

**CARIBBEAN DEVELOPMENT BANK**



**REPLENISHMENT OF THE RESOURCES OF  
THE SPECIAL DEVELOPMENT FUND (SDF 6)**

**RESOLUTION  
AND  
REPORT OF CONTRIBUTORS ON SDF 6**

**OCTOBER 2005**



**CARIBBEAN DEVELOPMENT BANK**

**SPECIAL DEVELOPMENT FUND**

**RESOLUTION AND REPORT OF CONTRIBUTORS TO SDF 6,**

**WITH  
REPORT OF MEETINGS OF CONTRIBUTORS HELD  
NOVEMBER 22 AND 23, 2004; MAY 17, 2005; JULY 15, 2005;  
AND OCTOBER 13, 2005**

**AND  
ROUND ROBIN CONSULTATIONS OF  
MARCH 2005 AND JULY/AUGUST 2005  
AS SCHEDULE 3**

**ADOPTED OCTOBER 13, 2005**



**RESOLUTION OF CONTRIBUTORS**  
**TO THE UNIFIED SPECIAL DEVELOPMENT FUND**  
**OF THE CARIBBEAN DEVELOPMENT BANK**  
**(SDF 6)**

WHEREAS:

The Board of Directors of the Caribbean Development Bank (hereafter called 'the Bank') at its Two Hundred and Eleventh Meeting held on May 11, 2004, has determined that the Bank should carry out negotiations for a replenishment of its Unified Special Development Fund (hereinafter called the 'Special Development Fund') to finance the Bank's concessional lending programme for the four-year period commencing January 1, 2005, and, for that purpose, should seek contributions to the Special Development Fund;

To consider a Replenishment of the resources of the Special Development Fund for a sixth cycle (2005-2008), known as SDF 6, Contributors have had four meetings, in Georgetown, Guyana on November 22 and 23, 2004 and May 17, 2005 and in Barbados on July 15, 2005 and October 13, 2005, as well as considered by "round robin" a number of documents in March 2005, and July and August 2005. On completion of these negotiations, Contributors have recommended a Replenishment size of \$257.5 million for the period 2005-2008. They have also recommended agreed basic contributions of \$158.1 million, together with a structural financing gap of \$25.9 million to be met by additional contributions and income from accelerated payments and accelerated encashment of demand notes. The balance of \$73.5 million is expected to be met by internally generated resources, including net income and loan repayments; and

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

NOW THEREFORE, the Contributors hereby RESOLVE as follows:

1. **Definitions**

As used in this Resolution, unless the context otherwise requires, the several terms defined in the Rules for the Special Development Fund (adopted May 1983) have the respective meanings set forth therein, except that the term "Contribution Cycle" means the period of four years commencing January 1, 2005 and ending December 31, 2008, and the following additional terms have the following meanings:

- (i) "cash portion" means that portion of a Contribution which is payable in cash as indicated by the Contributor in its Instrument of Contribution;
- (ii) "currency of obligation" means the applicable currency of obligation indicated in the Second Column of Part A of Schedule 1 to this Resolution in which the relevant Contribution is to be made pursuant to paragraphs 3 (a) and 7 (a) of this Resolution;

## RESOLUTION OF CONTRIBUTORS TO SDF 6

- (iii) "instalment" means a cash payment which is part of a cash portion or a deposit of a note which is part of a notes portion;
- (iv) "notes" means non-negotiable non-interest bearing notes payable at their par value on demand;
- (v) "notes portion" means that portion of a Contribution which is payable by the deposit of notes as indicated by the Contributor in its Instrument of Contribution;
- (vi) "qualified contribution" means a contribution as defined in paragraph 3 (d) of this Resolution;
- (vii) "SDF 6" means the replenishment of the Special Development Fund for the Contribution Cycle; and
- (viii) "unqualified contribution" means a contribution as defined in paragraph 3 (c) of this Resolution.

### 2. Contributions

#### (a) Pledges by Contributors

The Contributors hereby severally pledge to the Bank contributions to SDF 6 in amounts not less than those indicated for the respective Contributors and in the respective currencies of obligation set out in Part A of Schedule 1 to this Resolution.

#### (b) Additional Contributions

Notwithstanding the provisions of paragraph 2 (a) above, the Bank may accept from any of the Contributors listed in Part A of Schedule 1 to this Resolution and other Contributors additional contributions to SDF 6 during the Contribution Cycle on terms and conditions similar to those set out and referred to in this Resolution.

### 3. Contribution Agreement

#### (a) Agreements resulting from Pledges under this Resolution

By December 31, 2005, or such later date as may be agreed between each Contributor and the Bank, each Contributor shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to SDF 6 the amount of its contribution in the applicable currency of obligation as set forth in Part A of Schedule 1 to this Resolution and each such Instrument of Contribution shall constitute a Contribution Agreement.

#### (b) Agreements resulting from additional Contributions

Within three (3) months after the Bank has notified a Contributor that the Bank will accept an additional contribution to SDF 6 in the amount offered or proposed by such Contributor and on terms and conditions similar to those set out and referred to in this Resolution, or by such later date as may be determined by the Bank, such Contributor

shall deposit with the Bank an Instrument of Contribution, substantially in the form set out in Schedule 2 to this Resolution or in such other form as the Bank may approve, agreeing to contribute to SDF 6 the amount of its contribution in the applicable currency of obligation and each such Instrument of Contribution shall constitute a Contribution Agreement.

(c) Unqualified Contribution

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

(d) Qualified Contribution

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

4. Entry into Effect

Effectiveness of Contributions

Each Contribution or portion thereof shall become effective on the date of deposit with the Bank of the relevant Contribution Agreement in the form of an unqualified Instrument or Instruments of Contribution.

5. Mode of Payment

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

6. Instalment Payments

(a) Amounts of Instalments and Payment Dates

Except as otherwise provided in this Resolution,

- (i) each cash portion shall be paid to the Bank in equal instalments, each in an amount of not less than twenty-five percent (25%) of the relevant cash portion, in such manner that at least one (1) payment shall be made prior to April 30, 2006, and July 31 in each year of the Contribution Cycle from 2006 to 2008, or such later date or dates as the Bank may determine; and

## RESOLUTION OF CONTRIBUTORS TO SDF 6

- (ii) each note portion shall be paid to the Bank in equal instalments, each in an amount of not less than twenty-five percent (25%) of the relevant notes portion, in such manner that at least one (1) payment shall be made prior to April 30, 2006 and July 31 in each year of the Contribution Cycle from 2006 to 2008, or such later date or dates as the Bank may determine.

(b) Payment of First Instalments and Drawdowns

Subject to the provisions of paragraph 6 (a) above and paragraphs 6 (d) and (e) below, each first instalment of a cash portion and/or a notes portion shall be made within thirty (30) days after the date of the deposit with the Bank of the relevant Contribution Agreement in the form of an unqualified Instrument of Contribution, and drawdowns by the Bank in respect of notes deposited shall be made semi-annually according to a fixed encashment schedule based on the Bank's historical disbursement profiles weighted by the expected composition of the SDF 6 programme or such other drawdown arrangements as may be determined by the Board of Directors. [The fixed encashment schedule will be communicated by the Bank to each Contributor at the time of the first deposit of an Instrument of Contribution.]

(c) Payments of a Qualified Contribution

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

(d) Payments of a delayed Contribution

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

(e) Optional Arrangements

A Contributor, at its option, may:

- (i) pay its Contribution in fewer instalments or in larger portions or at earlier dates than those specified in paragraph 6 (a) above, or in agreement with the Bank accelerate encashment of the note portion or portions of a Contribution, provided that such payment or accelerated arrangements are no less favourable to the Bank;
- (ii) defer payment of its first instalment until Contribution Agreements for an aggregate amount equivalent to at least fifty percent (50%) of the total sum indicated in Part A of Schedule 1 to this Resolution have been deposited with the Bank; and

- (iii) in the second or a subsequent calendar year of the Contribution Cycle, provided it has paid all instalments for the preceding calendar year, defer payments of further instalments so long as there is in arrears an aggregate amount equivalent to at least fifty percent (50%) of the instalments payable by the other Contributors.

7. **Currency of Payment**

(a) **Currency of Obligation**

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

(b) **Acceptance by the Bank of other Currency**

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

8. **Meetings of Contributors**

If, during the Contribution Cycle, delays in the making of any instalments cause or threaten to cause a suspension in the Bank's concessionary lending operations, or otherwise prevent substantial attainment of the goals of SDF 6, the Bank shall convene a meeting of the Contributors to review the situation and consider ways of obtaining the necessary instalments and, based on the recommendation of such a meeting, the Bank shall adopt such measures as considered necessary.

9. **Use of SDF 6**

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



**RESOLUTION OF CONTRIBUTORS TO SDF6  
SCHEDULE 1 – CONTRIBUTIONS TO SDF SIXTH CYCLE**

**SCHEDULE 1**

**CONTRIBUTIONS TO THE SPECIAL DEVELOPMENT FUND SIXTH CYCLE (SDF 6)**

	<b>Basic Contribution (USD '000)</b>	<b>Unit of Obligations</b>	<b>Amount in Unit of Obligations ( '000)</b>
<b>Part A</b>			
<b>Regional</b>			
Trinidad and Tobago	7,500	USD	7,500
Jamaica	7,500	USD	7,500
Guyana	4,215	USD	4,215
Commonwealth of The Bahamas	3,400	USD	3,400
Barbados	4,210	USD	4,210
Antigua and Barbuda	420	USD	420
Belize	1,100	USD	1,100
Commonwealth of Dominica	840	USD	840
Grenada	100	USD	100
Haiti <sup>1</sup>	650	USD	650
St. Kitts and Nevis	1,100	USD	1,100
St. Lucia	1,100	USD	1,100
St. Vincent and the Grenadines	1,100	USD	1,100
Cayman Islands	420	USD	420
Anguilla	420	USD	420
Turks and Caicos Islands	420	USD	420
British Virgin Islands	420	USD	420
Montserrat	420	USD	420
	<b>35,335</b>		<b>35,335</b>
Colombia	3,600	USD	3,600
Mexico	3,000	USD	3,000
Venezuela	3,600	USD	3,600
	<b>10,200</b>		<b>10,200</b>
<b>Non-Regional</b>			
Canada <sup>2</sup>	44,000	Canadian \$	54,340
United Kingdom <sup>3</sup>	44,000	Pound Sterling	23,492
Germany <sup>4</sup>	12,170	Euro	9,474
Italy	5,003	Euro	3,850
People's Republic of China	5,200	USD	5,200
	<b>110,373</b>		
<b>Part B</b>			
Structural Gap	25 932	USD	
Suriname <sup>5</sup>	2,160	USD	
	<b>28,092</b>		
<b>TOTAL</b>	<b>184,000</b>		

<sup>1</sup> Figure for Haiti was negotiated and approved as part of their membership arrangements.

<sup>2</sup> US\$1= Cdn\$1.235. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>3</sup> GBP1= US\$1.873. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>4</sup> Euro1= US\$1.2846. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>5</sup> Figure for Suriname was negotiated and approved as part of their membership arrangements.



**SCHEDULE 2**

**INSTRUMENT OF CONTRIBUTION**

(Insert )  
(Office )  
(Address of Signatory )

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

Date:

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

Dear Sir/Madam:

**INSTRUMENT OF CONTRIBUTION**  
**UNIFIED SPECIAL DEVELOPMENT FUND (SIXTH REPLENISHMENT CYCLE)**

I am pleased to inform you that (name of country), by means of this letter, agrees to contribute to the Special Development Fund (SDF 6) of the Caribbean Development Bank (CDB) an amount of United States dollars<sup>1/</sup> (USD )<sup>1/</sup> of which \$<sup>1/</sup> will be in cash and the remainder in notes,<sup>2/</sup> pursuant to and in accordance with the conditions contained in the Resolution of the Contributors to SDF 6 adopted at the Meeting of Contributors on October 13, 2005

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

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

Yours sincerely,

<sup>4/</sup>

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<sup>1/</sup> To be deleted if currency of obligation is other than US dollars. Where there is another currency of obligation, such currency is to be inserted in place of the phrase "United States dollars (USD )".

<sup>2/</sup> To be altered as appropriate.

<sup>3/</sup> Applicable only if the Contribution is qualified.

<sup>4/</sup> To be signed by the Governor of the member country on the Bank's Board of Governors except in the case of Anguilla, the British Virgin Islands, the Cayman Islands, Montserrat and the Turks and Caicos Islands, and non-member contributing countries, when it should be signed by the proper authority of each such country.



**SCHEDULE 3**

**CARIBBEAN DEVELOPMENT BANK**

**REPLENISHMENT OF RESOURCES OF  
THE SPECIAL DEVELOPMENT FUND (SDF 6)**

**REPORT OF CONTRIBUTORS ON SDF 6**

**OCTOBER 2005**

### **ABBREVIATIONS AND ACRONYMS**

BMCs	Borrowing Member Countries
BNTF	Basic Needs Trust Fund
CARICOM	Caribbean Community
CARTAC	Caribbean Regional Technical Assistance Centre
CDB	Caribbean Development Bank
CFD	Caribbean Forum for Development (previously the CGCED)
CIDA	Canadian International Development Agency
CPA(s)	Country poverty assessment(s)
CRNM	Caribbean Regional Negotiating Machinery
CSME	Caribbean Single Market and Economy
CSP	Country strategy paper
DFI	Development Finance Institutions
DFID	Department for International Development, U.K.
DMFC	Disaster Mitigation Facility for the Caribbean
ECEMP	Eastern Caribbean Economic Management Programme
HLF	High-Level Forum of heads of aid agencies and developing countries
ICF	Interim Cooperation Framework (2004-2006) for Haiti
ICT	Information and Communication Technology
IDB	Inter-American Development Bank
MDBs	Multilateral development banks
MDGs	Millennium Development Goals
MfDR	Managing for development results
MTR	Mid-Term Review
OCR	Ordinary Capital Resources (of the CDB)
OECS	Organisation of Eastern Caribbean States
PPES	Project Performance Monitoring and Evaluation System
PPI	Portfolio Implementation Performance Index
PPMS	Project Performance Management System
PRAP	Poverty Reduction Action Plan
NPRS	National poverty reduction strategy
RBM	Results-based management
RDBs	Regional development banks
RPG(s)	Regional public good(s)
SDF	(Unified) Special Development Fund
SIF	Social Investment Funds
SPARC	Support for Poverty Assessment and Reduction in the Caribbean
SwAps	Sector-wide Approaches
TA	Technical assistance or technical assistance project
UNDP	United Nations Development Programme
USAID	United States Agency for International Development

### **SYMBOLS**

%	-	per cent
\$	-	US dollar (unless otherwise specified)

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## EXECUTIVE SUMMARY

1. The Special Development Fund (SDF) is a partnership between countries in the Caribbean, both borrowing and non-borrowing, and countries from outside the Region. It is directed to the reduction of poverty, broad-based sustainable growth, and achievement of the Millennium Development Goals (MDGs). SDF resources are an essential complement to the Caribbean Development Bank's (CDB's) ordinary capital operations, and make it possible for the Bank to address the problems of poor communities including acute vulnerability to natural disasters and economic shocks. They also help CDB to strengthen the institutional capacities needed to address and monitor progress towards the MDGs, provide resources to Borrowing Member Countries (BMCs), particularly poorer and more heavily indebted BMCs, beyond what they can afford to borrow on conventional terms, and support the Region's adjustment and transition through programmes of regional integration.

2. SDF Contributors have reviewed progress and achievements to date, the extent and nature of the challenges facing the Region in achieving the MDGs and the role that SDF and the Bank can most effectively play in helping BMCs to address the MDGs. They have undertaken this review in the context of the increasingly complex global development agenda set out in the Millennium Declaration and at Monterrey, Johannesburg, Doha and, most recently, in the Declarations agreed in Rome and Paris. Their conclusions are set out in this Report, which forms a detailed agreement between Contributors and the Bank, on the basis of which Contributors have undertaken to provide additional resources for the continuation of SDF operations for the four years beginning in 2005 – the SDF 6 Replenishment.

3. The Report sets out the case for the Replenishment, in addressing the unacceptably high levels of poverty in many BMCs, serious issues of vulnerability to natural disasters and economic shocks, the difficult problems of transition and adjustment facing most of the BMCs, the social and economic adjustment costs of the Caribbean's special Millennium project, the establishment of a Single Market and Economy, and the enormous challenges involved in broadening the Bank's mandate to a wider Caribbean.

4. The Report provides a set of objectives, strategic priorities, and operational programmes to guide SDF 6, together with an Action Plan of selected milestones and other indicators to provide a strong basis for achieving and assessing results. An essential part of the SDF 6 framework is a strategy, within the practical capacity of the Bank, to focus on *Managing for Development Results (MfDR)*. Highlights of the conclusions and decisions of Contributors, working jointly with the Bank through the SDF 6 Replenishment process, are set out below.

### ***Themes of the Replenishment***

5. Contributors agreed that the objectives and operational framework for SDF 6 should build on the directions set for SDF 5 and reflect the international development agenda as applied to the Caribbean. They established four broad themes for the Replenishment:

- *poverty reduction and broad-based economic growth as an overarching goal;*
- *addressing the MDGs;*
- *strengthening development effectiveness and results-based management (RBM); and*
- *planning for and implementation of the expansion of BMC membership.*

### ***The Millennium Challenge***

6. Contributors recognised that the MDGs, which they had set as an integral part of the operational framework for SDF four years earlier, focused on the core objectives of poverty reduction, human

**RESOLUTION OF CONTRIBUTORS TO SDF 6**  
**SCHEDULE 3 – REPORT AND CONCLUSIONS OF NEGOTIATIONS FOR SDF 6**

development and environmental sustainability, and addressed poverty in its many dimensions. The MDGs also include the further element of a results-oriented global partnership for development.

