-Term Review
OECS	-	Organisation of Eastern Caribbean States
RCI	-	Regional Cooperation and Integration
RPGs	-	Regional Public Goods
SDF	-	Special Development Fund
SDF 6	-	Special Development Fund (Sixth Cycle)
SDF 7	-	Special Development Fund (Seventh Cycle)
SDF 8	-	Special Development Fund (Eighth Cycle)
SMEs	-	Small and Medium-Size Enterprises
TA	-	Technical Assistance
TPGs	-	Transnational Public Goods
UNICEF	-	United Nations Children's Fund
UWI	-	University of the West Indies
WB	-	World Bank

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## EXECUTIVE SUMMARY

1. This paper outlines the approach of the Caribbean Development Bank (CDB) to its support for Regional Cooperation and Integration (RCI) in the Special Development Fund Eight Cycle (SDF 8). It seeks to rationalise CDB support for RCI in the context of the current status of the regional integration process, the work of development partners in the RCI arena and CDB's own capacity and capabilities. The paper uses as a "backdrop" the Paper SDF No. 7/4-NM-4 entitled "*An Operational Strategy for Supporting Regional Cooperation and Integration*" that was prepared for replenishment negotiations of the fund's seventh cycle (SDF 7).
2. Support for RCI has been a mandate of CDB since its inception. The Bank has supported regional programmes for capacity development and institutional strengthening, regional and sub-regional approaches to national programmes to improve policy development and implementation, the establishment and operation of research and analysis on regional issues such as sectoral policies and economic adjustment and functional cooperation of various types. It has also been a regional partner in policy and programme development and in the delivery of regional programmes financed by other agencies.
3. The SDF 7 Operational Strategy for supporting RCI was a significant attempt by the Bank to build a coherent approach to the area. The strategy recognised that in the past the Bank's approach to RCI lacked a prioritised, thematic direction, resulting in diverse, relatively small technical assistance (TA) projects with limited impact. The SDF 7 strategy, therefore, focused on supporting regional public goods (RPGs) and recognised that CDB needed to take into account the programmes of other development partners.
4. Grant TA interventions for regional projects under SDF 7 amounted to approximately \$15.7 million (mn), or 26% of the total grants approved of \$61.3 mn over the period 2009-2011. There was also a regional loan of \$8.3 mn for an enhancement project at the University of the West Indies (UWI) which was funded from OCR but which had a parallel grant of \$0.5 mn funded by SDF resources. Included in total Regional TA approvals was an amount of \$5.8 mn from the specific allocation aimed at supporting RCI or providing RPGs.
5. The SDF 7 Operational Strategy for RCI explicitly recognised that financing RCI essentially means the financing of RPGs and it established criteria to help the Bank in prioritising RPGs for support. The nature of RPGs and CDB's own resource limitations means that most of its interventions in RCI would need to be done in partnership with other institutions. This implies that coordination among the partner institutions assumes even greater importance with RPGs than in the case of country-based programmes. The fact that in the Caribbean, all of the major donors have developed their operational strategies to be regional in scope reinforces the importance of donor coordination in the financing of RPGs.
6. The status of the regional integration movement is an important factor influencing the type of RPG that should be supported in SDF 8. Indeed, it was suggested that in the context of the current "crisis" in regional integration and the need to improve the strategic coherence of CDB's RCI programme, the Bank should limit its involvement in RCI to two to three clearly defined areas. However, regardless of the current state of the regional integration movement, RPGs still represent a critical component of the development process in the region.

## **Areas of Focus in SDF 8**

7. CDB will focus SDF support for RCI on interventions which contribute directly to the broader strategic objectives and focus of SDF 8. There will therefore, be less priority on institutional capacity building, except where this may be a necessary means to achieving particular SDF 8 strategic objectives. At the same time, for greater efficiency, the Bank will place increased priority on taking a regional approach to issues and ensuring that national level interventions are harmonised with regional approaches.

8. The Bank will limit its direct support for RCI to three areas: (i) enhancing statistical data collection for improved policy-making and MfDR reporting; (ii) strengthening financial sector regulation and supervision for economic stability and growth; and (iii) improved intra-regional transportation for better movement of goods and persons. In key strategic areas such as climate change, energy efficiency and renewable energy, the Bank will continue to place priority on regional approaches.

9. A major constraint facing policy-makers in the region is the inadequacy of the data for decision-making and for results monitoring. In most of the countries, data is inadequate in quantity and quality and what data is available is often not produced on a timely basis. In such an environment, policy formulation has a greater likelihood of being both inefficient and ineffective. CDB has, in the past, supported the development of statistics capabilities in the BMCs and most recently, the bank has approved financing for the implementation of DevInfo, in collaboration with United Nations Children's Fund (UNICEF), on a pilot basis in five Borrowing Member Countries (BMCs) and the Organisation of Eastern Caribbean States (OECS) Secretariat.

10. DevInfo is intended to enhance the analysis and reporting of Millennium Development Goals (MDG) results. To maximise its capabilities, however, basic data collection, preparation and storage systems need to be improved. The Bank will continue to work in collaboration with development partners such as CARICOM Secretariat, Canadian International Development Agency (CIDA), UNICEF, Caribbean Regional Technical Assistance Centre (CARTAC), Department for International Development (DFID), United Nations Development Programme (UNDP) and the World Bank (WB), to strengthen the national statistical systems with the broad objectives of (i) improvement in the quality, quantity and timeliness of national statistics and (ii) the establishment of a common platform so countries would be in a better position to share and compare data. These are expected to contribute to (i) improved capacity for evidence-based policy-making at both the macro and sector levels and (ii) improved quality of indicators to facilitate reporting on results. Projects of this nature would have national and regional components.

11. There is substantial evidence of deterioration and increasing risk of failure in the financial sector in the Eastern Caribbean Currency Union (ECCU). Indeed, the liquidity and solvency risk, high level of government exposure, deteriorating loan quality and the impact of the collapse of a major regional financial conglomerate leads to real concerns regarding instability and systemic risk. Further deterioration has major implications for economic growth and poverty reduction since it would exacerbate the already precarious fiscal and debt situation.

12. CDB, the International Monetary Fund (IMF) and WB are working with the Eastern Caribbean Central Bank (ECCB) to identify the most appropriate approach to resolving the issues. The underlying objective is to minimise financial costs and contagion risks. SDF resources should continue to be used for technical assistance to help identify the resolution approach and to assist ECCB in improving the regulatory environment for both banks and non-banks. Due to the contagion risk, the support for improvement to the regulatory environment should extend to all BMC members.

13. There is great potential to increase access to educational opportunities by using information and communications technologies (ICTs) as training tools and/or delivery mechanisms. UWI, for example,

has initiated study of a possible Single Virtual University which, in addition to providing scope for delivery of tertiary education across non-campus territories, has potential for marketing UWI courses internationally. Application of ICTs in education would also present an opportunity to greatly improve education outcomes at the secondary and even primary levels. In this context the Bank will provide TA support for the application of “ICTs for development” to the education sector in the region.

14. Efficient and cost-effective transport for goods and persons within the Region is critical to enable the effective functioning of the Single Market in CARICOM. Even in the absence of a Single Market, there is a clear need to improve the efficiency and reduce the cost of moving goods and people – including tourists – within the Region. The provision of TA for the development of air and maritime transport policy is, therefore, an important support area for RCI by CDB. Support for rationalisation of air transport arrangements, with a view to reducing costs and increasing efficiency is also important. TA support in these areas could, potentially, yield significant opportunities for investment lending – of both SDF and OCR resources.

### **Institutional Arrangements**

15. As proposed in the Bank’s Budget and Work Programme for 2012-2013, a new Regional/Country TA Division has been established that will bring together a number of dispersed TA activities and has been designated the Focal Point for RCI. The Bank is also considering assigning an Economist the responsibility for following developments in the regional integration process and working with the designated RCI Focal Point to help identify, appraise, supervise and monitor RPG interventions.

## REGIONAL COOPERATION AND INTEGRATION – CONTINUING SUPPORT

### 1. INTRODUCTION

1.01 In keeping with its Charter obligation to promote *economic cooperation and integration* and its status in the original Treaty of Chaguaramas as an “Associate Institution”<sup>1</sup> of CARICOM, the Caribbean Development Bank has over the years supported regional coordination and integration [RCI] in several ways. These have included: (i) capacity development and institutional strengthening, (ii) regional and sub-regional approaches to national programmes to improve policy development and implementation, (ii) the establishment and operation of research and analysis on regional issues; and (iv) partnerships in regional policy and programme development, including the delivery of programmes financed by other agencies.

1.02 CARICOM regional integration is at a critical stage. Countries of the region are facing many challenges that require responses that are likely to be more effective if designed and implemented on a regional basis rather than as multiple national responses. However, the regional integration process has been under pressure and CARICOM leaders have initiated another in-depth review of the institutional arrangements attending the integration process. Appendix 1 provides a description of the state of regional integration and its institutional arrangements. While this reflects a degree of uncertainty about future developments in the regional integration process, the questions being addressed are more frequently about structure, process and timing, rather than about the fundamental objectives and rationale for regional integration.

1.03 Support for RCI is a principal strategic theme for the SDF and for the Bank’s Strategic Plan 2010-2014. Regional integration has received SDF support from as early as SDF 4 (1996) with resources being specifically set aside for that purpose. SDF 7 provided a grant allocation of \$10.0 million for RCI and regional public goods (RPGs)<sup>2</sup>. RCI interventions under SDF 7 covered a broad range of activities related to regional and sub-regional cooperation, including areas that can be classified as RPGs. RCI interventions also supported other SDF 7 operational themes – poverty reduction and human development, environmental sustainability and the climate change agenda, and development effectiveness and good governance. Some of the interventions were follow-up activities from past interventions, providing a degree of continuity and increased development impact. However, according to the SDF 7 Mid-Term Review (MTR) a significant proportion of the SDF 7 interventions were responsive to opportunities and requests rather than reflecting a coherent strategy.

1.04 This paper attempts to identify an appropriate approach to RCI in SDF 8. It seeks to rationalise CDB support for RCI in the context of the current status of the regional integration process, the work of development partners in the RCI arena and CDB’s own capacity and capabilities. The paper uses as a “backdrop” the Paper SDF No. 7/4-NM-4 entitled “*An Operational Strategy for Supporting Regional*

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<sup>1</sup> An Associate Institution in the CARICOM construct is defined as one with which fulfills important functional relationships that contribute to the achievement of the Community’s objectives.

<sup>2</sup> A regional public good is a service or resource whose benefits are shared by neighbouring countries [within the region]. The benefits of pure regional public goods are ‘non-rival’ (i.e. one country’s consumption does not subtract from the amount available to other countries) and ‘non-excludable’ (i.e. no country in the region can be excluded from benefiting, except at prohibitive cost). In reality, most international public goods are significantly, but not wholly, non-rival and non-excludable. Rather than being ‘pure’, they are ‘mixed’, meaning that they engender a combination of national and transnational benefits. Regional public goods, like global public goods, include knowledge, regimes, and the standards and rules that are required to address cross-border problems or to engender desirable cross-border externalities; the institutions that monitor and enforce the rules and regimes; and the benefits that arise and are shared among countries. **Source:** Ferronni, M (2004), “Regional Public Goods and the Regional Development Banks”. *The Courier ACP-EC*, No. 202, Jan-March 2004, pp 35-6

*Cooperation and Integration*” that was prepared for replenishment negotiations of SDF 7 and moves on to propose a simpler and more focused approach with a narrower range of objectives..

## 2. THE SDF 7 OPERATIONAL STRATEGY FOR RCI

### Strategic Priorities for SDF 7

2.01 The SDF 7 Operational Strategy for supporting RCI was a significant attempt by the Bank to build a coherent approach to the area. The strategy recognised that in the past the Bank’s approach to RCI lacked a prioritised, thematic direction, resulting in diverse, relatively small TA projects with limited impact. The SDF 7 strategy, therefore, focused on supporting RPGs and recognised that CDB needed to take into account the programmes of other development partners. It developed a set of criteria to be used as guidelines for determining the priority ranking of RCI projects. The criteria included: urgency, development impact, the existence of transnational externalities and building block effects, transferability of practice, gaps in development partners’ programmes and potential for follow-up investments.

2.02 A number of considerations were incorporated in the planning exercise to determine the strategic priorities in CDB’s support for RCI:

- (a) The amount of resources available in SDF 7 and the possibilities of leveraging these resources with those of development partners;
- (b) The balance between CDB’s leadership and supporting roles;
- (c) The need for outsourcing to supplement the Bank’s own human resource capabilities;
- (d) The possibility of linking technical TA for RCI with investment lending;
- (e) The need to shift from an institutional-driven approach to an activity-driven approach in the Bank’s interventions, with more emphasis on strategic objectives;
- (f) The importance of rationalisation of the CARICOM institutional architecture;
- (g) The need to develop innovative legal regimes to drive implementation of the integration process.

#### **Box 1: SDF 7 Strategic Priorities for RCI**

##### **1 Regional Public Policy Goods**

- a. Support to the CARICOM Development Fund
- b. Economic policy harmonisation and development of a legal framework for doing business in a single economy
- c. Strengthening regional trade and economic policy negotiating capacity – economic analysis; CSO participation
- d. Climate change – research support

##### **2 Transnational Public Goods (TPGs)**

- a. Infrastructure needs assessment and preparation – water, maritime transport
- b. Agriculture and food security – selective needs assessment and operational arrangements
- c. Energy – efficiency, conservation and renewable sources
- d. Health needs assessment and operational arrangements

##### **3 National/Sub-Regional (OECS) public goods linked to RPGs/TPGs**

- a. Support for OECS Development Strategy
- b. Modernisation of the public sector and debt management
- c. Education/Skills development linked to the labour market
- d. Energy – efficient urban transport and renewable energy.