7. Achieving the MDGs in a defined timeframe, however, presents enormous challenges, and it is essential to apply the Goals in a relevant and targeted way in the context of the Caribbean. *Contributors commended* the Bank for its assistance in the articulation of a Caribbean-specific MDG framework, including adaptation of the targets to the special characteristics of poverty and gender equality in the Caribbean, *and they recognised* that there will be further discussions with BMCs. *They underlined, however, their expectation* that such a framework would be internalised early in the SDF 6 period and assist in the development of results-based country strategies, the selection and design of programmes and projects, and the monitoring and reporting of SDF 6 operations.

8. *Contributors recognised* the special characteristics of poverty in the Caribbean, where not only are there unacceptably high levels of absolute poverty, but broad segments of society remain vulnerable to poverty and move into and out of poverty. The extreme vulnerability of many Caribbean economies to frequent natural disasters and economic shocks disproportionately affects the poor and increases the risk of deprivation of the near-poor. Standard measures for comparing poverty levels do not adequately capture the nature of poverty in high-cost, largely cash economies with limited traditional support mechanisms. For the Caribbean, the goal of halving poverty by 2015 needs to be seen as the goal of halving the proportion of persons living in absolute poverty, below the national indigence line.

9. *Contributors also recognised* that fiscal stress and debt sustainability had emerged as serious concerns, with deteriorating fiscal positions and high levels of debt in some BMCs. *They welcomed* the Bank's intention to work collaboratively with development partners to assist countries to address these issues, including the submission to the Board of Directors of a paper on proposed innovations to the Bank's lending policies. The paper will include proposals on a possible policy-based lending instrument and will be submitted to the Board of Directors for its October 2005 meeting. Contributors agreed that such instruments, if approved, would be applied only in the context of an internationally-supported macroeconomic adjustment programme.

10. The broadening of the Bank's mandate to a wider Caribbean, including the poorest country in the Hemisphere, Haiti, presents major challenges. *Contributors welcomed* the expansion of the Bank's mandate *and agreed* they would need to give their full support to the Bank and SDF in meeting these challenges.

11. *Contributors underlined* the importance of identifying and applying comparative advantage in focusing the Bank's efforts for greatest effectiveness, consistent with close cooperation with development partners. The Bank's comparative advantages includes its close relationship with BMCs, its understanding of the problems and dynamics of the Region, and its proximity to many of the BMCs, as well as its substantially lower costs for the appraisal and supervision of smaller projects, its long experience with community-based and poverty-targeted programmes, and its experience with particular sectors and types of institutions. Focusing and extending these comparative advantages in the new circumstances of an expanded membership with different traditions, languages and institutional experience is a part of the challenge, and *Contributors agreed* that additional support and strengthening of the Bank's administrative and human resources would be required for this purpose.

12. Contributors supported the Bank's case for a substantial replenishment that would allow for a more targeted response to the challenges of unacceptably high levels of poverty and acute vulnerability to natural hazards and economic shocks, loss of traditional sources of income, acute fiscal stress and high levels of debt, accelerating the process of regional cooperation and integration and providing appropriate assistance to its membership.

13. In programming terms the increased amount of the replenishment for SDF 6 compared with SDF 5 will allow for jump starting a Basic Needs Trust Fund (BNTF)- type programme in Haiti, the restart of a new and improved project implementation and management training programme for senior officials in BMCs, extending the reach of CTCS training packages for micro, small and medium-sized enterprises, promoting regional integration and cooperation including regional public goods, building BMCs' capacity to monitor and manage progress towards the attainment of the MDGs, improve the Bank's capacity to meaningfully mitigate and respond to natural disasters and, to render a more comprehensive package of assistance to BMCs in fiscal distress. Increased financing for loans allocated on the basis of the resource allocation formula will also contribute to the future financial sustainability of the SDF.

### ***Operational Strategy and Priorities***

14. *Contributors reviewed and, with some adjustments, endorsed* the proposed operational strategy for SDF 6, with the overarching goal of poverty reduction and broad-based, sustainable economic growth. *They underlined*, however, the need for careful attention to selectivity and focus, both with respect to country-specific programmes and in regional and sub-regional activities, and for cooperation and specialisation of effort with other development agencies.

15. *Contributors reaffirmed their support* for the Bank's poverty reduction strategy, with its three overlapping priorities: capability enhancement, reduction of vulnerabilities and good governance. These are the elements of the "poverty prism", endorsed by Contributors in the SDF 5 Agreement as a comprehensive and flexible instrument to build on and broaden the Bank's poverty reduction focus. The three priorities provide a lens through which all of the Bank's operations are viewed at all stages of the project cycle, including ordinary capital operations as well as those of SDF. *Contributors reaffirmed their support* for this innovative approach to strengthening the Bank's work on poverty reduction. *They underlined*, however, the critical importance of effective operationalisation of the poverty prism and the poverty reduction strategy.

16. With the application of the poverty prism, all programmes supported by SDF are expected to support poverty reduction. Some programmes, however, are directly targeted at the poor. *Contributors welcomed* the priority attached to the directly targeted programmes, and *underlined their expectation* that such programmes would continue to represent a significant share of overall SDF programming. *They also welcomed* the continuing evolution and strengthening of the BNTF, which is the largest of these programmes, and the use of regular evaluations of effectiveness as a basis for continuing improvement and applying the lessons of experience.

17. Recognising the gender dimensions of poverty, the different vulnerabilities and coping strategies of poor women and men, and the inequities that impede them from participation as equal and full partners in the development of their societies, *Contributors welcomed* the Bank's intention to strengthen, within the context of poverty reduction, key social, economic and community institutions to address these inequities through increased sensitivity to gender issues. To promote attention to gender issues in policy dialogue and strengthen gender analysis in project operations, a comprehensive gender analysis of 10 BMCs will also be undertaken.

18. *Contributors agreed* that environmental sustainability should receive a significantly increased priority in SDF 6. To stem the deterioration of environmental and natural resource capital, as well as relieve the blight of large sections of urban areas becoming home to a poor and increasingly disaffected populace, it will be necessary to address more comprehensively the relationship between poverty reduction and environmental degradation. *Contributors supported* the allocation of a part of SDF grant funding for use in environmental sustainability projects as an innovative addition to the programme instruments available under SDF 6.

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19. Support for regional cooperation and integration is an integral part of the Bank’s mandate and has assumed increased importance with the changes in the global economy and the creation of a Caribbean Single Market and Economy (CSME). Economic integration is a critically necessary response to the changing economic environment and the need for economic transformation in most BMCs. The prospects for broad-based growth, employment generation and poverty reduction will be heavily influenced by the extent to which this can be successfully implemented. *Contributors supported* the Bank’s new policy framework for contributing to regional cooperation and integration, and *agreed* that SDF and the Bank had a critically important role to play.

20. *Contributors also welcomed* the focus on supporting the provision of regional public goods (RPGs) such as investments in environmental sustainability and joint regulatory mechanisms, which further underlined the value of cooperative approaches in increasing economic benefits and reducing poverty.

21. *Contributors placed particular importance* on the development of a policy and programme planning capability for regional programmes and regional public goods, to complement the traditional country focus of CDB operations. Such a capability could be relatively modest, but without it the Bank’s work in this area was likely to be reactive and diffused, rather than strategic and targeted.

22. *Contributors gave special attention* to the planned operational programmes for Haiti. *They endorsed* the undertaking of SDF operations in Haiti as soon as membership becomes effective, and *supported* the Bank’s proposal that funding for new members be separately earmarked. *Contributors also welcomed* the study of options with respect to SDF-supported operations in Haiti which will be considered at the October 2005 meeting of the Board of Directors, *and underscored* the need for early establishment of the operational capability that would need to be put in place for Haiti. The objective was the careful development of a practical and well-targeted potential programme for decision by the Board of Directors. *They agreed* that these should be priority milestones under the SDF 6 Action Plan.

***Managing for Development Results***

23. The international development community has increasingly focused on “MfDR” as a critical factor in strengthening development effectiveness and ensuring and monitoring progress toward the MDGs. *Contributors underlined* the importance of the results agenda for SDF 6, and *welcomed* the progress that the Bank had made. *They supported* the broad approach of selected actions to be taken in terms of three pillars based on the global results agenda, but with a focus on selecting a limited number of key results areas that are both essential to the implementation of the SDF 6 operational framework and within the Bank’s capacity for effective implementation.

24. The three pillars of the Bank’s approach to MfDR are:

- Pillar 1: Managing for Results at Country and Regional Level;
- Pillar 2: Managing for Results at the Institutional and Corporate Level; and
- Pillar 3: Managing for Results through Partnerships, Harmonisation and Alignment.

25. *Pillar 1* includes steps to support BMCs in measuring, monitoring and evaluating progress towards the MDGs, in undertaking country poverty assessments (CPAs) and preparing poverty reduction strategies, in strengthening economic management, and in implementing the CSME and planning for and achieving the benefits of RPGs.

26. *Pillar 2* focuses, *inter alia*, on strengthening the Bank’s country strategy process, through increased country-level participation with other donor partners, and undertaking an accelerated programme of results-based country strategy papers (CSPs) through increased country-level participation

with other donor partners, further development of results-based management, operationalising the strategies for poverty reduction, governance and regional cooperation and integration, planning for BNTF 6, and monitoring and evaluating the Bank's own projects and programmes as a basis for applying the lessons of experience.

27. *Pillar 3* sets out selected actions to strengthen partnership and joint action in support for the MDGs, poverty strategy development, the broader harmonisation and alignment agenda, including development of common approaches to support for social protection for the poor and sector-wide approaches (SwAps) in sectors such as education, and the Bank's work in relation to the Caribbean Forum for Development (CFD).

28. *Contributors supported* the measures included in the results agenda. With respect to the preparation of CDB country strategies, *they urged* that these be given a high priority, be increasingly results-oriented, and include the good governance and regional cooperation dimensions of capacity development.

29. *Contributors also reaffirmed* the importance of the SDF resource allocation strategy that had been introduced in SDF 5, and agreed that the same strategy should be used for determining indicative country allocations in SDF 6, with an emphasis on improving the application and use of the strategy in strengthening development effectiveness and results.

30. *Contributors recognised* the importance of a strong operational policy capability in poverty reduction, governance and institutional strengthening, and regional integration and RPGs. This was needed to assist the Bank in keeping in touch with a dynamic external environment, including the work of other multilateral development banks (MDBs), keep sectoral and thematic policies under review, and permit the Bank to keep in touch with international best practice and adapt it to the circumstances of the Bank's BMCs. *They recommended* that the Bank give early consideration to strengthening its operational policy capability in these priority areas.

31. *Contributors welcomed* the inclusion of a review of lending policies in the SDF 6 Action Plan, *and endorsed* the strengthening of the evaluation programme as a principal means of identifying and applying the lessons of experience, as well as the planned multi-cycle evaluation of SDF, which *they requested* be completed before the end of SDF 6.

32. *Contributors also underlined* the importance of increased harmonisation and alignment in strengthening aid effectiveness. *They proposed* that some of the "Indicators of Progress" that had been adopted in the Paris Declaration be selected as indicators of progress in the Bank's own work, and *welcomed* the Bank's positive response to this proposal. This will be submitted to the March 2006 meeting of the Board of Directors.

#### ***SDF 6 Action Plan and Mid-Term Review (MTR)***

33. *Contributors agreed* on a set of selected milestones, which are set out in a time-bound *SDF 6 Action Plan*. These are steps needed to move forward with the policy directions for SDF 6, implement effectively the SDF 6 operational programme, and achieve key elements of the Bank's results agenda. The Action Plan also includes steps needed to consolidate policy and operational directions originally set for SDF 5, as well as steps needed to move forward with an operational programme for new members. They include both steps specific to SDF operations and those relating to the Bank as a whole but necessary for effective implementation of the SDF 6 programme.

34. *Contributors also agreed* that there would be a *Mid-Term Review* of SDF 6 and it should be completed early in the third year of the Replenishment cycle. The Review would discuss progress in

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implementing decisions and recommendations in this Report, including progress on the SDF 6 Action Plan, as well as SDF 6 operations to date, the operational programme for new members, and the status of funding for the Replenishment. It is also expected that an interim report arising from the multi-cycle evaluation of SDF referred to in paragraph 31 would be considered at the time of the MTR.

35. The MTR represents a central accountability mechanism for SDF 6 and will play a key role in Contributor oversight and results-based management by the Bank. It will draw on and complement the evaluation work of the Bank and the Bank's RBM tools.

***Financing Framework for SDF 6***

36. Contributors agreed to recommend an overall programme level for SDF 6 of \$257.5 mn, to be financed by agreed basic contributions of \$158.1 mn, internally-generated resources estimated at \$73.5 mn, and a structural gap of \$25.9 mn to be financed by additional contributions and, to the extent possible, by income from adjustments in encashment of demand notes or payment schedules.

37. Contributors also agreed that the programme level for SDF 6 should consist of the following specific allocations.

- (a) **\$91 mn in grant funding**, with provision for:
  - ✍ \$32 mn for the BNTF in support of poor communities in the currently eligible countries,
  - ✍ \$18 mn for technical assistance (TA) programmes, including capacity building in BMCs (including new members), project cycle training and CTCS;
  - ✍ \$4 mn for special support for monitoring progress towards MDGs;
  - ✍ \$10 mn in support of regional integration and facilitating the provision of RPGs;
  - ✍ \$8 mn as a provision for disaster response;
  - ✍ \$19 mn for Haiti, including tentative provision of \$15 mn for BNTF-type programming and \$4 mn for administrative expenses.
- (b) **\$45 mn** as a provision for **loan funding for natural disaster mitigation and rehabilitation and countries in fiscal distress**; and
- (c) **\$121.5 mn for normal lending operations**, inclusive of a tentative provision of \$6 mn for small and micro enterprises lending for Haiti, with the balance for the current BMCs to be allocated according to the SDF resource allocation strategy approved by Contributors, based on both a measure of needs, including per capita income, vulnerability and size, and performance, including portfolio performance and policy and institutional performance.

38. The specific allocations will be reviewed by Contributors at the mid-term review, or earlier if appropriate, in order to ensure that any funds not required as originally planned can be reallocated to where they can most effectively be used within the SDF 6 period. The allocations for BNTF and for TA would, however, not be reduced. Decisions on the use of the funds provided for Haiti would be made by the Board of Directors on the basis of a detailed submission by the Bank on programme options in respect of Haiti.

39. The terms for SDF 6 lending will continue to vary according to country group, as in the past, and these will be the same as used for SDF 5.

40. Contributors undertook a review of the issue of grant financing, including the extent to which grants reduce SDF income and future reflows. They noted that SDF had traditionally included grants as particularly appropriate for certain types of activity, and they concluded that grants continued to be

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important for such purposes. *They underscored*, however, the need for an appropriate balance, *and agreed* that the share of grant funding in SDF 6 should be no higher than 35%, inclusive of grant funding for new members.

41. *Contributors also, however, supported* the advance payment of instalments on new contributions where individual Contributors are able to make such payments, as a valuable contribution to increasing SDF income and financing a part of the structural gap.

42. *Contributors indicated their intention* that the Replenishment should become effective before the end of 2005, but *noted* that in some cases Instruments of Contribution might take somewhat longer, although *they urged* that every effort be made to complete the steps necessary for Instruments of Contribution to be deposited at as early a date as possible. To ensure that the momentum of SDF operations can be maintained pending the deposit of Instruments of Contribution, *Contributors authorised* the Bank to use Instruments of Contribution as these are deposited, as well as any advance payments of instalments, as commitment authority during the balance of 2005 and 2006.

43. *Contributors agreed* to assign a high priority to financing of the structural gap at as early a date as possible. *They invited* Contributors who may be in a position to do so to make additional contributions for this purpose. *Contributors also agreed* that, where possible, they would endeavour to accelerate payments under SDF 6 and to make payments in cash rather than Notes, or to accelerate the encashment of Notes, so as to contribute further to increased income and a reduction in the structural financing gap.

44. *Contributors expressed the hope* that some Contributors might be in a position to agree with the Bank on the early encashment of currently outstanding Notes from past Replenishments, and thereby contribute to increased income by the investment of such funds for the period before they are needed to meet disbursements on outstanding commitments.

45. *Contributors agreed* to advise the Bank, if possible by November 30, 2005 of the extent to which they are expected to be able to contribute to financing of the structural gap in these various ways, and requested the Bank to report to the Board of Directors at their meeting in December 2005 on progress with respect to closing the structural gap.

46. *Contributors underlined the importance* of continuing efforts to ensure additional contributions to SDF from new members and others. Such funding would make it possible to increase the resources and programme levels for SDF 6 and contribute to the funding of subsequent replenishments. *Contributors welcomed* the interest expressed in possible membership in the Bank by India, Ireland, Spain, Brazil and the European Investment Bank. *They expressed the hope* that where feasible these efforts could be concluded successfully during 2005 and 2006, *and indicated* their willingness to assist in any way possible.

47. The overall framework for contributions to SDF 6 and the agreed basic contributions are set out in Table 7. The basic contributions are those pledged by each Contributor at the final meeting of Contributors on the Replenishment.



## **1. INTRODUCTION**

1.01 The Special Development Fund<sup>a</sup> (SDF) plays a special and important role in the international effort to address deep-seated and complex problems of poverty and vulnerability in the Caribbean and target the Millennium Development Goals (MDGs). SDF is a partnership between countries and development agencies within and beyond the Region, and, uniquely among multilateral concessional funds, is supported financially by all members of the partnership, including the most disadvantaged of the beneficiaries.

1.02 The concessional resources of SDF are an essential complement to the ordinary capital resources (OCR) of the Caribbean Development Bank (CDB), and permit a range of activities within the Region that could not otherwise be undertaken. They allow the Bank, as the joint development instrument of the Caribbean Community and its partners from within and outside the Region, to address critical development needs and the core objectives of poverty reduction and human development, broad-based economic growth, environmental sustainability, reduction of the extreme vulnerabilities characteristic of the Caribbean, and good governance. SDF contributes directly to the ability of the Bank and its borrowing member countries (BMCs) to address the increasingly urgent MDGs in their various facets, and in doing so has demonstrated increasing effectiveness.

1.03 Four factors make a continuation of SDF operations critical for the period immediately ahead:

- (a) *unacceptably high levels of poverty remain in many countries in the Region, accentuated by the acute vulnerabilities of many countries and social groups, and now documented by the country poverty assessments (CPAs) that CDB and its partners have supported;*
- (b) *the Bank is crossing a watershed in the expansion of its mandate to a wider Caribbean, which will more than double the institution's client base and, with the addition of Haiti as the poorest country in the hemisphere, quadruple the number of persons in deep poverty to whom it is expected to provide assistance;*
- (c) *all of the BMCs are facing major economic change and difficult transitions, with changing trade and economic patterns and a loss of preferential access to major export markets. Some BMCs are in special difficulties, with acute fiscal stress, high levels of debt and loss of major sources of income; and*
- (d) *the BMCs as a group, through the Caribbean Community, are embarked on a highly ambitious joint venture of accelerated economic integration in the form of a Caribbean Single Market and Economy (CSME). This presents great opportunities, but also great challenges in making CSME a reality and in addressing the inevitably unequal burden of adjustment among different sectors, countries and social groups. The Bank must join in providing leadership in addressing the economic and social issues involved, and in playing a catalytic role in the adjustment process.*

1.04 The SDF 5 replenishment was intended to cover the years 2001 to 2004, and the resources of SDF 5 have now been largely committed. Additional resources are required, through new funding from Contributors, combined with reflows of repayments and income, to support continued SDF operations in the period ahead.

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<sup>a</sup> All references to the SDF are to the (Unified) Special Development Fund established in 1983.

*The Replenishment Process*

1.05 At their Annual Meeting in May 2004, Contributors agreed to undertake an SDF 6 Replenishment, with negotiations to begin in late 2004. They welcomed the extensive analysis and reporting that had been provided and reviewed in the preceding Mid-Term Review (MTR) of SDF 5, held in March 2004. Operationalisation of the ambitious new policy directions for SDF 5 had been slower than planned, but progress had been made, and action was being taken on most of the key milestones.

1.06 Contributors agreed that the objectives and operational framework for SDF 6 should build on the directions set for SDF 5 and reflect the international development agenda and global priorities as these had emerged over the period. They also approved four broad themes for the SDF 6 Replenishment.

- (a) ***Poverty reduction and broad-based economic growth as an overarching goal***, with a further strengthening of implementation of policy directions that Contributors had already set, including further operationalisation of the poverty reduction strategy, and maintaining a high priority for programmes directly targeted at the poor.
- (b) ***Addressing the MDGs***, with further development of the MDGs as a framework for SDF programming, monitoring and preparation of appropriate targets and indicators for SDF operational programmes.
- (c) ***Strengthening development effectiveness and results-based management (RBM), together with other elements of the post-Monterrey agenda***, including an emphasis on sound policies and good governance, assisting BMCs to take advantage of economic opportunities such as those presented by the regional integration process, and enhancing collaboration, harmonisation and partnership based on the Rome Declaration on Harmonisation.
- (d) ***Planning for and implementation of the expansion of BMC membership***, in particular Haiti.

1.07 Contributors subsequently met in a series of four negotiating meetings on SDF 6 over the period November 2004 to October 2005 to review and discuss a number of documents, and also reviewed and commented on several documents circulated by “round-robin”. They agreed that these papers, together with comments made at the meetings, provided a sound basis for the Replenishment.

1.08 Contributors, *inter alia*, endorsed the proposed policy and operational framework for SDF 6, subject to further steps to strengthen operationalisation of the poverty reduction strategy and develop a tentative operational plan for discussion with the Government of Haiti, and to an increased emphasis on environmental sustainability as one of the key MDGs. They also endorsed a proposed policy framework for supporting regional cooperation and integration, measures to strengthen management for development results, and an SDF 6 *Action Plan* of selected milestones, to which they attached considerable importance.

1.09 They welcomed Haiti’s participation in the meetings as an Observer, in anticipation of the expected early completion of the formalities for that country’s membership in the Bank, and expressed appreciation to Canada for facilitating Haiti’s membership through financing of its capital subscription and initial contribution to SDF.

1.10 Given the enormous challenges, and the achievements and progress to date in the use of SDF resources, Contributors agreed to support the next SDF funding cycle at an increased level of resources, to be targeted and used as agreed during the SDF 6 negotiations. Contributors also recognised that further resources would be needed for the intended level of operations in support of Haiti as new member.

1.11 A list of the documents reviewed is provided in Appendix A. This Report summarises the results of the consideration of SDF 6 by the Contributors and the agreements reached, including policy directives and guidance. As the outcome document for the Replenishment, the Report constitutes an agreement

between the Contributors and the Bank, on the basis of which Contributors will provide new resources for the SDF 6 period, subject to monitoring and a planned mid-term review.

## **2. THE MILLENNIUM CHALLENGE**

### **2.1 The MDGs and the Post-Monterrey Agenda**

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

*- Millennium Declaration, September 2000<sup>1</sup>*

2.01 The Millennium Declaration, signed by all 189 members of the United Nations in September 2000, has led to the adoption of a set of eight *Millennium Development Goals or MDGs*. These represent a consensus of the world community on achieving specific outcomes within a specific time frame, and establish the context and objectives for the global development effort, including the Special Development Fund of the CDB. The global community's commitment to the MDGs has been further developed in a series of major international meetings in Doha, Monterrey and Johannesburg, which have contributed to a shared understanding of the strategies and policies needed to achieve the MDGs and set out an increasingly complex international development agenda.

2.02 In the SDF 5 Agreement in 2001, Contributors endorsed the MDGs as an integral part of the policy framework for SDF 5 and recommended that the Goals, including Caribbean-specific MDGs and related targets, should be used as strategic benchmarks against which CDB plans operations and views performance.<sup>2</sup> In their discussions on SDF 6, Contributors recognised that the process of operationalising the MDG framework had taken time and was still in progress. *They commended the Bank*, however, for the action it had taken in 2004 and 2005 to assist member governments in the articulation of a Caribbean MDG framework, and *they reaffirmed* the importance of such a framework in setting the objectives and results-based monitoring framework for SDF operations.

2.03 Together with a set of related *Targets* and *Indicators*, the MDGs focus on the core objectives of:

- ? *poverty reduction;*
- ? *human development; and*
- ? *environmental sustainability.*

They address poverty in all of its dimensions, and provide a focus for targeted results and the monitoring and evaluation of those results. They also add a further dimension – the need for:

- ? a stronger and results-oriented *global partnership for development.*

2.04 The MDGs recognise the multidimensional character of poverty, including its non-income as well as income dimensions. The emphasis on achieving specific outcomes in a given timeframe has strengthened the need for a greater results-orientation by all development agencies and for strengthened monitoring and evaluation. It also underlines the need to “customise” the MDGs for particular countries and groups of countries – such as CDB's BMCs – and to identify intermediate targets and indicators that are most relevant for those countries. It also requires the development and use of appropriate targets and indicators in the country assistance strategies of institutions such as the Bank.

2.05 *Contributors underlined their expectation* that a Caribbean MDG framework such as that set out in Box 1, although requiring further discussion with BMCs, would be internalised early in the SDF 6 period and assist in the development of results-based country strategies, the selection and design of programmes and projects, and the monitoring of and reporting on SDF 6 operations. *They endorsed* the importance of articulating the MDGs in a way that was most relevant to the Caribbean, recognising that such adjustments might best be in terms of the targets and indicators in respect of the individual global goals. *They noted* that the indicative framework in Box 1, in its articulation of targets for Goal 1 and

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Goal3, gave such recognition to the special characteristics of poverty and gender equality in the Caribbean. *They requested* a report on progress and achievements in the internalisation of such a framework as part of the SDF 6 mid-term review.

2.06 The International Conference on Financing for Development in March 2002 adopted the *Monterrey Consensus*, which sets out the basic elements of a new global partnership, with improved policies and good governance in developing countries and the provision of increased aid and trading opportunities by developed countries. The Consensus includes recognition of the importance of strengthened regional and sub-regional institutions as a vital source of knowledge and expertise on economic growth and development for their developing member countries, and a commitment to ensure that the resources at the disposal of the international financial system, including regional and sub-regional institutions and funds, allow them to adequately support sustained economic and social development, technical assistance (TA) for capacity-building, and social and environmental protection programmes.

2.07 The new international development agenda has three essential elements:

- (a) accelerating and deepening the economic reforms and policy measures necessary to achieve stronger, broad-based and sustainable economic growth;
- (b) empowering and investing in poor people, and improving the delivery of services affecting human development; and
- (c) implementing the Monterrey partnership, with stronger efforts by developing countries matched by more effective support from developed countries and international agencies.

2.08 The priorities for multilateral development institutions such as the CDB that flow from these essential elements include:

- (a) refining and strengthening institutional roles, including deepening of the country strategy process and harmonising operational programmes and practices;
- (b) supporting the provision of global and regional public goods (RPGs), with the necessary capacity building;
- (c) strengthening the focus on results-orientation and the M&E of results; and
- (d) more effective partnerships, including harmonisation of policies and practices, strategic selectivity in country support programmes, and stronger coordination.

2.09 *Contributors recognised* that CDB's strategic planning process is expected to be closely aligned with this global agenda, refined and focused on the Bank's own BMCs and prospective BMCs. An integral and essential part of the Bank's ability to respond to this agenda is the operations and financing of SDF, and the priorities set by Contributors for the use of SDF resources.

**BOX 1: MDGs: AN INDICATIVE FRAMEWORK FOR CDB's BMCs<sup>3</sup>**

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

## **2.2 Poverty and Vulnerability in the Caribbean**

*Poor people share a common dilemma – they lack the essential assets and opportunities to improve their living conditions and to achieve a quality of life that can be considered even minimally acceptable. Poverty in the Caribbean, however, is not simply a “have” or “have not” situation. Broad segments of society are vulnerable to deprivation. The most vulnerable and deprived households live in chronic poverty, while others move into and out of poverty with*

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*varying degrees of regularity. Extreme vulnerability of many of the economies in the Caribbean to frequent natural disasters and economic shocks disproportionately affect the poor and the risk of deprivation for the near poor.*

– Report of Contributors on SDF 5

2.10 CPAs have now documented the nature and extent of poverty in the Caribbean. Table 1 shows the extent of poverty, in terms of *income poverty* (inability to afford minimum sustainable living standards) and in terms of *indigence* (inability to afford even minimum food costs alone), for those of the Bank’s BMCs and prospective BMCs for which CPAs are available. The data show a stark picture of high levels of true poverty, somewhat masked statistically by a more prosperous group at the top of the income scale. The Gini ratios show levels of income disparity among the worst in the world. The poorest of the population are very poor indeed. Not just relatively poor, but desperately poor. CPAs also show that single female headed single households are located in large percentages among the poor in all countries.

2.11 Five of the countries<sup>b</sup> have 15% or more of their population with less income than it takes to eat the simplest, least expensive diet that can sustain health. Almost all of the countries have more than 20% of the population below the poverty line, eight have more than 30% in poverty, and in two of the countries the percentage is over 60%. In the case of Haiti, the percentage may now be as high as 80%.

**TABLE 1: SELECTED POVERTY INDICATORS**

Country	Population 2003 (‘000)	Year of Country Poverty Assessment	Poverty Indicators			
			% of Population Below Poverty Line	% of Population Below Indigence Line	Gini Coefficient of Inequality	Poverty Gap <sup>c</sup>
Anguilla	12.2	2002/2003	23.0	2.0	0.31	6.9
Barbados	271.6	1997	13.9	n.a.	0.39	n.a.
Belize	269.0	2002	33.5	10.8	0.40	11.2
British Virgin Islands	21.3	2002/2003	22.0	0.5	0.23	4.1
Dominica	71.2	2002/2003	39.0	15.0	0.35	10.2
Grenada	104.8	1999	32.1	12.9	0.45	15.3
Guyana	752	1999	35.0	19.0	n.a.	12.4
Haiti	8,440.0	1997	65.0 <sup>d</sup>	n.a.	n.a.	n.a.
Jamaica	2,635.4	2002	19.7	n.a.	0.38	n.a.
St. Kitts and Nevis	47.3	2000	31.3	14.0	0.38	2.5/2.8
St. Lucia	160.6	1996	25.1	7.1	0.50	8.6
St. Vincent and the Grenadines	105.0	1996	37.5	25.7	0.56	12.6
Suriname	438.0	2000	63.1 <sup>e</sup>	20.0	n.a.	n.a.
Trinidad and Tobago	1,282.4	1997	24.0	8.3	0.39	n.a.
Turks and Caicos Islands	22.05	1999	25.9	3.2	0.37	5.7
<i>Overall weighted average</i>			<i>33.0</i>	<i>n.a.</i>	<i>n.a.</i>	<i>-</i>

2.12 These are conservative estimates. The poor in the current BMCs live largely in the cash economy, without the informal safety nets of those in many other countries, and face the need to purchase food and other necessities at relatively high prices set by imports and tourist enclaves. The estimates also do not capture many of the transient poor, who may spend much of their lives living with poverty, although not always in poverty. Similarly, they do not adequately capture the frequently severe impact of the high vulnerability of many BMCs to frequent natural disasters and severe economic shocks.

<sup>b</sup> Including Haiti.

<sup>c</sup> The poverty gap is based on the aggregate poverty deficit of the poor relative to the poverty line. It indicates the depth of poverty, that is, the extent to which the incomes of poor households fall below the poverty line.

<sup>d</sup> A more recent estimate places this at 80% in 2003.

<sup>e</sup> A more recent estimate places this at 70% for 2003.

2.13 A characteristic of many countries in the Caribbean is their *high vulnerability*, which can severely impact on the poor and the near poor. Separate studies of vulnerability undertaken by the Commonwealth Secretariat and CDB, although using different methodology, show similar results. Both concluded that small states were highly vulnerable to external economic forces and environmental hazards, and both ranked Caribbean states as among the most vulnerable in the world. In the Commonwealth Vulnerability Index (CVI), 111 countries were ranked in terms of their overall vulnerability. Some 28 countries were ranked as *highly vulnerable*. Of these, 10 were CDB BMCs or prospective BMCs.

2.14 In the study undertaken by the CDB, an index of vulnerability was constructed for 95 countries based on six variables causing or leading to vulnerability. The BMCs and prospective BMCs are among the most highly vulnerable countries in the group. Eleven were ranked in the 20 most vulnerable countries. Another four are included in the top 30. In the vulnerability index developed by the United Nation's Committee for Development Policy, of the 12 BMCs included, more than half were in the top 40% of the world's most vulnerable countries.

2.15 While the results of various vulnerability indices may differ according to the criteria and their relative weighting, the underlying conclusion is the same – the Caribbean includes many of the most vulnerable countries on the planet. This is consistent with the recognition by the United Nations that small island developing states are ecologically fragile and economically vulnerable and, as a consequence, face particular difficulties in their efforts to benefit from global economic development and achieve sustainable development.<sup>4</sup>

2.16 Economic vulnerability assumes increasing importance in the wake of rapid changes in the economic environment, including globalisation and trade liberalisation, with the loss of traditional preferential access in major European Union markets. While such changes offer new opportunities for trade expansion, increasing competitiveness poses major uncertainties as BMCs become more exposed to the vagaries of international markets.

2.17 A critical aspect of vulnerability in the Caribbean is that of hurricanes and other natural hazards. Fourteen of the BMCs have suffered serious natural disasters since 1988, in some cases on several occasions. The most frequent disaster has been tropical hurricanes, and the most critical consequence of these repeated hurricane strikes is their effect on raising infrastructure investment costs and capital/output ratios. Table 2 summarises some of the major natural disasters since 1988, including hurricanes Charley, Frances, Ivan and Jeanne in 2004 and floods in Guyana in 2005.