**Source:** CDB (2008) “An Operational Strategy for Supporting Regional Cooperation and Integration”. SDF 7/4 – NM-4

2.03 An important component of the SDF 7 RCI Operational Strategy was the organisational arrangements for implementation. It was proposed that the Bank designate a **Focal Point** within the Operations Area to develop and manage the RCI programme. The Focal Point, which was to be composed of a Coordinator (at a Senior Level), two Economists and a general service staff member,

would be responsible for identification, appraisal and supervision of RCI interventions and for inter-departmental coordination of the RCI programme.

2.04 The SDF 7 RCI Operational Strategy also identified the need to significantly improve coordination of development partners in their RCI support efforts. To this end it was recommended that the Bank lead the establishment of a “Development Partners’ Coordination Group”, chaired by the CDB President, “to add value to the [then existing] Donors’ Coordination Group, by giving greater voice to the Caribbean beneficiary development partners, and by stimulating a pro-active approach to putting together joint complementary and cooperative projects.”

2.05 In any event, a Focal Point was not established until 2012 with the establishment of the Technical Cooperation Division in the Projects Department and the Development Partners’ Coordination Group was not established. This partly accounts for the criticism in the SDF 7 MTR that the SDF 7 RCI interventions lacked strategic coherence.

### **Performance of the SDF 7 RCI Strategy**

2.06 Grant TA interventions for regional projects under SDF 7 amounted to approximately \$15.7 mn, or 26% of the total grants approved of \$61.3 mn over the period 2009-2011. There was also a regional loan of \$8.3 mn for an enhancement project at the UWI which was funded from OCR but which had a parallel grant of \$0.5 mn funded by SDF resources. Included in total Regional TA approvals was an amount of \$5.8 mn from the specific allocation aimed at supporting RCI or providing RPGs. The expected outcomes from these interventions included:

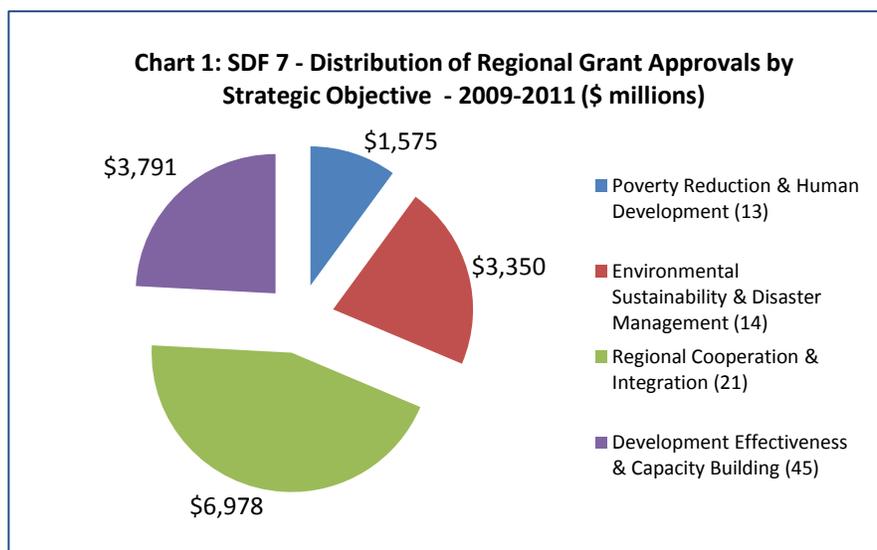
<b>Box 2: <u>Sample of Grant Approved under RCI in SDF 7</u></b>	
(\$'000)	
Strategic Plan for Regional Development	200
UWI Enhancement Project	500
OECS Education Sector Strategy	490
OECS E-Government Integration Project	2,500
CARTAC	1,000
Caribbean Capacity Building Programme (MFIs)	250

- An improved framework for development planning and programming by CARICOM Member Countries through the preparation of a Regional Strategic Plan;
- Strengthening of the OECS Regional justice system through financing feasibility studies and concept designs for the construction of modern court facilities in all member countries;
- Enhanced operations, governance processes and procedures for the Caribbean Community (CARICOM) Development Fund;
- Strengthened macro-economic administrative systems in BMCs through supporting a fourth phase of the work programme of CARTAC.
- Increased ease of doing business in the OECS through support for the implementation of the E-Government for Regional Integration Project, in collaboration with WB,
- Enhanced human resource development in Member Countries through support for the formulation of a new 10-year OECS education sector strategy ; and
- Improved capacity of regional micro-finance institutions in product development and new clients outreach through the Caribbean Regional Capacity Building Programme II.

2.07 Additional grant TA support was provided for capacity building and institutional strengthening using regional approaches in areas such as PSIP training, project management and public financial management, and promoting gender mainstreaming. Some interventions also addressed other strategic objectives. Appendix 2 provides further details of the SDF 7 RCI support provided by CDB. This

information is taken from the MTR of SDF 7 and was adjusted and expanded to include activities during 2011<sup>3</sup>.

2.08 Chart 1 reflects the distribution of regional grants across strategic objectives. Twenty one of the grants, representing 23% of the number of grants, were directed specifically to strengthening regional integration and accounted for almost \$7 million or 44% of the total value of regional grants. Regional grants for poverty reduction and human development accounted for 10%, environmental sustainability and disaster management, 21%, and development effectiveness and capacity building, 24%.



2.09 The SDF 7 MTR indicated that the RCI interventions, during the two years 2009-2010, appeared to lack strategic coherence. But a close review of the interventions does not necessarily support this inference. Certainly, activities in 2011, which were not reviewed in the MTR, appeared to be more closely aligned with the operational strategy. Appendix 2 and Chart 1 show that the Bank was, at least partially, successful in addressing RPGs for example, in tackling the issue of disaster risk management, in beginning to mainstream gender equality and in working with development partners in critical areas such as governance, climate change, and economic and financial management. Overall the picture that emerges is an institution trying to balance responsiveness with strategic coherence while seeking to optimise use of limited resources. The right balance may not always be struck but the dynamic nature of the environment in which the Bank is operating presents real challenges that need to be addressed if it is to improve the impact of its RCI interventions.

### **3. CDB SUPPORT FOR RCI IN SDF 8**

3.01 Direct support for RCI essentially means the financing of RPGs. The SDF 7 Operational Strategy for RCI explicitly recognised this and established criteria to help the Bank in prioritising which RPGs to finance from the RCI allocation. The nature of RPGs and CDB's own resource limitations means that most of its interventions in RCI would need to be done in partnership with other institutions. This implies that coordination among the partner institutions assumes even greater importance than in the case of country-based programmes. The fact that in the Caribbean, all of the major donors have developed their operational strategies to be regional in scope<sup>4</sup> reinforces the importance of donor coordination in the financing of RPGs.