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**TABLE 2: NATURAL HAZARDS IMPACTING BMCs, 1988-2005**

Hazard	Year	Magnitude	Estimated Cost	Countries Affected
Hurricane Gilbert	1988	5	US\$1,100 million (mn), 65% of GDP	Jamaica
Hurricane Hugo	1989	5	US\$3,600 mn, 200% of GDP for Montserrat	Antigua and Barbuda, St. Kitts and Nevis, Montserrat, British Virgin Islands
Tropical Storm Debbie	1994	n.a.	US\$79 mn, 18% of GDP	St. Lucia
Hurricanes Iris/Marilyn/Luis	1995	Iris (Category 3/4) Marilyn (Category 1) Luis (Category 3)	US\$700 mn	Anguilla, Antigua and Barbuda, Dominica, Montserrat, St. Kitts and Nevis
Hurricane Georges	1998	Category 3	US\$450 mn (not including Dominica) <sup>f</sup>	Antigua and Barbuda Dominica, St. Kitts and Nevis
Hurricane Floyd	1999	Category 4	n.a.	Bahamas
Hurricane Lenny	1999	Category 4/5	US\$274 mn	Anguilla, Antigua and Barbuda, Dominica, Grenada, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines
Tropical Storm Earl	2004	n.a.	n.a.	St. Vincent and Grenadines Grenada
Hurricanes Charley/Frances/Ivan/Jeanne	2004	Charley Frances (Category 4) Ivan (Category 5) Jeanne (Category 4)	US\$1,700 mn <sup>g</sup>	The Bahamas, Cayman Islands, Grenada Jamaica, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago
Tropical Storm Lili	2002	n.a.	EC\$21 mn EC\$26 mn	Grenada St. Vincent and the Grenadines
<b>Other Events</b>				
Volcano	1995 to present		1995 Negative growth -7.61% 1996 Negative growth -20.15%	Montserrat
Landslides	2002		\$116 mn	Jamaica
Floods	2005			Guyana

Sources: CDERA and CDB

2.18 Hurricane Ivan was the most devastating, affecting Grenada and the Cayman Islands most severely, and causing significant damage in Jamaica, as well as Haiti. Destruction in the small country of Grenada is estimated at up to \$900 mn, or up to 200% of GDP, with nearly 90% of the housing stock damaged or destroyed, up to 95% of cash crops and nutmeg trees wiped out, and 85% of schools damaged or destroyed.<sup>h</sup>

2.19 The impact of natural hazards is profound. National income is lost through destruction of current output, as well as through destruction of production capacity. The result is not only a loss of employment and labour income, but also a reduction in income from the disruption of business activity through loss of utility services and essential infrastructure. These immediate disruptions to employment and income also have adverse implications for personal consumption, government revenues and expenditures, and the balance of payments position. A natural disaster also invariably places the country on a lower growth trajectory, depending on the severity of the disaster and whether productive capital is replaced. As a result, constant destruction and replacement of capital stock can have permanent adverse effects on a country's long-term economic growth.

2.20 In addition to capital and output loss, social costs, through the loss of residential property and the destruction of social infrastructure, are also significant. Invariably, it is the poor and marginally poor who

<sup>f</sup> Not including Haiti.

<sup>g</sup> Not including Haiti, which was very severely affected.

<sup>h</sup> Estimates provided by the Governor for Grenada at the 35<sup>th</sup> Annual Meeting of CDB's Board of Governors.

suffer the most in these circumstances, residing in areas prone to destruction in poorly constructed homes, and who are engaged in part-time employment or work in rural areas.

2.21 *Contributors agreed* that this overall assessment of poverty and vulnerability, initially affirmed in their Report on the SDF 5 Replenishment, remained valid, and that the additional evidence that had become available underscored the urgency of concerted efforts to reduce poverty and the risks of the natural hazards faced by many of the BMCs. *They further endorsed the Caribbean-specific target for MDG 1, set out in Box 1 above, to halve, by 2015, the proportion of people who fall below the absolute poverty line, and agreed to work towards this objective through the instrumentality of SDF 6. They similarly endorsed the proposed targets for Goal 7, to ensure environmental sustainability and, in the specific circumstances of the Caribbean, to seek to mitigate the risks of natural hazards.*

2.22 *Contributors also recognised* that fiscal stress and debt sustainability had emerged as key issues for a number of BMCs. Slow income growth, together with rising recurrent outlays, have led to a decline in public savings, widening fiscal deficits and an increase in external and domestic debt. The decline in real economic growth and the associated slowdown in revenue generation have been accompanied by an increase in capital outlays, particularly for repairs after natural disasters and infrastructure development. Consequently, fiscal savings has fallen by half in the decade to date. The overall fiscal position has shown similar deterioration, with deficits rising from 2.5% of GDP in the 1990s to 4% in the present decade. This coincides with a reduction in overall growth rates. To finance these deficits, there has been increasing recourse to commercial borrowing. The result has been a rapid accumulation of debt, with debt stock exceeding 100% of GDP in some cases, and a substantial debt servicing burden, in some cases exceeding 30% of GDP.

### **2.3 The Expanded Mandate: Haiti and Suriname**

2.23 The broadening of the Bank's mandate to a wider Caribbean, including two of the poorest countries in the hemisphere, with very different traditions and institutions, presents major challenges for the Bank and for SDF and the Contributors. *Contributors agreed that they would give their full support to the Bank in meeting these challenges, and welcomed the prospective expansion of the Bank's membership.*

2.24 The financial assistance offered by Canada to cover the initial costs of Haiti's membership in CDB and initial contribution to SDF was particularly welcome and had ensured that membership could now be effective at an early date, probably prior to the effectiveness of the SDF 6 Replenishment. Conclusion of the steps necessary to complete Suriname's membership remained pending and subject to further dialogue with the Government.

2.25 With a population of some 8.4 mn and a level of poverty variously estimated at between 65% (1997) and 80% (2003), Haiti's membership will more than double the BMC population base and more than double again the number of persons within the BMCs living in abject and unacceptable poverty. With a continuing decline in income per capita over the past two decades, Haiti's GNI per capita is now estimated at \$360 in nominal terms, the lowest in the Western hemisphere.

2.26 Suriname's population is much smaller at 440,000, but it also has deep levels of poverty, estimated variously at between 63% and 70%, and after declining income per capita over much of the past two decades, economic transition and reform has only recently begun to yield more positive results, and per capita income in purchasing power parity terms is estimated as similar to that of Guyana.

2.27 The Bank's expanded mandate presents enormous challenges, which need to be reflected in the design and level of the SDF 6 Replenishment. This is reviewed further in Section 3.8 below.

## 2.4 Comparative Advantage

2.28 Comparative advantage is an important factor in determining the role and programmes that the Bank should undertake, including the policy and operational framework for SDF 6. *Contributors stressed the importance* of this factor in focusing the Bank’s efforts and the work of the Special Development Fund, consistent with close cooperation and coordination with the Bank’s development partners.

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

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

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

2.32 The Bank has gained substantial experience over more than 20 years in the design and delivery of community-based programmes directly targeted to the poor, as well as in a range of programming instruments of direct relevance to the poor, including rural development, basic housing, early childhood education, environmental planning and sustainability, strengthening of small- and medium-size private business enterprises, and small-scale credit. Considerable work has been done by the Bank on the policy and institutional elements that are essential for strengthening pro-poor governance, including CPAs and the development of national poverty reduction plans and strategies.

2.33 The Bank’s particular experience in working with its BMCs extends to institutional strengthening of development finance companies, where it has made a major contribution, the strengthening of the operational and technical capacities of public utilities, in particular electrical power and water, and various aspects of economic and fiscal management, programme delivery and institutional strengthening.

2.34 CDB has worked closely with many other development agencies, and has longstanding partnership relationships with institutions such as the Inter-American Development Bank, World Bank, United Nations Development Programme, International Fund for Agricultural Development (IFAD), Pan American Health Organisation, Food and Agriculture Organisation of the United Nations, the Organisation of American States and the Commonwealth Fund for Technical Cooperation, as well as Canadian International Development Agency (CIDA), Department for International Development (DFID), United States Agency for International Development (USAID) and other bilateral development agencies. It has played a major partner and work-sharing role in the consultative group for the Caribbean throughout the Group’s long history, and has recently taken over organisational responsibility for the Group, now known as the Caribbean Forum for Development (CFD).

2.35 The Bank also has longstanding and supportive relationships with other Caribbean institutions and agencies, including those of the Caribbean Community and the Organisation of Eastern Caribbean States (OECS). It has played a major role in facilitating the establishment of the Caribbean Court of Justice, which is an essential element of the CSME now emerging. CDB is also an important partner of newer agencies such as the Caribbean Centre for Technical Assistance (CARTAC) and the Caribbean Regional Negotiating Machinery (CRNM).

2.36 As the Caribbean Community has expanded, the Bank is now expanding its mandate to a wider Caribbean, which presents substantial challenges and new relationships to be developed. Many aspects of the Bank's experience, as in community development programmes targeted at the poor and institutional development for development finance intermediaries, equip it to play a useful role from the beginning of the relationship, even if further deepening of the Bank's comparative advantage will also be needed.

### **3. OPERATIONAL STRATEGY**

3.01 *Contributors reviewed* the broad strategy for targeting the limited resources of SDF 6, taking into account the assessment of experience with SDF 5, the comparative advantages of the Bank, and a series of papers prepared for their consideration, which included a draft operational strategy overview and individual papers on the Bank's poverty reduction strategy, the role of SDF in relation to the MDGs, planning for new borrowing members, and supporting regional cooperation and integration.

3.02 With some changes in emphasis and underlining of key priorities, *Contributors endorsed* the various elements of the proposed strategy, including ***poverty reduction and broad-based, sustainable economic growth as the overarching goal for SDF 6***. They also underlined the need for careful selectivity and focus in the SDF 6 operational programme, both with respect to country-specific programmes and in regional and sub-regional activities, and for cooperation and, where appropriate, specialisation of effort with other development agencies.

#### **3.1 Poverty Reduction**

3.03 CDB's poverty reduction strategy, of which SDF operations are an essential part, builds on the Bank's experience over successive SDF cycles, with their emphasis on social development, poverty reduction, environmental sustainability and good governance, including programmes targeted directly at the poor. The broad outlines of the strategy were approved by SDF Contributors in the course of the SDF 5 process, and the strategy has been further developed in a policy paper reviewed by the Board of Directors and by Contributors during the SDF 6 process.

3.04 The strategy provides a broad framework for addressing the causes and characteristics of poverty in the Caribbean, and is consistent with the objectives of the MDGs, which emphasise poverty reduction, human development and environmental sustainability in their multi-dimensional aspects, together with the need for a results-oriented partnership.

3.05 Three broad priorities or 'strategic levers' are at the heart of the Bank's poverty reduction strategy. These priorities are overlapping, and in some cases focus on different aspects of the same factors and programmes. The three priorities are:

- (a) *enhancement of capabilities;*
- (b) *reduction of vulnerability;* and
- (c) *good governance.*

These are the elements of the *poverty prism*, endorsed by Contributors in the SDF 5 Agreement as a comprehensive and flexible operational instrument to build on and broaden the Bank's poverty reduction focus. The three poverty reduction priorities provide a lens through which all of the Bank's operations

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are viewed at all stages of the operational or project cycle, including ordinary capital operations as well as those of SDF. Within these priorities is a focus on particular interventions targeted directly at the poor, such as the Bank's flagship community development programme, the Basic Needs Trust Fund (BNTF), but the strategy is broader including attention to social and gender equality, emphasising the multi-dimensional aspects of poverty in the Caribbean and of the MDGs themselves.

3.06 *Contributors reaffirmed their support* for this innovative approach to strengthening the focus of the Bank's work on poverty reduction. *They underlined, however, the critical importance* of fully operationalising the poverty reduction strategy through all stages of the project cycle as a priority milestone in the SDF 6 Action Plan. *They expressed regret* that it had not been possible to carry this work further during SDF 5, but *welcomed* the efforts that had now been made and the expected early completion of operational guidelines for applying the poverty reduction strategy.

3.07 The poverty reduction strategy includes an integrated set of measures, including the undertaking and updating of CPAs as an essential knowledge base for policy and programme and project design, support for the development of national poverty reduction strategy papers (NPRSs), preparation of country strategy papers (CSPs) for CDB's own operations, and the strengthening and use of social and gender analysis as an essential underpinning for application of the poverty prism. Each of these elements of the strategy is part of the Action Plan for SDF 6.

3.08 M&E are integral to the effectiveness of the strategy and the application of lessons learned. *Contributors strongly endorsed* the Bank's intention to use the MDGs, with appropriate targets and indicators, as the broad framework for the M&E system, including in CSPs for individual BMCs, and *they underlined the importance* of further work on this as a priority milestone in the SDF 6 Action Plan.

***Capability Enhancement***

3.09 The enhancement of capabilities is concerned with the economic and social empowerment of individuals and with equipping persons living in poverty or at the margin of poverty to take advantage of economic opportunities and to participate in the social and political processes that govern their lives.

3.10 Interventions under this priority during SDF 6 will include:

- (a) assistance to BMCs to *restructure their economies, allocate resources more effectively, develop and implement policy reforms and create an enabling environment* for investment and job creation;
- (b) support for *human resource development*, particularly through improving access to, and the quality of, formal and non-formal education and training, especially for the poor, the disadvantaged, and those living in rural areas;
- (c) support for *rural development*, including building economic and social capital in rural communities, providing economic opportunities for indigenous populations and promoting the development of rural enterprises;
- (d) development of *micro and small enterprises (MSEs)* and training in *small business management and marketing*, including access to credit and provision of innovative TA;
- (e) Support for provision of *essential social and economic infrastructure*, and
- (f) mainstreaming gender equality at all levels through capacity building in gender based analysis for the production of statistics, for priority setting in economic and social policy making and planning and in community-based programming, and in Bank operations.

***Reducing Vulnerability***

3.11 The reduction of vulnerability can prevent the poor from descending deeper into poverty and those close to and vulnerable to poverty from becoming poor or indigent. Exposure to economic volatility

and environmental hazards is a critical factor threatening incomes and assets in the BMCs. Market insecurity and the effects of economic and trade liberalisation threaten livelihoods and have resulted in significant declines in living standards. Frequent natural disasters compound the effects of economic instability, and elevated rates of HIV/AIDS threaten to undermine social and economic progress.

3.12 Particular attention during SDF 6 will be given to:

- (a) mainstreaming *natural hazard risk management* at regional, national and community levels, including promotion of a culture of disaster risk reduction, incorporating hazard risk considerations into project design, disaster preparedness, disaster mitigation and prevention, and emergency response and disaster rehabilitation;
- (b) accessible and efficient *delivery of public services*, including water and sanitation and community health facilities;
- (c) formulation of *health policy and health systems reform*, with the objective of improving efficiency and quality of services, including policies that favour pro-poor activities and vulnerable groups; continued collaboration with development partners within the framework of Caribbean Cooperation in Health, and support for national and regional responses to HIV/AIDS in the framework of the Regional Strategic Plan of Action;
- (d) *shelter development and special mortgage interventions for low-income households* to improve their living conditions, and development of the policy and institutional framework for sustainable housing, regularisation of squatter settlements and improving living conditions for the urban poor; and
- (e) *rural development* interventions that are highly participatory and build social capital, assist small farmers and indigenous populations, promote the development of rural enterprises to reduce the risk of income failure, and provide essential social and economic infrastructure.

3.13 *Contributors welcomed, inter alia*, the Bank's initiatives in relation to natural hazard risk management, and the support that had been provided to this work by USAID. *They supported* the addition of this function to the Bank's permanent establishment, and *endorsed* the active programme envisaged.

### ***Good Governance***

3.14 The quality of governance is critical for the reduction of poverty, the development of economic and social policies to address the causes of social exclusion and inequity, the provision of public services, and broad-based, sustainable growth. *Contributors welcomed* the Bank's Strategy on Governance and Institutional Development<sup>5</sup> and *underlined the importance* of further steps to operationalise the strategy.

3.15 Good governance provides effective economic management, promotes stronger commitment to common goals and enhances the prospects for achieving national objectives such as increases in investment and incomes, decreases in crime and poverty, and improvements in social indicators. It contributes to the realisation of improved living standards and higher quality of life.

3.16 The framework for the Bank's governance strategy consists of six elements:

- (a) supporting the creation of a *modern, effective and accountable public sector* capable of delivering valued public services;
- (b) building and reorienting capacities to meet the needs and challenges of globalisation and integrating market-oriented economic policies with poverty reduction through improved macroeconomic management, revenue/expenditure management and policy management;
- (c) encouraging *social partnerships and wider participation* in national consensus-building, local development planning, and the provision of local public services that benefit the poor;

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- (d) supporting the *establishment and strengthening of regulatory systems* for environmental and social protection and orderly private sector development, improved justice systems, and improved governance of the private sector;
- (e) encouraging *regional cooperation through strengthening regional governance mechanisms as well as national capacity* for implementing regional and international commitments that contribute to strategic global repositioning; and
- (f) *mainstreaming governance* in the Bank's operations, including those of SDF.

3.17 Given limited resources, the Bank will need to select priorities within this framework. In doing this, CDB will be guided by its comparative advantages and core competencies, as well as its particular areas of influence. These will emphasise improving the capability of BMCs to design and implement appropriate policies, programmes and projects to create the conditions for pro-poor growth and development, and expanding partnerships. The emphasis will be on collaborative relationships with development partners – bilateral and multilateral agencies and inter-governmental organisations – in the design and implementation of good governance interventions.

3.18 At the national level, the use of SDF 6 resources will be targeted on:

- (a) building capacity for improved tax systems and administration;
- (b) improving project cycle management;
- (c) developing capacity for improved policy management and coordination;
- (d) increasing capacity for improved fiscal and debt management;
- (e) strengthening implementation capacity, particularly in relation to the delivery of services;
- (f) improving accountability in the public sector;
- (g) establishing strong legal and regulatory frameworks, including environmental management and modernisation of the legal environment for private sector development;
- (h) building capacity to improve and maintain security, including a range of related interventions;
- (i) promoting transparency, including in government contracting and physical development planning;
- (j) encouraging the development of national Information and Communication Technology (ICT) policies and strategies to improve knowledge management and institutional learning, and the delivery of public services;
- (k) promoting social partnerships and meaningful participation of civil society in development planning and the functioning of public services; and
- (l) promoting gender sensitivity and gender management systems.

3.19 *Contributors noted* that several of the most heavily indebted developing countries in the world are in the Caribbean, and that strengthening good governance requires addressing the fiscal stress and debt sustainability issues if the countries are to effectively make the transition in the new environment. In particular, the impact of the high debt ratios and resulting high debt service ratios has significantly reduced the fiscal space of these countries to address urgent issues of development and economic transition. *Contributors welcomed* the Bank's intention to submit for review by the Board of Directors at its October 2005 meeting, a paper on innovations to the Bank's lending policy including a possible policy-based lending instrument that would, in collaboration with development partners, directly address issues of fiscal and debt sustainability.

3.20 *Contributors stressed* the importance of public security as an element of good governance and a primary public good. *They underlined* that in some BMCs crime and violence had assumed major

importance as obstacles to development, with far-reaching consequence for society, and *welcomed* the recognition of this by the Bank, in giving consideration to possible assistance in areas such as improving physical conditions and support for security personnel, public education, strategic planning and outreach, needs assessment and strengthening of the criminal justice system.

### **3.2 Targeting the Poor and the BNTF**

3.21 All programmes supported by SDF support poverty reduction. Some programmes, however, are directly targeted at the poor, and these are an important element in SDF programming. They include the grant-financed *BNTF*, loan-financed *Social Investment Funds (SIFs)*, the grant-funded *Caribbean Technological Consultancy Services Network (CTCS)*, rural enterprise projects, and those parts of mortgage financing and student-loan lines of credit that are especially targeted at low income groups, as well as SDF-funded disaster mitigation and disaster response where this is aimed at poor communities.

3.22 *Contributors welcomed the continuing priority attached to directly targeted programmes, and underlined their expectation that such programmes would continue to represent a significant share of all SDF programming. They also welcomed the continuing evolution and strengthening of the BNTF, which is the largest of these programmes, and the use of regular evaluations of effectiveness as a basis for further improvement.*

3.23 The objectives of BNTF 5, approved during SDF 5 and continuing in SDF 6, are:

- (a) expansion and conservation of social and economic infrastructure, using labour-intensive measures and community mobilisation, to enable access to a wide range of basic public services;
- (b) improvement of the human resource base through skills development and social readjustment; and
- (c) promotion and strengthening of community organisations and their capacity for initiating and managing change.

3.24 Changes were introduced in BNTF 5 to ensure that BNTF interventions are better targeted to poor communities and have a greater impact in terms of longer term poverty reduction, good governance and capability enhancement. These included:

- (a) a requirement for development of a *Poverty Reduction Action Plan (PRAP)* by each participating BMC in order to better target BNTF interventions;
- (b) adoption of a more socially inclusive, participatory approach, with the requirement for sponsorship of all sub-projects by beneficiary communities;
- (c) an increase in local project steering committee membership and a broadening of its mandate on governance issues;
- (d) introduction of a RBM reporting framework;
- (e) an in-depth focus on environmental analysis, including natural hazard mitigation and the need to produce more specific environmental impact assessment guidelines; and
- (f) increased focus on gender, with the addition of a gender specialist for the central BNTF team, and on HIV/AIDS.

3.25 The activities of the gender specialist have increased the focus on gender in community based infrastructure and social capital development projects and on policy based projects as well as integrating gender equality as an primary or secondary objective of subprojects has begun with building awareness among programme managers, with plans to intensify this by further training and the development of checklists and other tools in 2005-2006. To strengthen the PRAPs and the sector analysis for other SDF activities, TA will be provided for a comprehensive gender assessment of the social, economic and

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political sectors of 10 CDB BMCs. TA will also be provided for integrating gender into CDB's social and environmental guidelines.

3.26 A mid-term evaluation of BNTF 5 will be undertaken early in 2006, when a \$5 mn hold-back allocation and a \$3.2 mn hold-back from CIDA will be allocated, based on the performance of each BNTF country programme. The use of such evaluations will continue to be an important means of further strengthening the programme through the application of lessons learned.

3.27 Among prospective new members, Haiti will soon have completed its membership formalities, and it is expected that BNTF-type funding will be required for that country. Given the particular challenges faced by Haiti, a specific strategy will need to be designed to respond to its priorities and circumstances.

3.28 BNTF 5 resources were initially allocated using the new resource allocation system strategy introduced for overall SDF 5 country allocations. This includes the additional funds provided by CIDA. Although the new elements of BNTF 5 took some time to be put in place, country programmes are expected to be fully committed for a number of countries in 2006. Additional funding will be needed during the SDF 6 cycle in order for BNTF to be continued without interruption.

3.29 Extensive further change is not envisaged for BNTF 6, since the changes introduced for BNTF 5 need time to be consolidated. There are, however, some elements in a natural progression from BNTF 5 that should be considered, in addition to findings and recommendations of the BNTF 5 MTR.

- (a) PRAPs were a short-term interim solution pending the completion of in-depth NPRSs, and most BNTF recipient BMCs should have completed NPRSs by the start of BNTF 6. Where these are available, NPRSs should replace PRAPs as a basis for integrating BNTF interventions more fully into each country's poverty reduction strategy.
- (b) In Belize and Jamaica, where there are SIFs with more autonomous boards of directors, these bodies are used to administer both SIF and BNTF funding. Consideration will be given to the possibility of similar arrangements in other countries where there are comparable programmes, as in Guyana and St. Lucia. Administrative overheads are relatively high, and there is limited availability of experienced staff to manage such programmes. A joint approach to programme management would be a valuable application of the aid harmonisation agenda.
- (c) The use of the SDF resource allocation strategy for BNTF should be continued. A type of graduation formula, however, might also be considered, with BNTF continuing to be used for Group 3 and Group 4 countries, but with consideration being given to SIF-type loans for Group 2 countries.
- (d) With a large number of school graduates entering the labour force, often with limited 'world-of-work' skills, consideration should be given to an extension of appropriate training under BNTF and SIFs. Longer-term employment-potential training could make BNTF more effective as a vulnerability reduction programme.

3.30 *Contributors welcomed* the planned mid-term evaluation for BNTF 5, and *endorsed* the planning for BNTF 6 according to the above framework.

### **3.3 Environmental Sustainability**

3.31 *Contributors agreed that environmental sustainability should receive increased priority in the SDF 6 operational programme.* This is closely related to reducing vulnerability, and reflects the concern of several Contributors that the share of environmental programming in SDF had declined significantly in recent years. They understood the factors underlying this change and the high priority that CDB had continued to accord environmental sustainability in much of its work, including environmental safeguard

requirements, natural hazard mitigation in project design, and the positive environmental benefits of programmes such as BNTF.

3.32 A renewal of the global priority for environmental sustainability is reflected in the adoption by the World Summit on Sustainable Development in Johannesburg of a detailed *Plan of Implementation*, which includes a separate chapter on *Sustainable Development of Small Island Developing States*.<sup>6</sup> The BMCs have committed themselves to implementation of the Barbados Plan of Action, which identified 14 priority areas for action in addressing key environmental issues facing the Region, including:

- (a) development of new and renewable sources of energy;
- (b) vulnerability to global climate change, climate variability and sea level rise;
- (c) vulnerability to natural hazards;
- (d) conservation and sustainable use of biologic resources;
- (e) solid and liquid waste management;
- (f) degradation and loss of freshwater resources;
- (g) degradation of coastal and marine resources; and
- (h) establishing and strengthening of institutional and administrative arrangements for environmental management.

3.33 These issues are priorities in the Bank's Environmental Policy, and over the past decade CDB has channelled significant SDF funding for environmental projects in solid waste management, water supply and sewerage infrastructure. There has been difficulty, however, in widening the coverage of investment lending in areas such as watershed management, coastal zone management, and establishment and management of protected areas and biodiversity protection. This has been the result of difficulties for BMCs in borrowing for environmental protection, which is often seen as too intangible and long-term an investment to yield the outcomes necessary to demonstrate good political stewardship.

3.34 To stem the rapid deterioration of environment and natural resource capital evidenced in denuded watersheds, pollution of surface and groundwater resources, and pollution and destruction of sensitive marine habitats, it will be necessary to address more comprehensively the poverty reduction, and environmental degradation nexus.

3.35 Past policy has been that investment projects should generally conform to CDB's normal investment requirements and financing and procurement policies. These projects, however, require heavy capital investments, as well as 'softer' institutional and socio-cultural interventions, and flexibility to allow for adjustments during implementation. A more radical approach is required to effectively address the poverty and environmental degradation cycle before the problems increase in scale and become more difficult to address. Such an approach requires not only the use of concessional resources to encourage countries to address these issues through changes in policy and incentive regimes, but also the inclusion of such issues in the policy dialogue with BMCs and other development partners.

3.36 *Contributors supported* the Bank's proposal to allocate a part of SDF 6 grant funding for use in environmental sustainability projects and the provision of other RPGs. *They endorsed this approach* as an innovative addition to the programme instruments available under SDF 6, recognising that the resources to be made available in this way would necessarily be limited, and would be need to be used in a catalytic way and combined with other resources. *Contributors also supported* the inclusion of environmental issues in the policy dialogue with BMCs.

#### ***Investment Lending for the Environment***

3.37 Significant investments are required for the long-term sustainability and productivity of environmental and natural resource systems to support the main economic sectors, agriculture and tourism, and improve the competitiveness of these natural resource-dependent sectors in the context of

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increasing regional integration and globalisation. At the same time, BMCs need to address basic needs for water and sanitation of the rural and urban poor and reduce the vulnerability risks from natural hazards. Relatively large outlays will be required because of the constraints imposed by difficult terrain and the nature of settlement patterns. Experience has also shown that, to achieve the desired outcomes, water supply and waste management systems need to be extended to large segments of the poor who are incapable of paying the full economic cost of these services.

3.38 Other priority investments include improved management and protection of watersheds, biodiversity and cultural and heritage areas. Similarly, years of neglect and *ad hoc* approaches to urban development have led to the blight of large sections of urban areas now becoming home to an increasingly poor and disaffected populace. Urban revitalisation offers the opportunity to tackle many of the environmental and quality of life issues (crime, housing improvements) necessary to restore dynamism to these areas. Investment is needed to finance improvements in physical infrastructure, strengthen urban management and governance, and facilitate economic and service activities.

3.39 *Contributors supported* the Bank's overall assessment and noted, *inter alia*, that 2005 marked the start of the *International Decade of Water*. They urged the Bank to play its full role in realising the target for provision of clean, safe water under MDG 7.

3.40 *Contributors drew attention* to climate change as a major challenge facing the international community, and *noted* that the International Conference for Renewable Energies in Bonn in June 2004 was an important step towards stimulating innovation in the interests of a climate-friendly economy. *Contributors welcomed* the Bank's intention to support climate change activities consistent with identified priorities for capacity building and assist with the financing of viable projects, particularly those with access to climate change convention related mechanisms such as the Global Environment Facility and the Clean Development Mechanism.

***Environmental Management***

3.41 SDF TA has provided significant resources for capacity building in environmental management at both regional and sub-regional levels. This has included environmental training, reform of institutional and regulatory frameworks, technical studies on resource management issues, and support for regional and sub-regional environmental dialogue. This work will need to continue to support the institutional, planning and policy measures necessary to support sectoral investments. In addition, resources are required for the development of a credible environmental governance framework to encourage and promote acceptance and 'buy in' by the population.

3.42 Many initiatives for effectiveness and efficiency are best implemented at the regional and sub-regional levels. These include the establishment of harmonised environmental standards, policies and procedures to support the regional integration process, mechanisms to establish and monitor environmental requirements, as well as the monitoring of adherence to obligations arising from ratification of multilateral environmental agreements.

***Environmental and Social Safeguards***

3.43 The Bank places great emphasis on the compliance of its investment operations with CDB's *Environmental Guidelines and Procedures*, and this has been a vehicle for influencing project design as well as supporting improvements to institutional and regulatory frameworks. There are still internal processes and policies, however, that need to be reinforced for mainstreaming of the environmental agenda and ensuring best international practice. *Contributors welcomed* the Bank's intention to address these issues in the planned review of environmental policy and strategy.

3.44 Box 2 shows potential programme areas through which SDF and the Bank can seek to assist BMCs to address Goal 7 of the MDGs and the associated targets set out in the Bank's indicative MDG framework for the BMCs.

**BOX 2: DEVELOPING A PROGRAMME FOR ENVIRONMENTAL SUSTAINABILITY**

MDG 7: ENSURE ENVIRONMENTAL SUSTAINABILITY	
Indicative Targets for the Caribbean	Potential Programme Areas
Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources.	<ul style="list-style-type: none"> <li>■ National Environmental Action Plans/Sustainability Plans Integrated Development Plans</li> <li>■ Establishment of appropriate national institutional and legislative arrangements for improved environmental management.</li> <li>■ Incorporate energy conservation measures in relevant project and support where feasible renewable energy projects</li> <li>■ Watershed management projects</li> <li>■ Development and management of protected areas</li> <li>■ Urban revitalisation and cultural heritage projects/Financing for MSEs</li> <li>■ Disaster mitigation policies and programmes/projects</li> </ul>
Halve by 2015 the proportion of people without sustainable access to safe drinking water and proper sanitation.	<ul style="list-style-type: none"> <li>■ Investment in improvements or expansion of municipal water and waste systems</li> </ul>
Achieve by 2020 a significant improvement in the lives of at least 70% of persons living in poor communities.	<ul style="list-style-type: none"> <li>■ Urban revitalisation projects/slum and squatter housing upgrading</li> <li>■ Investment lending for solid waste management projects</li> </ul>
Construct and implement a vulnerability index for the Caribbean within the next 5 years, which is sensitive to economic, social and environmental vulnerabilities.	<ul style="list-style-type: none"> <li>■ TA, jointly with development partners, for development of an improved vulnerability index for the Caribbean.</li> </ul>

### 3.4 Regional Cooperation and Integration

3.45 Support for regional cooperation and integration is an integral part of the Bank’s mandate and has assumed increased importance with the changes in the global economy and the response of BMCs in embarking on the creation of a *Caribbean Single Market and Economy* (CSME) and, within the OECS, a renewed commitment to economic union. Economic integration has become a critical and necessary response to the changing global economic and trading environment and the need for economic transformation in many of the countries in the Region. The prospects for broad-based economic growth, employment generation, and consequently poverty reduction will be heavily influenced by the extent to which this can be successfully implemented. There are difficult issues involved, however, including those of economic adjustment and policies that contribute to reducing economic disparities and regional vulnerabilities.

3.46 Substantial research and analysis on what are known as *regional public goods* (RPGs) has also underlined the value of coordinated and cooperative approaches in increasing economic benefits and reducing poverty. The importance of RPGs has been reinforced by the MDGs, with their emphasis on a number of inter-related public goods and the recognition that in several cases these are essentially RPGs, with externalities that can extend beyond individual countries or are more effectively addressed in a “neighbourhood” or regional/sub-regional context.

3.47 Much recent analysis has also underlined the need to make full use of regional and sub-regional mechanisms, in particular regional development banks (RDBs), in assisting countries to develop and provide a wider range of RPGs.

3.48 Contributors welcomed the paper on “*Supporting Regional Cooperation and Integration*” that had been prepared for their consideration.<sup>7</sup> They endorsed its conclusion that the Bank, with the support of SDF, had a critically important role to play, particularly during the difficult phase of establishing a single market and economy and OECS economic union. They also endorsed the proposed policy framework, which focuses on four overlapping perspectives:

- (a) *the Bank’s role in the evolving Caribbean Community;*
- (b) *strengthening regional governance;*

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- (c) *the regional economic policy agenda, and*
- (d) *the provision of RPGs.*

3.49 *Contributors underlined* the importance of selecting priorities, with individual interventions that were likely to have significant impact, and the value of close cooperation with other agencies supporting similar objectives. *They welcomed* the Bank's recognition that, on the one hand, there was a range of potential areas for support, and, on the other hand, limited resources and competing demands, which made necessary a targeted focus and cooperation with other agencies.

3.50 *Contributors endorsed* a number of closely-related programme objectives:

- (a) providing leadership, jointly with other organs of the Caribbean Community, in the policy dialogue on economic integration, transformation and transition and adjustment;
- (b) strengthening regional governance, including harmonisation of the regulatory and policy environment, measures to strengthen the mobility of labour, and selective measures to strengthen civil society organisations and their ability to contribute to policy formulation and decision-making;
- (c) strengthening relevant education, vocational training and knowledge creation and dissemination to support economic transition and transformation;
- (d) continued support for international trade and economic negotiations through the CRNM;
- (e) appropriate support for economic adjustment, with the mechanism(s) to be determined;
- (f) capacity strengthening in economic management, both directly and through existing regional programmes;
- (g) support for the provision of RPGs, with an increased priority for environmental and natural resource management; and
- (h) participation and, as appropriate, leadership in the harmonisation and alignment agenda among donor agencies and BMCs, including joint programming as appropriate.

3.51 *Contributors recognised* that one of the more difficult areas was that of a mechanism to support economic adjustment for sectors, regions and countries that may be disadvantaged by the implementation of CSME and the loss of preferential access to overseas markets. Such a mechanism, in the form of a regional development fund, is envisaged under Article 158 of the Revised Treaty of Chaguaramas, and the Bank has taken the lead in undertaking a study of the options for such a facility as an SDF TA project.

3.52 There are various issues, including both the mandate for such a facility and the funding to be provided by Community governments. *Contributors supported* the Bank's intention to facilitate decisions on the most appropriate mechanism for supporting the adjustment process, and its willingness to consider the possibility of administering such a facility, if the funding can be identified and an adequate decision-making structure agreed. Additionality of resources will be a critical consideration.