3.02 The current state of the regional integration movement is an important factor influencing the type of RPG that should be supported. Indeed, some SDF Contributors raised the issue of the need for CDB to continue to support RCI in view of the "malaise" that seemed to be affecting CARICOM/CSME. It was

<sup>3</sup> The Mid-Term Review covered 2009 and 2010.

<sup>4</sup> This is not to suggest that the donor agencies focus exclusively on RPGs since the majority of their funding is bilateral. However, the regional approach does mean that RPGs are important in their programmes and even some national public goods can be seen to help countries benefit from RPGs.

suggested that in the context of the current “crisis” in regional integration and the need to improve the strategic coherence of CDB’s RCI programme, the Bank should limit its involvement in RCI to two to three clearly defined areas. However, regardless of the current state of the regional integration movement at the political/institutional level, RPGs still represent a critical component of the development process in the region.

3.03 CDB will focus its direct support for RCI on RPGs which are related to the broader strategic objectives and focus of SDF 8. This approach implies that the Bank would be more concerned with taking a regional approach to issues and ensuring that national level interventions are harmonised with regional approaches. There would, therefore, be less priority on institutional capacity building and/or direct support for RPGs, except where these may be necessary means to achieving particular SDF 8 strategic objectives.

3.04 Priority will also be given to a regional approach, where appropriate, in areas – such as environmental sustainability and climate change, and Managing for Development Results that form part of the Bank’s sectoral interventions for which there are specific allocations. In this context, direct support for RCI from the special allocation will be narrowed to three areas of RPGs: (i) enhancing statistical data collection for improved policy-making and MfDR reporting; (ii) strengthening financial sector regulation and supervision for economic stability and growth; and (iii) improved intra-regional transportation for better movement of goods and persons.

### **Support for Specific RPGs**

#### **(a) Strengthening Statistics**

3.05 A major constraint facing policy-makers in the region is the inadequacy of the data available for input into policy decision-making and for monitoring the impact of policy actions. In most of the countries, data is inadequate in quantity and quality and what data is available is often not produced on a timely basis. In such an environment, policy formulation has a greater likelihood of being both inefficient and ineffective. CDB has, in the past, supported the development of statistics capabilities in the BMCs. Most recently, the Bank has approved financing for the implementation of DevInfo, in collaboration with UNICEF, on a pilot basis in five BMCs and the OECS Secretariat, with the potential for extending its implementation across remaining BMCs in a subsequent phase.

3.06 The DevInfo information system is intended to enhance the analysis and reporting of results achieved in relation to MDG commitments. To maximise its capabilities, however, there is a need to improve the basic data collection, preparation and storage systems in BMCs. The bank will therefore continue to work in collaboration with development partners such as CARICOM Secretariat, CIDA, UNICEF, CARTAC, DFID, UNDP and the World Bank, to strengthen the national statistical systems. The broad objectives of such interventions would include (i) improvement in the quality, quantity and timeliness of national statistics and (ii) the establishment of a common platform so countries would be in a better position to share and compare data. The high level expected results would be (i) improved capacity for evidence-based policy-making at both the macro and sector levels and (ii) improved quality of indicators to facilitate reporting on results. Projects of this nature would have national and regional components.

#### **(b) Financial Sector Regulation and Supervision**

3.07 There is a direct relationship between the development of the financial sector and poverty reduction. This relationship is both indirect, through the impact of an efficient and effective financial sector on economic growth, and direct, by expanding access to credit to the traditionally underserved, such as poor households and micro, small and medium enterprises. The current situation in the OECS however, makes the issue of stability in the financial sector particularly urgent. There is substantial evidence of deterioration in the financial sector and increasingly, the risk of failure, particularly in the

“domestic banking sector” in the ECCU. Indeed, the liquidity and solvency risk, high level of government exposure, deteriorating loan quality and the impact of the collapse of a major regional financial conglomerate, leads to real concerns regarding instability and systemic risk. Further deterioration has major implications for economic growth and poverty reduction since it would exacerbate the already precarious fiscal and debt situation and could result in highly restricted credit to the private sector.

3.08 CDB, IMF and WB are working with ECCB to identify the most appropriate approach to resolving the issues. The underlying objective is to minimise financial costs and contagion risks. SDF resources should continue to be used for TA to help identify the resolution approach and to assist ECCB in improving the regulatory environment for both banks and non-banks.

3.09 Due to the existence of contagion risk and the fact that many of the problems experienced in the OECS financial sector had cross-border origins, the support for improvement to the regulatory environment should extend to all BMC members.

#### (c) Using ICTs to Increase Access to and Impact of Education in the Region

3.10 There is great potential to increase access to educational opportunities by using ICTs as training tools and/or delivery mechanisms. UWI has initiated the study of a possible Single Virtual University which, in addition to providing scope for delivery of tertiary education across non-campus territories, has potential for marketing UWI courses internationally. Application of ICTs in education would also present an opportunity to greatly improve education outcomes at the secondary and even primary levels. In this context the Bank will provide TA support for the application of “ICTs for development” to the education sector in the Region.

#### (d) Intra-Regional Transportation

3.11 Efficient and cost-effective transport for goods and persons within the Region is critical to enable the effective functioning of the Single Market in CARICOM. Even in the absence of a Single Market, there is a clear need to improve the efficiency and reduce the cost of moving goods and people – including tourists – within the Region. Indeed, continued growth of the tourism sector in most of the BMCs is contingent on the availability of cost-efficient air-lift capacity. Intra-regional trade in goods could only expand with efficient maritime transport between the countries. Security arrangements in intra-regional transport are also critical.

3.12 The provision of TA for the development of air and maritime transport policy is, therefore, an important support area for RCI by CDB. Support for rationalisation of air transport arrangements, with a view to reducing costs and increasing efficiency is also important. TA support in these areas could, potentially, yield significant opportunities for investment lending – of both SDF and OCR resources.

### **Institutional Arrangements**

3.13 The SDF 7 Operational Strategy recommended the establishment of a ***Focal Point*** with responsibility for identification, appraisal and supervision of RCI interventions and for inter-departmental coordination of the RCI programme. It was also recommended that the Bank lead the establishment of a ***Development Partners’ Coordination Group*** to, *inter alia*, stimulate a pro-active approach to putting together joint complementary and cooperative projects. These recommendations have only been partly implemented and this probably accounts (at least in part) for the “charge” that CDB’s RCI interventions lacked strategic coherence. Whether this criticism is valid or not, it is clear that CDB needs to improve its “intelligence” on the regional integration process.