3.53 *Contributors agreed* that the Bank's CSPs, as the principal instrument for operational programming and policy dialogue at the country level, should explicitly address priorities for institutional and policy development strengthening, including for regional cooperation and the provision of RPGs.

3.54 *Contributors placed particular importance* on the development of a parallel operational policy and programme planning capability for regional programmes and RPGs. The experience of other RDBs demonstrates the need for such a regionally-focused capacity. Without such a capacity, the Bank's work in this area is likely to be largely responsive rather than strategic, and diffused rather than targeted. This will be a new, if modest, capability, and *Contributors welcomed* this as one of the early milestones in the SDF 6 Action Plan.

3.55 Many of the envisaged activities will require TA or other concessional funding from SDF. *Contributors agreed that, as in SDF 5, there should be set-aside allocations in SDF 6 for both TA and other regional programmes.* The latter allocation will be needed to support the provision of RPGs by supplementing country-level SDF allocations or OCR lending for particular projects. Without such supplementary funding, investment in the provision of RPGs, such as environmental sustainability, is likely to be less attractive for any individual BMC.

3.56 *Contributors welcomed* the planned evaluation of the SDF-financed TA programme as an important milestone in the SDF Action Plan. *They urged* that the evaluation should, in particular, be used to strengthen the focus and effectiveness of regional and sub-regional TA, including support for dialogue and public discussion.

### **3.5 Private Sector Development**

3.57 The Bank's approach to development of the private sector reflects its importance for broad-based growth, job creation and income generation. In private sector programmes, as in other areas, CDB interventions are assessed with the use of the poverty prism. Private sector activities place particular emphasis on improving the capacity of MSEs to be competitive and sustainable.

3.58 The focus during SDF 6 will be on improving the environment in which micro, small and medium scale enterprises operate, by:

- (a) expanding SDF-financed TA, through sector-specific work that benefits all players in the sector and through the CTCS programme;
- (b) strengthening the organisations and institutions with which the sector interfaces and which support the interests of the private sector;
- (c) enhancing human resource capacity, through training and hands-on exposure;
- (d) improving the technical and operating capacities of enterprises through the targeted use of TA to improve their chances of sustainability; and
- (e) supporting the development of intermediaries to provide financial resources for the sector, through programmes that build technical expertise, improve the policy framework and strengthen institutional governance.

*Contributors supported* this broad approach to support for poverty-sensitive private sector development.

#### **CTCS**

3.59 CTCS has been a key tool for assisting the private sector through technology transfer and building skills and capacity. The programme addresses the needs of micro, small and medium-size enterprises and supports their development and expansion. It is highly visible in sectors in which it intervenes, and is well regarded because of its direct impact on livelihoods in the small business sector. CTCS utilises regional expertise to assist entrepreneurs in all of the BMCs. The programme links regional people with related business and technical experience to individuals and businesses that need such assistance. An additional benefit is the institutional strengthening that occurs among local financial institutions, small enterprise development agencies, national and community-based organisations and associations of industry and commerce, which form part of the network administering these services.

#### **Development Finance Institutions (DFIs)**

3.60 DFIs have been key intermediaries for the Bank in supporting private sector development. While providing significant levels of financing for the private sector, DFIs have not themselves attained levels of financial viability that would support sustainability without external assistance. Such institutions have been the identifiable link between the MSE sector and the Bank in the provision of targeted financial resources for use by business enterprises, and for secondary intermediation through cooperatives, credit

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unions, national development foundations and non-governmental organisations (intermediaries for MSEs).

3.61 Efforts have been made to restructure many of these institutions through re-capitalisation, improvement of the policy framework and enhancement of technical capacity. The Bank has facilitated this through TA for studies, market research and training, and ongoing supervision. Strengthening of technical capability continues to be necessary. An emerging area of focus is to increase access by women, particularly in rural and disadvantaged communities, to the opportunities provided by this sector.

3.62 *Contributors recognised* the continuing importance of the DFIs as intermediaries for CDB and SDF programmes and of the Bank's work in strengthening and supporting these institutions. *They agreed* that SDF resources should be used primarily for programmes targeted at low income groups, including small and medium-size enterprises, rural enterprises, low income housing and appropriately targeted student loans.

***Micro-finance Guarantees***

3.63 The micro enterprise sector contributes to employment and income generation for the poor. CDB's micro-finance guarantee programme was developed to meet a perceived need by micro-finance institutions for improved access to resources. There has, however, been limited demand for the programme. There is, nevertheless, still a need for credit to the micro enterprise sector, and an expansion of CDB's outreach to micro-finance institutions remains an objective. *Contributors welcomed* the Bank's intention to re-examine the guidelines for the micro-finance guarantee programme to assess whether these can be improved and, if so, what changes can best be made.

**3.8 An Operational Programme for Haiti and Suriname**

3.64 *Contributors gave special attention* to the planned operational programmes for Haiti and Suriname as new members. The immediate focus is on Haiti, whose membership is expected to be completed in 2005 and where the need for early integration of CDB activities into the international rehabilitation and development effort is urgent. There is a need also to plan for and undertake an effective programme for Suriname when that country's membership becomes effective.

3.65 *Contributors endorsed* the undertaking of CDB operations in both countries as soon as membership becomes effective, and *they agreed* that this would need to be largely with SDF funding and undertaken in close collaboration with development partners. *Contributors also supported the Bank's proposal* that funding for Haiti be separately earmarked within the SDF 6 Replenishment.

3.66 *Contributors also endorsed* the Bank's proposal that the administrative costs associated with operations for Haiti be provided from within this special earmarking. In commenting on the manner in which the Bank will engage in Haiti, *several Contributors urged* the Bank to work towards an integration of operations in Haiti within the Bank's normal operations in the medium-term, although this could include a continuing resident presence because of the overwhelming need to work closely with other donor agencies, the government, other institutions and civil society.

3.67 *Contributors recognised* there were a number of challenges in undertaking operations in the prospective new members, including the exceptionally difficult circumstances faced by Haiti as a fragile state, the need to operate in new languages, and significant differences in institutional cultures from those the Bank had traditionally worked with. *They noted* the steps the Bank had taken to prepare for this, *and expressed their appreciation for the offer by Canada* to support the Bank's work in Haiti by making arrangements to share experience and knowledge in tangible ways. *They endorsed* the special study of practical options with respect to an operational programme in Haiti, which the Bank was presently undertaking, and *welcomed* the Bank's intention to review the options with the Board of Directors at the

October 2005 meeting of the Board. The Board of Directors would make final decisions on the nature of the programme and use of the funds available for Haiti.

3.68 *Contributors underscored* the need, however, for early establishment of an appropriate administrative and operational capability for Haiti, and for careful development of a more detailed and well-targeted potential programme for early discussion with the Government. *They agreed* that these measures should be priority milestones under the SDF 6 Action Plan. An allocation of \$4 mn has been set aside for financing the establishment of appropriate administrative and operational capabilities. Current estimates of these costs over the four-year period of SDF 6 include, provision for the translation of all legal and policy documents of the Bank into French and language training for Bank staff, appropriate levels of Bank representation at all development meetings on Haiti as well as for financing Haiti's representation at all Bank meetings, the setting up of office facilities in Haiti and the employment of additional professional and support staff both at the Bank and in Haiti.

3.69 *Contributors supported* the Bank's intention to explore the possibility of partnering with another agency, such as the United Nations system, in Haiti, in that CDB could benefit from their experience and resource base and in day-to-day cross-fertilisation. *Contributors also requested* the Board of Directors to give further consideration to the cost estimates for operationalising the proposed programme, and to approve such estimates against the specific provision for this purpose in the SDF 6 Replenishment.

3.70 The Bank will need to take into account the development community's experience in working with fragile states, and the conclusions of the Senior Level Forum on Development Effectiveness in Fragile States hosted by DFID in January 2005. This includes improvements in donor practices considered essential in working in countries such as Haiti, an agreed multilateral framework, special efforts to reinforce country ownership, analysis done jointly as a collective international effort, steps to enhance policy coherence, strong emphasis on targeting specific results, capacity development for the central government, decentralised administrations and local actors, and a recognition that community and local level institutions often have a comparative advantage in the delivery of basic services.<sup>8</sup> Coordination and harmonisation is of particular importance, with the use of strong in-country coordination mechanisms, which *Contributors urged* the Bank to participate in as fully as possible.

#### **4. MANAGING FOR DEVELOPMENT RESULTS**

4.01 The international development agenda has increasingly focused on *managing for development results (MfDR)* as a critical factor in strengthening development effectiveness and ensuring and monitoring progress toward the MDGs. This commitment was underlined most recently at the High Level Forum on Aid Effectiveness (HLF-2) in March 2005, which brought together some 100 developing countries and a wide range of international and bilateral agencies, and issued the Paris Declaration on Aid Effectiveness.<sup>i</sup> This builds on the previous Rome Declaration on Harmonisation, two major international roundtables on results, and a broad international effort.

4.02 Most development agencies, in particular the Multilateral Development Banks (MDBs), have developed a results agenda that is relevant both to their own operations and to the various joint actions that have been agreed internationally. CDB's work in this area has evolved from the Bank's initial strategic plan for 2000-2004, the introduction of RBM techniques, and the action plan reviewed and endorsed by Contributors as part of the SDF 5 Agreement.

4.03 *Contributors underlined the importance* of the Bank's results agenda. *They welcomed* the progress that had been made and the emphasis placed on this in the documentation submitted for the

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<sup>i</sup> *Paris Declaration on Aid Effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability*, March 3, 2005.

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Replenishment. *Contributors also emphasised* the importance of the Bank working closely with other agencies such as the Inter-American Development Bank where advantage could be taken of synergies between institutions and where this could facilitate the efforts of all parties to strengthen MfDR.

- 4.04 The global results agenda calls for actions at three levels:
- (a) the need to strengthen the capacity of developing countries to manage for and achieve development results, including the capacity to measure, monitor and assess progress in terms of economic and social indicators;
  - (b) the need for donor agencies to strengthen their own focus on managing for results and thereby more effectively support developing countries in achieving results; and
  - (c) the need for the donor community to work more effectively together in sharing knowledge, harmonising policies, programmes and reporting requirements, and coordinating support for developing countries in managing for results.

4.05 CDB's approach is based on selected actions at all three levels of the global results agenda. The Bank's results agenda, therefore, is structured in terms of three pillars:

- (a) *Pillar 1: Managing for Results at Country and Regional Level;*
- (b) *Pillar 2: Managing for Results at the Institutional or Corporate Level; and*
- (c) *Pillar 3: Managing for Results through Partnerships, Harmonisation and Alignment.*

4.06 A principal factor underlying the Bank's agenda is the need to focus on key results areas that are both essential to the implementation of the SDF 6 operational policy framework and within the Bank's capacity for effective implementation. Limited staff resources and competing demands from the operational programme make it necessary to concentrate on a limited range of activities that are likely to have the most significant "payoff" in terms of strengthening the Bank's results-orientation and its contribution to the global and regional agenda for harmonisation, alignment and results.

#### **4.1. Pillar 1: Country and Regional Level**

##### ***Measuring, Monitoring and Evaluating Progress towards the MDGs***

4.07 The MDGs provide the context, targets and monitoring framework for the global development effort as well as the operations of SDF. Many BMCs, however, lack the capacity for collection, production and monitoring of essential indicators for measuring and assessing progress. There is also a need to select goals, targets and indicators in terms of their suitability for countries in the Region.

4.08 As requested by SDF Contributors, the Bank has provided assistance for the review by BMCs of the MDGs and associated targets and indicators, with a view to development of a Caribbean-specific MDG framework. Such a framework is shown in Box 1 and Appendix B. It is intended both as a contribution to the development of country-specific MDG frameworks and as a set of strategic benchmarks for SDF programming and monitoring and evaluation.

4.09 The development of appropriate targets and indicators at the country level remains a work in progress. *Contributors agreed* that a further priority should be support for country-level capacity development in the collection, monitoring and analysis of appropriate social indicators to permit measurement of progress towards the MDGs and country-specific targets. *They welcomed in particular* the Bank's engagement with other development partners in strengthening statistical capacity in the Region.

### ***CPAs and Poverty Reduction Strategies***

4.10 An essential step in the development of results-oriented poverty reduction programmes is individual CPAs to provide an understanding of the nature, incidence and causes of poverty. The first round of CPAs for the Bank's BMCs is largely complete, but there is a need for updating and further strengthening on a regular basis. The Bank's CPA programme for 2005 includes an initial CPA for Antigua and Barbuda and an update for St. Lucia. These will be followed by updates for Grenada, St. Kitts and Nevis and St. Vincent. The intention is that the CPAs for other countries will be updated on a 3- to 5-year cycle, resources permitting.

4.11 Full poverty reduction strategies have been completed to date only for Belize, Jamaica and Guyana, although there have been interim NPRSs for other BMCs. The absence of NPRSs was addressed for purposes of BNTF 5 by shorter Poverty Reduction Action Plans, but these are not an adequate answer for a country's overall poverty reduction programme. NPRSs are currently being prepared for St. Kitts and Nevis and Dominica, and Belize is completing its second NPRS. The Bank's intention is to support St. Lucia and Antigua and Barbuda in preparation of full NPRSs following completion of their CPAs, targeted for mid-2005, and a NPRS for St. Vincent would follow completion of the planned CPA update.

4.12 *Contributors underlined the importance* of support for preparation and updating of CPAs and NPRSs as a priority for SDF 6, *and recognised* that the Bank would require further support from donors in carrying forward with the important programme of CPA updating on a regular cycle. Gender concerns should be strategically integrated into these processes and an appropriate monitoring framework provided.

### ***Strengthening Economic Management***

4.13 A continuing element in SDF-financed TA will be support for strengthening national economic management, providing complementary assistance with programmes such as CARTAC and the CIDA-financed ECEMP. This will be intended to support improved economic management and will include, as appropriate, capacity development for improved tax systems, national income statistics, economic policy development, legal and regulatory frameworks, government contracting procedures and physical development planning.

4.14 *Contributors agreed* with this approach, *and underlined* that the strengthening of the Bank's country strategy development should include a focus on identifying areas where capacity development in governance, and economic management more specifically, could be usefully addressed by SDF-financed TA and/or included as part of the Bank's lending activities, consistent with CDB's comparative advantages and assistance provided by partner agencies.

### ***Project Formulation and Project Management Training***

4.15 CDB's programmes for the provision of training in project formulation and project management have been longstanding and well-regarded. These programmes have benefited not only projects supported by CDB, but project development and implementation in the BMCs in general. *Contributors welcomed* the expected launch in 2005 of a reformulated training programme, involving outsourcing of design and implementation under close supervision by the Bank, and *urged* that such training programmes include capacity development for results-based management.

### ***Implementation of CSME and Capacity Building for RPGs***

4.16 Establishment of a Caribbean Single Market and Economy (CSME) is an overarching objective of the Caribbean Community and the Bank's BMCs. The prospects for broad-based economic growth, employment generation, and consequently poverty reduction will be heavily influenced by the extent to which the CSME can be successfully implemented.

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4.17 Closely related is the need for increased attention to capturing the benefits of RPGs, in areas such as environmental protection, transport infrastructure, essential health programmes, shared regulatory regimes such as for financial services or telecommunications, economic policy development, and collaborative approaches to trade negotiations. Much recent analysis has underlined the comparative advantages of regional and sub-regional development banks such as the CDB in fostering the provision of such RPGs. *Contributors again welcomed* the Bank’s approach in this area, including support for necessary capacity-building, as outlined in an earlier section.

**4.1. Pillar 2: Institutional Level**

4.18 Various steps have been taken over the past four years to strengthen CDB’s results orientation, and *Contributors underlined* that further steps to strengthen the focus on results should be a major priority for the next four years. Managing for results was more than adopting new tools; it was about changing corporate cultures, and should be viewed as a learning process. *Contributors also urged* that the SDF Annual Report be viewed as an opportunity to report on results and achievements, rather than simply activities. RBM was a tool not only to strengthen efficiency and effectiveness but to better communicate to the outside world what results had been achieved.

***Strengthening the Country Strategy Process***

4.19 A strengthened country strategy process will be a principal means of targeting and focusing all of the Bank’s country programme interventions. It will be the ‘flagship’ for CDB country lending, technical assistance and policy dialogue. The redesign of the CSP process and an accelerated timetable for undertaking CSP preparation in close consultation with the BMCs will strengthen the move to a strategic and programme orientation and an increased alignment with each country’s strategic priorities. The CSP process will be conducted with increased country-level participation with other donor partners.

**TABLE 3: CSPs: ACCELERATED SCHEDULE**

Country	2005	2006
Anguilla		December
Antigua and Barbuda	October	
The Bahamas	December	
Barbados	December	
Belize		December
British Virgin Islands		October
Cayman Islands		July
Dominica	October	
Grenada		July
Guyana		December
Jamaica		May
Montserrat		December
St. Kitts and Nevis	October	
St. Lucia	May	
St. Vincent and the Grenadines	December	
Trinidad and Tobago		May
Turks and Caicos Islands		March

4.20 *Contributors urged* that high priority be given to the early completion of CSPs for all BMCs. The present timetable is shown in Table 3.