3.14 The Bank’s Budget and Work Programme for 2012-2013 outlined certain organisation changes designed to facilitate more effective responses to clients, improve the quality and relevance of

programming and improve operational efficiency. One change that has implications for RCI programming is the creation of a Regional/Country TA Division that will bring together a number of dispersed TA activities. This new Division has been created and has been designated the Focal Point for RCI.

3.15 The Bank is also considering assigning an Economist the responsibility for following developments in the regional integration process and working with the designated RCI Focal Point to help identify, appraise, supervise and monitor RPGs for Bank support. This Economist and the staff of the Focal Point would attend CARICOM meetings and serve as the Bank's main information link for the Bank's RCI Programme.

**THE STATE OF REGIONAL INTEGRATION**

**THE STATE OF CARICOM REGIONAL INTEGRATION AND ITS  
INSTITUTIONAL ARRANGEMENTS**

1. There is a widespread perception that the regional integration movement is in crisis. A 2011 report prepared by UWI's Institute of International Relations (IIR)<sup>1</sup>, perhaps the most comprehensive statement on CARICOM<sup>2</sup> regional integration in many years, stated that "stakeholders are deeply pessimistic about the future of, in particular, CARICOM integration and see the region burdened by lack of vision, weak implementation of decisions, mistrust, poor leadership and institutional decline."

**Box 1: Overview of the Regional Integration Process: 60 Years of Integration**

- **Decolonisation & Federation** – The West Indies Federation lasted from 1958-1962 and was supposed to see most of the English-speaking Caribbean accede to independence as a single federated state. However, in-fighting, British ambivalence, and the desire for national independence on the part of the larger countries (particularly Jamaica and Trinidad and Tobago) meant that it was short lived.
- **CARIFTA** – The Caribbean Free Trade Association (1965-1973) was a free trade arrangement which liberalised trade in manufactured goods, provided for managed trade in agricultural goods; and contained special arrangements for the Less Developed Countries – mainly the smaller countries of the Eastern Caribbean.
- **Caribbean Community and Common Market (CARICOM)** – CARICOM (1973-1989) replaced CARIFTA in 1973 with the signing of the Treaty of Chaguaramas. CARICOM was a stronger form of integration with three 'pillars' of economic integration (a common market in goods), functional cooperation (education, health and several other areas, and foreign policy coordination). The CARICOM customs union was never completed and in the 1980's intra-regional trade languished.
- **CSME** – In 1989 the CARICOM Heads of Government declared their intention to create a single market and economy. The legal basis was laid with the signing of The Revised Treaty of Chaguaramas in 2001. New organs of governance were set up and the Caribbean Court of Justice (CCJ) was created -with CDB assistance using an innovative financing mechanism. Security was added as the fourth pillar of integration in 2007. The CARICOM single market was officially inaugurated in 2006 and the single economy is scheduled for completion in 2015.

**Source:** Bishop, M.L. *et al.* (2011) "Caribbean Regional Integration: A Report by the UWI Institute of International Relations", mimeo, Funded by UKaid from the Department of International Development.

2. CARICOM integration is based on four pillars: economic integration, functional cooperation, foreign policy coordination and security. The economic integration pillar is the Caribbean Single Market and Economy (CSME). CSME is seen as the means of creating a single economic space so as to improve the Region's global competitiveness and to enhance international economic negotiating positions.<sup>3</sup> CSME was initiated in 1989 by a declaration by the CARICOM Heads of Government (HoG) – the so called Grand Anse Declaration. The Revised Treaty of Chaguaramas was signed in 2001 and the Caribbean Single Market was officially inaugurated in 2006. The Single Economy is scheduled for completion in 2015.<sup>4</sup>

<sup>1</sup> Bishop, M.L. *et al.* (2011) "Caribbean Regional Integration: A Report by the UWI Institute of International Relations", mimeo, Funded by UKaid from the Department of International Development.

<sup>2</sup> CARICOM currently has 15 members: Antigua and Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, and Trinidad and Tobago. There are also five associate members which are Overseas Dependent Territories of the United Kingdom: Anguilla, Bermuda, British Virgin Islands, Cayman Islands and Turks and Caicos Islands. The Bahamas and Montserrat are not members of the CSME. Haiti's CSME obligations have been waived for several years following the January 2010 earthquake.

<sup>3</sup> Girvan, N. (2005) "WHITHER CSME", *Journal of Caribbean International Relations*. Vol.1, No.1; pp. 13-32

<sup>4</sup> Bishop, M.L. (2011) *Ibid.*

3. The length of time it is taking to implement the CSME is indicative of an “implementation deficit” and mainly accounts for the widespread pessimism surrounding the future of the integration movement<sup>5</sup>. The most recent data available suggests that only about 50% of the “Legislative Compliance Instruments” required for the CSME among the participating countries are in effect.<sup>6</sup> To date (early 2012) only a partial single market has been achieved as there is an incomplete custom union and no widespread freedom of movement of services, capital and labour. With respect to the single economy no significant progress has been achieved in the harmonisation of policies, taxation and laws. It is highly unlikely that the single economy would achieve its completion date of 2015.

4. A number of reasons have been advanced for the implementation deficit and these have been extensively discussed in other reports. Perhaps the most important is the reluctance by the member countries to pool sovereignty at the regional level to facilitate effective governance arrangements<sup>7</sup>. Despite the many official communications espousing strong commitment to integration, there appears to be a lack of political will and commitment to implementation among CARICOM’s political leaders. Exacerbating the inefficient and ineffective governance arrangements is the “institutional stagnation within the CARICOM Secretariat and the fragmentation and incoherence in the system of complementary regional institutions and agencies.”<sup>8</sup> There is a strong perception that the distribution of benefits and costs of regional integration is uneven and this adds to member states’ apparent reluctance to implement policy decisions taken at the regional level.

5. In a recent report<sup>9</sup> focusing on restructuring of the Secretariat it was noted that not only was CARICOM in crisis but that the crisis “was sufficiently severe to put CARICOM’s very existence in question.”<sup>10</sup> The poor economic performance of the region, particularly since the global crisis, has created a real challenge among most member countries to fund the regional institutional architecture. It is argued that even if collapse is not imminent, without fundamental change, CARICOM would expire slowly over the next few years as stakeholders begin to withdraw when they do not perceive real benefits to CARICOM integration. Significantly, the report also notes that some stakeholders in the international community view CARICOM as “increasingly irrelevant” and are often, reluctantly, trying to work around it.

6. After a May 2011 Special Retreat, Heads of Government indicated that they had agreed to “pause and consolidate the gains of the Single Market”. The conclusions of the Retreat was reaffirmed in the CARICOM Summit in July 2011 when the Chairman announced that it was decided to “slow down the pace a bit and look at a more realistic calibration of where we need to go in the integration movement”. As suggested by one commentator<sup>11</sup> in the current rapidly changing global environment slowing down or pausing is tantamount to stopping and the general perception in the region is that the leaders are retreating from integration. Significantly, one regional Prime Minister, who was part of the decision to put the single economy process on pause, recently suggested that “CARICOM’s current mode of marking time, at an historical moment of overwhelmingly awesome challenges for our region which compelling demand a more profound integration, is mistaken... ‘pausing’ is but a euphemism for standing still, which in a dynamic world is sliding backwards”.<sup>12</sup>

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<sup>5</sup> It is significant that the notion of an implementation deficit was identified more than twenty years ago in the 1992 Time for Action report prepared by the West Indian Commission.

<sup>6</sup> Girvan, N (2011), “Customizing Caribbean Economic Integration”, Presentation at the ECLAC Caribbean Development Round Table, Port of Spain, September 13, 2011

<sup>7</sup> Bishop, M.L. & Payne, A (2010) “*Caribbean Regional Governance and the Sovereignty/Statehood Problem*”, Caribbean Paper No. 8, Waterloo, Ontario, Canada: Centre for International Governance Innovation (CIGI). Available at: <http://www.cigionline.org>

<sup>8</sup> Bishop, M.L. (2011) Ibid.

<sup>9</sup> Stoneman, R et al (2012) “Turning Around CARICOM: Proposals to Restructure the Secretariat”, Mimeo. Landell Mills Ltd.

<sup>10</sup> Stoneman, R (2012) Ibid.

<sup>11</sup> Sir Shridath Ramphal (2011) “Vision and Leadership: The Infinite Unity of Caribbean Needs”, Inaugural G. Arthur Brown Lecture, Bank of Jamaica, Kingston, Jamaica.

<sup>12</sup> Letter, dated February 2011, by Prime Minister of St. Vincent and the Grenadines to the Secretary General of CARICOM.

### **The Institutional Architecture of CARICOM**

7. The institutional arrangements of CARICOM, as shown in Box 2, are quite broad and complex. In addition to the organs and bodies of the Caribbean Community involving the Heads of Government, the CARICOM Secretariat and the various Community Councils, there are some 22 separate semi-autonomous institutions most of which are functionally based. The Revised Treaty of Chaguaramas refers to “*Community Institutions*” – institutions that were established under the auspices of the Community – and “*Associate Institutions*” – institutions with which the Community enjoys important functional relationships that contribute to the achievement of the Community’s objectives (see Box 3). There is no clear definition of the distinction between these institutional types and little work has been done to determine their effectiveness and relevance<sup>13</sup>.

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<sup>13</sup> Jessen, A & Vignoles, C (2005) “CARICOM Report No. 2”, INTAL-IDB, Buenos Aires, pp. 43-45

**Box 2: Principle Organs and Bodies of CARICOM**

The *Conference of Heads of Government* is the supreme organ of Community and provides overall policy direction. The Conference consists of Heads of Government of all CARICOM member States.

The *Bureau of the Conference*, comprising the current, immediately outgoing and immediately incoming Chairman of the Conference and the Secretary General of CARICOM, initiates proposals for development and approval by the ministerial councils, informs the Conference of upcoming issues, supports implementation of Community decisions and provides policy guidelines to the Secretariat.

The Conference established a “quasi-cabinet” of individual Heads of Government to spearhead action in critical areas of the integration process. Each member is assigned a specific portfolio. Current portfolios are:

<b>Services:</b> Antigua & Barbuda	<b>External Negotiations:</b> Jamaica
<b>Tourism:</b> Bahamas	<b>Transport:</b> Haiti
<b>CSME:</b> Barbados	<b>Justice &amp; Governance:</b> St. Lucia
<b>Sustainable Development:</b> Belize/Montserrat	<b>Health and HR Development:</b> St. Kitts & Nevis
<b>Labour:</b> Dominica	<b>Bananas:</b> St. Vincent & the Grenadines
<b>Science &amp; Technology:</b> Grenada	<b>Community &amp; Cultural Cooperation:</b> Suriname
<b>Agriculture:</b> Guyana	<b>Security:</b> Trinidad & Tobago

The **Community Council of Ministers**, composed of Ministers responsible for CARICOM Affairs in each member state, has primary responsibility for the development of Community strategic planning and coordination in the areas of economic integration, external relations and functional cooperation.

The Conference and the Community Council of Ministers are assisted by five ministerial councils:

- *Council for Finance and Planning (COFAP)*, responsible for economic policy coordination and financial and monetary integration;
- *Council for Trade and Economic Development (COTED)*, responsible for the promotion of trade and economic development;
- *Council for Foreign and Community relations (COFCOR)*, responsible for relations between the Community and international organisations and third states;
- *Council for Human and Social Development (COHSOD)*, responsible for the promotion of human and social development; and
- *Council for Security (COS)*, responsible for National Security and Law Enforcement.

There are also three Bodies of the Community that are important in Governance:

- *Legal Affairs Committee*, comprising ministers responsible for legal affairs or attorney generals of member states and provides Community organs with legal advice;
- *Budget Committee*, comprising senior state officials of member states and oversees the Community Budget and work programme;
- *Committee of Central Bank Governors*, comprising Heads of the Central Banks of all member states and provides COFAP with advice on monetary Cooperation, integration of capital markets and other financial matters.

The CARICOM Secretariat is the Community’s principal administrative organ. It services the meetings of the Community organs, follows up on agreements emerging for such meetings, conducts technical work and assists member states with implementation of Community decisions, among other things.

8. Effective implementation of the CSME also requires the creation of a number of new regional institutions<sup>14</sup>. The most important of these that have already been established include: the Caribbean Court of Justice (CCJ), the Caribbean Regional Organisation of Standards and Quality (CROSQ), The Regional Competition Commission and the CARICOM Development Fund (CDF). Still to be established are a Regional Intellectual Property Rights Office, a Sanitary and Phyto-Sanitary Authority, a Regional Securities Commission and a Conciliation Commission.

<sup>14</sup> Brown, D.R. (2010). “Regional Integration and the Provision of Regional Public Goods in the Caribbean Community”, Summary of Presentation at Commonwealth Secretariat 2010 Biennial Conference on Small States.