4.21 The international development community and most development agencies have given considerable attention to the development of results-based country strategies and programmes. The principal report prepared for the recent High Level Forum on Aid Effectiveness sets out a key conclusion that “Results-based country programming can be a powerful tool to improve strategic selectivity, enable a better allocation of resources to country priorities, and provide a framework to help manage to achieve results. The process of designing a results-oriented country programme can improve the multi-sectoral dialogue toward outcomes, foster a dialogue with clients and partners on objectives, and promote a results focus across the programme.”<sup>9</sup>

4.22 CDB will be piloting results-oriented approaches in its development of CSPs, and a strengthened results orientation will be a principal objective. More emphasis will in addition be given to providing for monitoring and evaluation.

4.23 The CSP process will also need to address issues of governance and institutional and policy development strengthening, in order to identify areas where capacity development may be needed. As noted above, this will need to include consideration of policy development in respect of regional cooperation and the provision of RPGs. These steps will be an important part of operationalising the Bank's strategies on governance and regional cooperation and integration.

#### ***Strategic Planning and RBM***

4.24 CDB has given priority to development of its strategic planning and results-based performance management system. Building on the initial strategic planning framework for 2000-2004, a strengthened operational planning and management system has been introduced, based on a cascade of objectives and corresponding performance indicators. The restructuring of the Work Programme and Budget for 2004 to reflect the new performance management structure has been followed by the introduction of a 3-year budget cycle. This recognises the importance of multi-year planning and performance indicators. Continuing improvements are being made to the Bank's system for assessing results, including performance indicators for measuring effectiveness at the project or programme level, the institutional level, and the country level, and the latter will be increasingly based on the results-oriented approach being developed for CSPs.

4.25 Further work will include capacity-building within the Bank and in the BMCs to strengthen understanding of the benefits of RBM-based planning and management, integration of RBM practices into the new Strategic Plan being developed for 2005-2009, further prioritisation of the Bank's strategic priorities, and further improvement in the quality of performance indicators.

#### ***Resource Allocation Strategy***

4.26 *Contributors agreed* in SDF 5 to the development and use of a new strategy for allocating SDF resources among individual BMCs. The objective is to strengthen the effectiveness and likely results of the resources being provided, by taking into account performance factors as well as needs, and also reflecting special considerations relevant to the Bank's BMCs, in particular vulnerability and smallness. The new strategy is based on international best practice among MDBs, but is simplified and tailored to the particular circumstances of the CDB and its BMCs.

4.27 Experience with the new strategy has been generally good, and it has been used not only for setting and adjusting indicative SDF country allocations, but also for setting BNTF 5 allocations. There is still experience to be gained in some of the assessment factors and in the use of the performance assessments as part of the Bank's dialogue with BMCs in preparing country strategies and providing governance-related TA.

4.28 *Contributors welcomed* the progress that had been made in applying the resource allocation strategy, including the transparency of the results. *They agreed that the same resource allocation strategy should be continued for SDF 6*, with an emphasis on improving the application and use of the strategy as a key element in strengthening development effectiveness and results.

#### ***Operationalising the Key Strategies***

4.29 Operationalising the Bank's poverty reduction strategy remains an essential priority. Staff resource and other constraints have contributed to delays in completing this important milestone, but *Contributors noted* that a further major step has now been taken, with the assistance of DFID, in the preparation of a series of 'sector toolkits' to assist in optimising the poverty reduction impact of individual projects in various sectors.

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4.30 Further work has also been done on operationalisation of the strategy on governance and institutional strengthening, and an operational document on applying the governance strategy will be completed in mid-2005.

4.31 Operationalising a selective and targeted approach to support regional cooperation and integration and RPGs, as already noted, will require an operational policy and programme planning capability to parallel the country-focused policy and planning process centred on the newly strengthened CSP process. The need for such a capacity parallels the experience of other RDBs.

4.32 The Bank's work in all of these areas – *poverty reduction and social development, governance and institutional strengthening, and regional integration and RPGs* – requires a stronger operational policy capability that can complement the work of existing operational staff and help to mainstream SDF and CDB policy objectives. This would assist the Bank in keeping in touch with a dynamic external environment, including the work of other MDBs, keep sectoral and thematic policies under review, and generally assist the Bank in keeping on the 'cutting edge' of the international development agenda and the adaptation of international best practice to the circumstances of the BMCs.

4.33 The objective should strengthen the Bank's results orientation and mainstreaming in critical priority areas. *Contributors recommended* that the Bank give early consideration to providing the necessary strengthening of operational policy capability in these priority areas.

***CPAs and NPRSs as a Basis for Strategy and Programming***

4.34 The Bank's commitment to ensuring that a regular cycle of CPAs is maintained and to facilitating the preparation and updating of national poverty reduction strategies has been referred to under *Pillar 1*. An important objective, in addition to assisting countries in the formulation, implementation and monitoring of their own policies and programmes, is to provide a stronger results-oriented basis for the preparation, targeting and implementation of CDB country strategies, including project identification, design and M&E.

***Basic Needs Trust Fund (BNTF)***

4.35 BNTF is the 'flagship' of CDB's targeted poverty reduction programmes, and will continue as a major SDF programme during SDF 6. As outlined in paragraph 3.24, a number of changes have been introduced in BNTF 5 to strengthen the results orientation of the programme, and these will be strengthened further in the design for BNTF 6. *Contributors welcomed* the results-based approach being used for BNTF and the mainstreaming approach to integrating gender equality as an objective of BNTF and wider SDF 6 activities, and *supported* the development of an effective performance management framework for BNTF 6.

***Review of Lending Policies***

4.36 *Contributors welcomed* the Bank's intention to undertake a review of lending policies, in particular of eligibility of particular categories of project expenditures for financing under the Bank's project lending, as part of the effort to strengthen support for the development objectives of BMCs. Such a review is included in the Action Plan for SDF 6.

***Measuring, Monitoring and Evaluating Results of CDB Programmes and Projects***

4.37 CDB has undertaken a number of steps over the past four years to increase the priority for and internalisation of M&E, including the introduction of a new *project performance evaluation system (PPES)*, a computerised *project portfolio management system (PPMS)*, a strengthened M&E capacity, and a new Evaluation and Oversight Division. *Contributors welcomed* these steps, which had been foreshadowed in the SDF 5 Agreement. *They again endorsed* the approach set out in the PPES performance criteria (see Appendix C), with the emphasis on poverty reduction as well as strategic

relevance and the use of a consistent set of harmonised criteria at each stage of the project cycle, an approach that represented best practice and set a standard for other agencies.

4.38 Since 2003 the post-evaluation function has been moving from project evaluation to sector and thematic evaluations, which can assist in measuring development effectiveness and strengthening the Bank's capacity to identify and apply the lessons of experience. Two such studies were included in the SDF 5 Action Plan. An evaluation of the student loan scheme has now been completed, and provides useful insights into the operations of a key programme funded by both SDF and OCR; it is intended that these insights will be used to further strengthen the programme for SDF 6. The second evaluation was of the Bank's environmental impact assessment requirements, and this is currently underway. It is intended that it will be followed by a general review of the Bank's environmental policies, in which the lessons from the evaluation can be applied.

4.39 Also planned for 2005 is an evaluation of the SDF-financed TA programme. An in-depth evaluation is needed to draw lessons on strengths and weaknesses in different areas of a wide-ranging programme. The experience of other development agencies suggests that such an evaluation can yield valuable results in terms of strengthening programme effectiveness if it is carefully tailored to address issues of most direct relevance to the planned programme for the period ahead. The evaluation is intended to assist in strengthening SDF 6 programming.

4.40 Another study, scheduled for 2006, is an evaluation of experience in the rural enterprise sector, where SDF-financed projects are undertaken in partnership with IFAD. The objective is to evaluate development effectiveness in terms of alleviating rural poverty and to derive lessons from experience to guide SDF 6 programming in this key poverty-targeted area.

4.41 *Contributors endorsed* the strengthening of the evaluation programme, and in particular the planned evaluation of SDF. *They urged* the completion of key thematic and sector evaluations in time for these to be an input into the SDF programme evaluation. The SDF multi-cycle evaluation will itself need to be scheduled so as to allow for the consideration of an interim report at the mid-term review and to be completed well before the end of SDF 6.

### **4.3. Pillar 3: Partnerships, Harmonisation and Alignment**

4.42 The commitment to a new partnership by developing countries and development agencies at Monterrey includes a commitment to much greater emphasis on common approaches and greater coordination, harmonisation and alignment. This has been further articulated in the Rome Declaration and the Paris Declaration, which resulted from the two high-level fora on harmonisation and development effectiveness. CDB is contributing to this agenda, by exploring options for enhanced collaborative work that could ease the pressure on available resources and competing demands on operational personnel.

4.43 *Contributors underlined* the importance of such measures to increase aid effectiveness, and *urged the Bank* to participate as fully as possible in the common effort, including in country level pilots, such as those for Jamaica and Guyana. This was a key area in terms of benefits to be gained, and under the alignment heading was the need to make greater use of country systems and timetables. *They also suggested* that it would be useful to select and apply some of the "Indicators of Progress" agreed as part of the Paris Declaration for the period 2005-2010.<sup>j</sup> The Bank's response, with a proposed selection of

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<sup>j</sup> The Paris Declaration agreed on 12 specific indicators, with preliminary targets that were to be subject to review in the process leading to the UNGA Summit in September 2005. These are to be "measured nationally and monitored internationally," although they are also intended to provide a "benchmark against which individual donor agencies or partner countries can measure their performance." The Declaration invites individual donor agencies and developing countries to establish their own targets for improved aid effectiveness within the framework of the agreed partnership commitments and indicators. The five selected indicators in Box 3 are those that appear most

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five indicators, is set out in Box 3. The proposed indicators and targets would be reviewed following the review of the global indicators scheduled for September 2005, and the table, revised as appropriate, would be submitted for review by the Board of Directors before the end of March 2006.

***Coordinated Support for Measuring, Monitoring and Evaluating Progress towards the MDGs***

4.44 The Bank will continue to work closely with other agencies, together with BMCs, in supporting the framework and capacity development for measuring, monitoring and assessing progress towards the MDGs. This is an important area where a full measure of partnership and coordination is required.

***Poverty Strategy Development***

4.45 Preparation of CPAs and development of national poverty reduction strategies are at the core of the poverty reduction effort and the targeting of the MDGs. They require the cooperation of all development partners including BMC governments and a range of stakeholders. CDB will continue to proceed in close consultation with its partners and under the leadership of BMCs.

4.46 A coordinating group known as the Poverty and Social Sector Development Donors Group (PSSDG), consisting of donors represented in Barbados, together with CARICOM, OECS, and the World Bank, has been active in this area. The group has developed and recently strengthened a coordinating framework known as Support for Poverty Assessment and Reduction in the Caribbean (SPARC) for initiatives to build capacity at the national level to assess poverty and social development, prepare and implement poverty reduction strategies, and monitor and evaluate the effectiveness of those strategies. SPARC is intended to provide a coordinating mechanism for various projects over the period 2005-2008.

4.47 In another coordinating mechanism, the CDB is also involved in the interagency task force on gender and poverty. The task force has recently elaborated customised regional targets to reflect the cross-cutting nature of goal three, gender equality as commissioned by COHSOD. Support will be needed to build capacity of national institutions for use of these indicators.

***Harmonisation***

4.48 The international development community has recognised that differing donor requirements generate significant transaction costs for developing countries. Both multilateral and bilateral agencies are now working to improve operational coordination of their policies, procedures and practices. The objective is to improve development effectiveness by eliminating duplicative procedures and requirements and by providing assistance in line with comparative advantage of the different agencies.

4.49 Two areas in which CDB has been active in the harmonisation agenda are in respect of MDB procurement procedures and the requirements for environmental assessment. CDB also expects to participate in the current harmonisation pilot among donors for CRNM, which involves development of a common performance management framework, common reporting requirements, and potentially coordinated financing modalities.

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relevant to the Bank's commitments and objectives as set out in this SDF 6 Report of Contributors, and can therefore be viewed as selected priority indicators, as requested by Contributors.

**BOX 3: ALIGNMENT, HARMONISATION AND RESULTS AGENDA – INDICATORS OF PROGRESS<sup>k</sup>**

Selected Indicator(s) for each Category	Tentative Target for 2010
<b>Ownership</b>	
1. <i>BMCs with operational development strategies.</i> Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of BMCs.
<b>Alignment</b>	
2. <i>Strengthen capacity by coordinated support.</i> Percentage of donor capacity development support provided through coordinated programmes consistent with partners' national development strategies.	At least 50% of capacity development support provided by donors to the BMCs.
<b>Harmonisation</b>	
3. <i>Use of common arrangements or procedures.</i> Percentage of aid provided as programme-based approaches, including SwAps. <sup>10</sup>	At least 25%.
4. <i>Encourage shared analysis.</i> Percentage of (a) field mission, and/or (b) country analytic work, including diagnostic reviews, that are joint.	At least 25%.
<b>Managing for Results</b>	
5. <i>Results-oriented frameworks.</i> Number of BMCs with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies, and (b) sector programmes. These may be assessed in terms of results-based CDB CSPs.	75% of BMCs.

4.50 *Contributors welcomed* the Bank's intention that consideration also be given to the possibility of developing common approaches to support for social protection for the poor in the Bank's BMCs, which could potentially involve CDB, the Inter-American Development Bank (IDB), World Bank and DFID. This is an important area where a harmonised approach seems essential, but the most appropriate role for the Bank needs further consideration.

4.51 Sector-wide approaches or 'SwAps' are a tool that has been used increasingly in other regions, especially in the social sectors. *Contributors supported* the Bank's intention that consideration be given to the possibility of greater use of sector-wide approaches in the Bank's BMCs, particularly for investment lending in the education sector, a sector that seems particularly suitable for such an approach.

***Caribbean Forum for Development***

4.52 The Caribbean Forum for Development (CFD) is a key element in the Bank's efforts to promote regional strategic thinking and action and develop stronger partnerships. CFD includes all of CDB's member countries as well as the Dominican Republic and Suriname, civil society representatives, and the international donor community. Its main instrument for policy co-ordination is the Forum Dialogue, which provides an opportunity for countries to harmonise strategic responses to common development challenges. The Dialogue is expected to lead to targeted action plans, the implementation of which will draw on the capacities of existing regional agencies and institutions.

4.53 The Forum provides a context within which donors and regional countries can align their approaches within a regional framework and donors can seek to develop common approaches to programme support. A challenge facing the Bank will be to link CFD activities with the Bank's other

<sup>k</sup> Table of indicators is based on that adopted by the Paris HLM on Aid Effectiveness, but with 5 indicators selected from the 12 accepted by the Paris HLM.

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development efforts, such as support for the development of national poverty action plans and strategies, to promote results-oriented regional programming and regional cooperation.

***Joint Approaches to MfDR***

4.54 *Contributors also suggested* that the Bank should explore with other development agencies, in particular the IDB, a sharing of experience and use of joint approaches to MfDR. *They welcomed the Bank's commitment* to do so and to include this step in the SDF 6 Action Plan set out in Section 5.

**5. SDF 6 ACTION PLAN AND MID-TERM REVIEW**

**5.1 SDF 6 Action Plan**

5.01 *Contributors agreed* to an Action Plan of selected milestones for the SDF 6 Replenishment. These are steps needed to move forward with the policy directions for SDF 6, implement effectively the proposed SDF 6 operational programme, and achieve key elements of the agenda set out above under MfDR (the Results Agenda). Implementation of the Action Plan will be monitored and reported on at the time of the SDF 6 MTR.

5.02 The Action Plan includes steps needed to complete the SDF 5 agenda and consolidate policy and operational directions originally established for the SDF 5 cycle. It also reflects the proposed operational strategy for SDF 6 and some of the development effectiveness issues discussed during the SDF 6 process, including selected milestones from the Results Agenda, as well as steps needed to move forward with the policy framework for supporting regional cooperation and integration. Some of the milestones also reflect the steps needed to move forward with an operational programme for new members, as well as some other steps proposed by Contributors during the SDF 6 process.

5.03 The Action Plan is set out in Box 4, indicating overall objectives for each of the three pillars, the 29 milestones, the target date in each case, the responsible organisational unit in the Bank, and the source of financial resources. Implementation of each time-bound milestone would be monitored as an indicator, and progress would be assessed for input to the Mid-Term Review. In addition, *Contributors also requested* the Bank to consider additional indicators that might be used to monitor progress on other aspects of the SDF 6 programme, with progress on such indicators to be reported to the Mid-Term Review.

**5.2 Mid-Term Review**

5.04 *Contributors agreed* that there would be a MTR of SDF 6, similar to that undertaken for SDF 5, to be completed early in the third year of the Replenishment cycle. The Review should discuss progress made in implementing decisions and recommendations in this Report, SDF 6 operations to date, the operational programme for new members, and the status of funding for the Replenishment.

5.05 The MTR represents a central accountability mechanism for SDF 6, and will play a key role in Contributor oversight and RBM by the Bank. The MTR will draw on and complement the evaluation work of the Bank and the results-based tools being developed.

5.06 The exact content and coverage of the MTR will be finalised depending on emerging issues and concerns, but Contributors requested the Bank to have a report prepared for their consideration, at least one month before the MTR meeting, covering, among other issues:

- (a) overall progress on the operational programme, including implementation of the operational priorities set out in this Report;
- (b) status of funding, and availability and use of commitment authority;

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- (c) progress with respect to the time-bound milestones in the *SDF 6 Action Plan*, as well as other aspects of the Results Agenda, in particular, application of the SDF resource allocation strategy, preparation of results-based country strategies, the Bank’s thematic and sector evaluation work, and the selected *Indicators of Progress* on the alignment, harmonisation and results agenda;
- (d) progress with respect to development of a monitoring and evaluation framework for SDF based on Caribbean-specific MDGs, Targets and Indicators;
- (e) progress on other aspects of the SDF 6 programme; using the additional indicators requested by Contributors; and
- (f) planning for SDF 7, including the proposed programme evaluation of SDF.