**Box 3: CARICOM Institutions**

**Community Institutions**

- Caribbean Agricultural Research and Development Institute (CARDI)
- Caribbean Aviation Safety and Security Oversight System (CASSOS)
- Caribbean Centre for Development Administration (CARICAD)
- Caribbean Community Climate Change Centre (CCCCC)
- Caribbean Disaster Emergency Management Agency (CDEMA)
- Caribbean Export Development Agency (CEDA)
- Caribbean Institute for Metrology and Hydrology (CIMH)
- Caribbean Implementation Agency for Crime and Security (IMPACS)
- Caribbean Knowledge and Learning Network (CKLN)
- Caribbean Meteorological Organization (CMO)
- Caribbean Regional Center for the Education and Training of Animal Health and Veterinary Public Health Assistants (REPAHA)
- Caribbean Regional Fisheries Mechanism (CFM)
- Caribbean Regional Public Health Agency (CARPHA)\*
- Caribbean Telecommunications Union (CTU)
- Caribbean Tourism Organization (CTO)
- Caribbean Examinations Council (CXC)

**Associate Institutions**

- Caribbean Development Bank (CDB)
- Caribbean Law Institute/Caribbean Law Institute Centre (CLI/CLIC)
- Council for Legal Education (CLE)
- University of Guyana (UG)
- University of the West Indies (UWI)
- Secretariat of the Organization of Eastern Caribbean States (OECS)

\*CARPHA was formed with the merger of 5 regional health institutions – the Caribbean Epidemiology Centre (CAREC), the Caribbean Environmental Health Institute (CEHI), the Caribbean Food and Nutrition Institute (CFNI), the Caribbean Health Research Council (CHRC) and the Caribbean Drug Testing Laboratory (CDTL).  
Sub-Regional Institutions serving the needs of the OECS are not included in this list.

9. A major implication of this array of regional institutions is the funding requirements. Most of the institutions, to a greater or lesser extent, are a charge on the resources of the Member States. Some countries have always had challenges in meeting their obligations to the regional institutions and these challenges were exacerbated by the global financial and economic crisis. Indeed, there are numerous examples in the region where insufficiency of funding has significantly affected institutional performance. This has affected the CARICOM Secretariat itself but attempts to develop alternative financing mechanisms have consistently been rejected by Member States<sup>15</sup>.

10. One result of this institutional funding deficit is the need to rely on development partners for most of the required resources. This makes the institutions project-driven (as opposed to strategic work programme-driven) “trying desperately to raise money that will enable them, as best they could, to meet the many unfunded mandates handed down by the various Ministerial Councils and the Conference of Heads”.<sup>16</sup> This dependence on external agencies for funding means that frequently the institutional agenda

<sup>15</sup> Mechanisms for “automatic” financing of CARICOM institutions have been proposed in the past but has never been agreed by the HOV - (see for example CARICOM (2004) Report of the Technical Group on Automaticity of Financing)

<sup>16</sup> Brown, D.R. (2010). Ibid.

is actually set by the external funding agency and this may be at variance with the needs of the Member States that they were created to serve.

11. The continuing relevance of some of the institutions has become an issue. Many reports on the integration movement in the Caribbean have raised concerns about the ineffective and inefficient governance arrangements and the incoherence of the broad array of regional institutions. Rationalisation of the governance arrangements and the institutional architecture is a critical requirement if CARICOM/CSME is to overcome the apparent crisis that currently exists.

**SDF 7: SUPPORT FOR REGIONAL COOPERATION AND INTEGRATION – 2009-2011**

(Extracted from SDF 7 Mid-Term Review and adjusted to reflect activities in 2011)

1. Many of the regional TA interventions since the start of SDF 7 also respond to and support the other SDF 7 strategic operational themes, poverty reduction and human development, and environmental sustainability and the climate change agenda, as well as development effectiveness and good governance. This to be expected, as these strategic themes and objectives are essentially cross-cutting, and individual projects or interventions can be expected to contribute to more than one theme or objective. In some of the Bank's published statistics on SDF, therefore, many of these interventions are classified as poverty reduction and human development, environmental sustainability, good governance or development effectiveness.
2. In total, 93 grant TA interventions for regional projects were approved in the three years 2009, 2010 and 2011, for almost \$16 million, all of which was financed from SDF 7. The one regional loan was for an enhancement project for the University of the West Indies, for \$8.25 million, and was financed from OCR. In addition, the Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFUND), with £10 million provided by the UK in two tranches in 2009 and 2010 and administered by CDB, has provided support for regional objectives complementary to SDF, specifically to generate momentum on the implementation of the Caribbean Single Market and Economy and on the EPA agreement between CARIFORUM and the Caribbean countries.
3. CDB has also contributed to development of a CARICOM-led strategic policy document on regional development, and has been engaged in discussions with the EU and CARICOM on a range of aid for trade initiatives to improve the competitiveness of the private sector.
4. SDF interventions have covered a considerable range of activities, including some very specific aspects of regional dialogue and cooperation, but many have been directed to broader aspects of regional or sub-regional cooperation and integration, including particularly in areas that can be classified as RPGs.
5. Among other interventions, support has been given for the development of a new sub-regional education sector strategy for the OECS countries (a \$490,000 TA). This is a part of a larger human resource development strategy for the OECS and is in accord with the recently formalised OECS Economic Union Treaty, which seeks to provide fair and equitable access to education and training for OECS citizens through the harmonisation and standardisation of school processes and practices within a common policy framework. It is also part of what has been a long-term OECS Education Reform Strategy.
6. The largest TA grant during the period (\$2.5 million) has been for the E-Government for Regional Integration Project (EGRIP), also for the OECS. This \$13.4 million project is being financed jointly by the World Bank and SDF, together with the participating countries. The project is complementary to regional interventions on public sector modernisation and public financial management being undertaken by other donor agencies, including the EU, CIDA, United Nations Development Programme (UNDP), CARICAD and the Caribbean Regional Technical Assistance Centre (CARTAC). Outcomes are expected to include reducing the cost of doing business in the public sector; improving public sector efficiency, transparency and accountability; improving the delivery of public sector services; and strengthening harmonisation and integration among governments.
7. The second largest TA grant was for the Sustainable Energy for a Competitive OECS project. This was to develop a sub-regional energy efficiency strategy for the OECS, together with national energy efficiency strategies and associated action plans, a legal framework for energy management in the context of the OECS Economic Union, and a public education and awareness component. Of a total project cost of \$2.1 million, SDF is to provide approximately \$1.6 million. The objective is to provide the guiding framework and enabling environment to support the efficient and sustainable

production and use of energy and improve the capability of the member countries to employ holistic approaches to energy management as they move toward integration of their economies and harmonisation of policies.

8. The Bank provided \$1 million as support to the CARTAC<sup>1</sup>. This is a continuation of support provided to CARTAC by CDB since it began operations in 2001. To date, \$2.3 mn has been approved for CARTAC.

9. A \$150,000 TA was provided for institutional strengthening of the recently established CARICOM Development Fund, which was set up to provide technical and financial resources to disadvantaged countries, regions and sectors within the CARICOM Single Market and Economy. The objective of the TA was to assist in the development of best practice procedures, manuals, guidelines and strategies for the financial and administrative management of the capital fund and its earnings, including training materials to enhance the institution's governance structure. This has assisted in providing the basis for the subsequent operationalisation of the CDF as an instrument to support regional integration.

10. CDB's largest regional TA during the period has been the University of the West Indies Enhancement Project approved in 2009. This is a \$19.2 million project, with a loan of \$8.25 million from the Bank's OCR and a grant of \$500,000 from SDF, with the balance from UWI. The overall objective is to enhance the University's strategic management capacity and its ability to respond to regional imperatives, and to contribute to UWI's long-term goal of propelling the economic, social, political and cultural development of the West Indies. The project will enhance the productivity of the Vice Chancellery and its physical plant as well as develop and implement a number of elements of institutional strengthening, including human resource management, communications strategy, risk management, student and financial records management, a research and innovation action plan, and a maintenance policy and plan.

11. Three TAs have supported the work of the Caribbean Institute for Gender and Development Studies at the University of the West Indies. Two of these (2009 and 2011) involved support for an intensive training programme offering participants a comprehensive overview and understanding of how the social relations of gender intersect with, and impact on, Caribbean development, including economic, social, cultural and political issues. The 2010 TA financed a regional workshop to disseminate and discuss the findings of research that CDB had previously supported on gender differentials in enrolment and performance in Caribbean education systems, and to formulate appropriate policy recommendations for CDB's BMCs. The objective was to reach agreement on a draft Regional Policy Framework on Gender Differentials in Caribbean Education. The Policy Framework was then adopted by the CARICOM Council on Human and Social Development (COHSOD), the region's senior intergovernmental body in the field. CDB will be supporting development of national policy frameworks and their implementation through its projects.

12. A cluster of several fairly small TA interventions at the regional level have related to the road transport sector, including performance-based road maintenance contracting, a conference on bridge engineering, vehicle weight legislation and enforcement and reform of road sector institutions.

13. Among a cluster of TAs related to the financial sector was one to assess the solvency of indigenous (locally based) banks in the Eastern Caribbean Currency Union. There are 14 such banks in the ECCU, which hold almost 50% of banking assets and play a significant role in many sectors. The financial sector has been adversely affected by the global economic and financial crisis, and the

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<sup>1</sup> CARTAC is a regional resources centre of the International Monetary Fund. It is based in Barbados and provides technical assistance and training in core areas of economic and financial management. CARTAC is funded by a range of development partners, including CIDA, CDB, DFID, EU, IDB and the World Bank. The Government of Barbados finances office facilities and the 19 beneficiary countries make annual contributions to the Centre's operating expenses

challenges are particularly pronounced for the indigenous banks, many of which have non-performing loans above the prudential limit of 5% and have a higher exposure to the public sector and relatively illiquid assets, such as mortgages, than their foreign counterparts. The TA was aimed at assessing the financial condition of these banks, the adequacy of their governance and management structures, policies and practices, the regulatory and legislative framework, and the commonality of challenges. The objective was to identify and prioritise the principal areas requiring intervention and to design an effective resolution to the challenges facing the sub-sector.

14. Other TAs in this cluster related to capacity/building on factoring/receivable discounting, credit rating of national development finance institutions (DFIs) and design of a risk management model for six of these DFIs. A significant microfinance support programme, involving collaboration with the IDB/Multilateral Investment Fund (MIF) and the EC, which was initiated in 2007, was continued with an additional \$250,000, representing 12% of the total programme cost.

15. A further regional TA project has been for mainstreaming disaster risk management in OECS countries. Eastern Caribbean countries are among the most vulnerable in the world to natural disasters, compounded by population growth in high risk areas, relatively high levels of poverty, poor land use planning and environmental management, and limited capacity to cope with disaster losses. The project supports the Enhanced Comprehensive Disaster Management (CDM) Strategy adopted by Caribbean countries, including the OECS, for the period 2007-2012. The \$536,000 project is being financed jointly by IDB and CDB, with \$90,000 from SDF and \$36,000 from CDB's administrative budget and in-kind. CDB is the executing agency responsible for project implementation. The objective is to strengthen the institutional capacity of OECS Member Countries and the Secretariat in community-based disaster risk management and to enhance disaster resilience in vulnerable, low-income communities. CDB, in 2011, followed-up with \$470,000 for enabling climate change interventions in BMCs and also supported the Sixth Caribbean Conference on Comprehensive Disaster Management.

16. There were some relatively significant TA projects in the agricultural sector. One (\$149,000) was supporting the development of a small ruminant industry in the region. Another project amounting to \$285,000, focused on research and training in protected agriculture. There was also a small TA (\$45,000) for development of disaster risk management plans for the agricultural sector.

17. Using CARTFUND resources support was provided to CROSQ for strengthening capabilities of testing laboratories to the extent of \$522,000 and for institutional strengthening and community development (\$500,000).

18. Other TA projects have covered a number of areas of regional dialogue and cooperation, including the CDB/IDB dialogue with civil society, the Eastern Caribbean Halls of Justice Project, a feasibility study for a possible CARICOM agriculture modernisation fund, a workshop on the investment of pension fund assets, a workshop on energy efficiency in water and wastewater utilities, the CARICOM Youth Forum, project management training for the environment, a regional agricultural risk management symposium, gender assessments of BMCs, promoting energy efficiency in the Caribbean, drought management, a Caribbean Growth and Development Strategy Conference, the CARICOM Agri-Business Investment Forum, Policies and Strategies to Face the Global Downturn, policy dialogue on literacy and numeracy, regional capacity building in ICT training and formulating private sector development strategies for six OECS member countries.

19. Table 1 shows the regional grant approvals over the years 2009-2011 (i.e. the three years of SDF 7). The regional grants are classified by strategic objective as identified in the SDF Operational Strategy. The data in the table relate to all the regional grant approvals (i.e. all RPGs), but there is a separate classification for “Regional Cooperation and Integration” and this refers to grants that are specifically designed to support the regional integration process and strengthen the progress toward economic and social cohesion. Approximately \$7 million in grants were approved for this RCI classification out of a total of \$10 million that was allocated or set-aside at the start of SDF 7.

**TABLE 1: DISTRIBUTION OF REGIONAL GRANT APPROVALS BY STRATEGIC THEME -2009-2011**

STRATEGIC THEME	2009		2010		2011		Total		
	No.	Value	No.	Value	No.	Value	No.	Value	%
Poverty Reduction & Human Development	1	253	7	662	5	660	13	1575	10
Environmental Sustainability & Disaster Management	4	380	5	1,782	5	1,188	14	3,350	21
Regional Cooperation & Integration	16	2,703	3	3,025	2	1,250	21	6,978	44
Development Effectiveness & Capacity Building	20	1,202	10	1,195	15	1,394	45	3,791	24
<b>TOTALS</b>	<b>41</b>	<b>4,538</b>	<b>25</b>	<b>6,664</b>	<b>27</b>	<b>4,492</b>	<b>93</b>	<b>15,694</b>	<b>100</b>

*Source: CDB (2012) “SDF Annual Report 2011 and Financial Projections 2012-2014.*