5.07 *Contributors urged* the Bank to give a high priority to the steps and operational directions set out in this Report and to ensure that significant progress is achieved on the SDF 6 Action Plan by the time of the MTR. *They expressed their appreciation* for the Bank’s commitments in this regard.

**BOX 4: SDF 6 ACTION PLAN**

Milestone	Target Date	Responsibility	Resources
<b>COUNTRY AND REGIONAL LEVEL</b>			
<i>Objective: To support targeted capacity building at Country and Regional Level</i>			
1. Support for development of Caribbean-specific MDG targets and indicators.	2004-2005	CPD and SERU	SDF TA funds
2. Capacity -building in BMCs for measuring, monitoring and assessing progress towards MDG targets.	2005-2008	SERU and CPD	SDF TA funds
3. Strengthening results-based poverty reduction programming by: (a) updating of CPAs for all BMCs, and (b) development of NPRSs, according to timetable.	2005-2008	Operations Area	Additional resources from partners required
4. Launch of reformulated and strengthened project formulation and project management training for CDB's BMCs	mid-2005	Projects Department	SDF funding
5. Identification through CSPs of capacity building requirements to strengthen CSME implementation, economic management, policy development on RPGs, and public sector reform.	2005-2008	Economics and Projects departments	Administrative Budget + SDF 6 TA funds
6. Identification of carefully selected priority programme for supporting regional and sub-regional integration.	2005	Operations Area and VPO	Administrative Budget + SDF 6
<b>INSTITUTIONAL AND CORPORATE LEVEL</b>			
<i>Objective: To implement targeted SDF 6 operational strategy and strengthen results-orientation of CDB programmes and management</i>			
7. Implementation of strengthened country strategy process according to timetable, including development of increased results-orientation.	2005-2006	Economics and Projects departments	Admin. Budget + additional resources
8. (a) Completion of CDB Strategic Plan 2005-2009, and (b) further development of RBM in CDB operations.	2005 2006-08	CPD + all operational and admin. departments	Administrative Budget
9. Operationalisation of CDB's poverty reduction strategy.	2005	Projects Department	Admin. Budget + DFID support
10. Operationalisation of CDB's governance strategy.	2005	Projects Department	Admin. Budget + SDF TA funds

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Milestone	Target Date	Responsibility	Resources
11. Programme development and delivery capacity for Haiti.	2005	Operations Area and CPD	SDF 5 set-aside + additional resources
12. Agreement with Haiti on an initial operational programme.	2005	Operations Area	Admin. Budget + SDF 6 set-aside
13. Programme development and delivery capacity for Suriname.	2006	Operations Area	Admin. Budget
14. Agreement with Suriname on an initial operational programme.	2006	Operations Area	Admin. Budget
15. Review of environmental policy and strategy.	2005-2006	Projects Department	Admin. Budget
16. Strengthening of environmental programming and integration of natural hazard risk reduction into project design.	2005-2008	Projects Department	SDF 6 and Admin. Budget
17. Integration of disaster mitigation function into CDB's permanent establishment.	2006	VPO and Operations Area	Admin. Budget
18. Comprehensive gender assessment for 10 BMCs and integration of gender into CDB social and operational guidelines	2007	Projects Department	BNTF and TA resources
19. Establishment of an operational policy and programme planning capability for regional programming and RPGs.	2005	VPO and Operations Area	Admin. Budget + additional resources.
20. Proposal in Policy-based Lending.	Oct. 2005	VPO and Operations Area	Admin. Budget
21. Strengthened operational policy capability for poverty reduction, governance, environmental and natural hazard protection.	2005-2007	VPO	Additional resources required for initial implementation
22. Review of lending policies and project modalities.	2007	Operations Area, Finance and Corporate Planning Dept.	Admin. Budget
23. Mid-term evaluation of BNTF 5 and preparation of BNTF 6.	2007	Projects Department	BNTF 5 + Admin. Budget
24. Strengthening monitoring & evaluation.. Key milestones: (a) completion of evaluation of Environmental Impact Assessment (EIA) requirements and procedures, (b) evaluation of TA programme, (c) extension of PPES to BNTF and selected TAs, and (d) integration of MDGs and Caribbean-specific targets as a framework for monitoring and assessment of SDF 6.	2005 2005/2006 2005 2005-2006	EOV/Projects Dept. EOV EOV Operations, CPD, EOV	SDF 5 TA funds SDF 6 TA funds Admin. Budget Admin. Budget
25. Undertaking of an assessment of progress at mid-term, for submission to the SDF 6 mid-term review by Contributors.	2007	CPD	SDF 6 TA funds
<b>PARTNERSHIPS AND HARMONISATION</b>			
<i><b>Objective: To strengthen CDB's participation and, as appropriate, leadership in partnerships, harmonisation and alignment</b></i>			
26. Development with other donors of joint approaches to social protection in CDB's BMCs.	2006	Projects Department and SERU	Admin. Budget
27. Implementation of cooperative approaches to CPA updates and NPRS development.	2005-2008	Projects Department	See Milestone 3
28. Further development of joint approaches to disaster mitigation and disaster risk management.	2005-2008	Projects Department	Admin. Budget

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Milestone	Target Date	Responsibility	Resources
29. Development of joint approaches to support for economic adjustment under CSME and Doha Round.	2006	Operations Area	Admin. Budget + SDF TA
30. Development of joint approaches to MFDR in selected BMCs.	2006	CPD, Operations Area	Admin. Budget + SDF TA
31. CFD first major meetings under CDB coordination and management.	2005	Economics Department	Admin. Budget and partner-provided resources
32. Progress on harmonisation and alignment agenda, e.g., in environmental protection and other RPGs, public sector procurement policies, CRNM, and other pilots.	2005-2008	Projects and Economics departments	Admin. Budget
33. Paris Declaration Indicators modified and adopted.	2006	CPD	Admin. Budget

## **6. FINANCING FRAMEWORK FOR SDF 6**

### **6.1 Programme Levels and Funding**

6.01 *Contributors agreed to recommend an overall programme level for SDF 6 of \$257.5 mn, to be financed by agreed basic contributions of \$158.1 mn, internally-generated resources estimated at \$73.5 mn, and a structural gap of \$25.9 mn to be financed by additional contributions and, to the extent possible, by income from adjustments in encashment of demand notes or payment schedules.*

<b>BOX 5: SDF 6 PROGRAMME LEVELS AND FUNDING</b>	
('000)	
<b>Overall programme level</b>	<b>257,500</b>
Commitment authority carryover	5,000
Expected net income	8,700
Loan repayments	59,800
Pledged contributions as of July 2005	158,068
<b>Base funding level</b>	<b>231,568</b>
Structural gap	25,932
<b>Overall funding level</b>	<b>257,500</b>

6.02 *Contributors agreed that the base programme level for SDF 6 should consist of the following specific allocations:*

- (a) **\$91 mn in grant funding**, with provision for:
- ✍ *\$32 mn for the BNTF in support of poor communities in the currently eligible countries;*
  - ✍ *\$18 mn for TA programmes, including capacity building in BMCs (including new members), project cycle training and CTCS;*
  - ✍ *\$4 mn for special support for monitoring progress towards MDGs;*
  - ✍ *\$10 mn in support of regional integration and facilitating the provision of RPGs;*
  - ✍ *\$8 mn as a provision for disaster response; and*
  - ✍ *\$19 mn for Haiti, including tentative provision of \$15 mn for BNTF-type programming and \$4 mn for administrative expenses.*

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- (b) **\$45 mn** as a provision for **loan funding for natural disaster mitigation and rehabilitation and countries in fiscal distress**; and
- (c) **\$121.5 mn for normal lending operations**, inclusive of a tentative provision of \$6 mn for lending through financial intermediaries in Haiti, with the balance for the current BMCs to be allocated according to the SDF resource allocation strategy approved by Contributors, based on both a measure of needs, including per capita income, vulnerability and smallness, and performance, including portfolio performance and policy and institutional performance.

<b>BOX 6: SDF 6 PROGRAMME LEVEL</b>		
<i>Programme Level</i>	<i>SDF 5 Programme Level</i>	<i>SDF 6 Programme Level</i>
Set Asides for:		
BNTF (Grant Funding)	32,000	32,000
BNTF - Haiti (Grant Funding)		19,000 <sup>1/</sup>
TA (Grant Funding):	15,000	18,000 <sup>2/</sup>
Project Training	0	2,000
BMC Capacity -Building TA (including MfR Programme)	12,400	12,000
CTCS	2,600	4,000
Regional Integration and RPGs (Environment)	4,000	10,000
MDGs (Grant Funding)	0	4,000
Disaster Response (Grant Funding)	1,000	8,000
<b>Sub-Total – Grants</b>	<b>52,000</b>	<b>91,000</b>
Loans for Natural Disaster Mitigation and Rehabilitation and Assistance for BMCs in Fiscal Distress	26,000	45,000
Country Loans (Based on Resource Allocation System)	84,300	121,500 <sup>3/</sup>
<b>Total Programme Level</b>	<b>162,300</b>	<b>257,500</b>
<b>Total Unallocated Gap</b>	<b>5,035</b>	<b>(25,932)</b>

<sup>1/</sup> Includes \$4mn for meeting Administrative Expenses for Haiti programming.  
<sup>2/</sup> Includes \$2 mn for Capacity Building/Technical Assistance in Haiti.  
<sup>3/</sup> Includes \$6 mn for Financial Intermediary Lending in Haiti.

6.03 The **overall programme level for the four years would, therefore, be \$257.5 mn**, subject to the provision of adequate financing to meet the structural gap. Decisions on the use of the funds provided for Haiti would be made by the Board of Directors on the basis of a detailed submission by the Bank on programme options.

6.04 The specific allocations would be reviewed by Contributors at the mid-term review, or earlier if appropriate, in order to ensure that any funds not required as originally planned can be reallocated to where they can most effectively be used within the SDF 6 period. The allocations for the BNTF and for TA would, however, not be reduced. Contributors endorsed the use of the incremental funding made available under SDF 6 replenishment for operational programming in Haiti, the restart of a new and improved project implementation and management training programme for senior officials in BMCs, extending the reach of CTCS training packages for micro, small and medium-sized enterprises, promoting regional integration and cooperation including regional public goods, building BMCs capacity to monitor and manage progress towards the attainment of the MDGs, improving the Bank’s capacity to meaningfully mitigate and respond to natural disasters and, supporting a more comprehensive package of assistance to BMCs in fiscal distress. Increased financing for loans allocated on the basis of the resource allocation formula is also facilitated and will contribute to the future financial sustainability of the SDF.

**6.2 Country Groups**

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

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

poverty-focused projects, such as support for undertaking a poverty assessment or preparing a poverty reduction strategy, for TA for good governance, and for assistance in the event of a natural disaster.

6.07 The country groups will remain based, as in SDF 5, on per capita income, with the separation between groups according to broad bands in which per capita incomes are similar. The groupings were reviewed on the basis of per capita incomes for 2003. The results are as shown in Table 4 above, with certain adjustments because of special factors, as Contributors decided in SDF 5. The adjustments made in SDF 5 have been continued, and one additional adjustment has been made, for Grenada, which has recently suffered devastating losses, and which will receive the most concessional SDF terms.

6.08 As in previous SDF cycles, the terms for SDF lending will vary according to country group. Terms to be applied in SDF 6 remain unchanged from SDF 5, and are shown in Table 5.

### **6.3 Grant Financing**

6.09 *Contributors undertook* a review of the issues associated with grant financing, including the extent to which grants reduce SDF income and future reflows and, therefore, the contribution of internally-generated resources to future replenishments. *They noted* that the share of grants, as a percentage of new contributions, had risen sharply in recent SDF cycles. *They also noted*, however, SDF had traditionally included grants, as particularly appropriate for certain types of activity, such as BNTF and TA, and *they concluded* that grants continued to be important for these purposes and for certain other purposes reflected in the special allocations referred to above. *They underscored*, however, the need to maintain an appropriate balance, *and agreed* that the share of grant funding allocations in the base programme level for SDF 6 should be no higher than 35%.

### **6.4 Commitment Authority**

6.10 SDF commitment authority for new financing, as in the case of other MDB concessional funds, is derived from new contributions and internally-generated resources, including any carryover and any exchange rate changes or other adjustments that are appropriate to reflect adjustments to commitment authority. New contributions normally become available in equal instalments or tranches over the period of the Replenishment, and in addition the budgetary procedures of some Contributors require their initial Instruments of Contribution to be qualified as subject to the appropriation of funds by Parliament for the second and subsequent instalments.

**TABLE 4: COUNTRY GROUPS FOR SDF 6**

<i>Group 1</i>	<i>Group 2</i>
Bahamas	Anguilla
British Virgin Islands	Antigua and Barbuda
Cayman Islands	Barbados <sup>a</sup>
	Trinidad and Tobago <sup>a</sup>
	Turks and Caicos islands
<i>Group 3</i>	<i>Group 4</i>
Belize	Guyana
Dominica	Haiti
Grenada <sup>b</sup>	Suriname
Jamaica	
Montserrat <sup>c</sup>	
St. Kitts and Nevis <sup>c</sup>	
St. Lucia	
St. Vincent and the Grenadines	

<sup>a</sup> The same terms as for Group 1 will continue to apply, as in the past.

<sup>b</sup> The same terms as for Group 4 will apply for SDF 6 because of the devastation from hurricane Ivan.

<sup>c</sup> Retained in Group 3 in recognition of the impact of natural disasters.

**TABLE 5: TERMS OF SDF LENDING**

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

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6.11 The projected commitment authority for SDF 6 is, therefore, shown, as in the case of SDF 5, as a phased series of annual levels consistent with the flow of internally-generated resources and the equal instalments in which contributions are normally made. The use in this Replenishment Agreement of specific allocations or ‘set-aside’ provisions for specific purposes such as BNTF provides an assurance of resources for such purposes without the need for a separate charge against commitment authority at the beginning of the cycle.

**TABLE 6: PROJECTED COMMITMENT AUTHORITY FOR SDF 6 BASE PROGRAMME LEVEL**

(US\$ '000)

	2005	2006	2007	2008	2005-08
Commitment authority at beginning of the period	5,000	6,400	5,400	4,100	5,000
<i>Plus:</i> Net Income	1,200	1,800	2,500	3,200	8,700
<i>Plus:</i> Repayments	14,400	14,400	15,400	15,600	59,800
Commitment authority from new contributions	46,000	46,000	46,000	46,000	184,000
<i>Less:</i> Approvals for SDF loans	37,500	40,500	42,500	46,000	166,500
<i>Less:</i> Approvals for SDF grant financing	22,750	22,750	22,750	22,750	91,000
Commitment authority at end of the period	6,350	5,300	3,950	0	0

6.12 *Contributors welcomed* this presentation of SDF commitment authority as consistent with the practice of other concessional funds. *They also, however, supported* the advance payment of instalments on new contributions where individual Contributors are able to make such payments, as a valuable contribution to increasing commitment authority in the early part of SDF 6 as well as increasing SDF income and thereby financing a part of the structural gap for SDF 6.

6.13 *Contributors indicated their intention* that the Replenishment should become effective before the end of 2005, but *they noted* that in some cases Instruments of Contribution, and therefore initial instalments, might take somewhat longer, although *they urged* that every effort be made to complete the steps necessary for Instruments of Contribution to be deposited at as early a date as possible.

6.14 To ensure that the momentum of SDF operations can be maintained pending the deposit of Instruments of Contribution, *Contributors authorised* the Bank to use Instruments of Contribution as these are deposited, as well as any advance payments of instalments, as commitment authority during the balance of 2005 and 2006.

## **6.5 Financing of the Structural Gap**

6.15 *Contributors agreed* to assign a high priority to financing of the structural gap at as early a date as possible. *They invited* Contributors and prospective Contributors who may be in a position to do so to make additional contributions for this purpose. They recognised the valuable contribution made to the expansion of SDF 5 commitment authority by China, Colombia, Mexico, Cayman Islands and Turks and Caicos Islands who adopted an accelerated cash payment approach in SDF 5 and encouraged them to use a similar approach for SDF 6.

6.16 *Contributors expressed the hope* that some Contributors might be in a position to agree with the Bank on the early encashment of currently outstanding Notes from past Replenishments, and thereby contribute to increased income by the investment of such funds for the period before they are needed to meet disbursements on outstanding commitments.

6.17 *Contributors also agreed* that, where possible, they would endeavour to accelerate payments under SDF 6 and to make payments in cash rather than Notes, so as to contribute further to increased

income and a reduction in the structural financing gap. *They also noted* that some Contributors may be able to offer encashment of promissory notes on an accelerated schedule. *Contributors agreed* that the Bank and the Contributors concerned could agree on the terms for such accelerated encashment of notes. Appendix D sets out two scenarios which illustrate the possible impact of early payment and encashment arrangements on the structural financing gap.

6.18 *Contributors agreed* to advise the Bank, if possible, by November 30, 2005 of the extent to which they expected to be able to contribute to financing of the structural gap in these various ways, and requested the Bank to report to the Board of Directors at their meeting in December 2005 on progress with respect to closing the structural gap.

## **6.6 Additional Members and Contributors**

6.19 *Contributors underlined the importance* of continuing efforts to ensure additional contributions to SDF from new members and others. Such funding would make it possible to increase the resources and programme levels for SDF 6 and contribute to the funding of subsequent replenishments. *Contributors welcomed* the interest expressed in possible membership in the Bank by India, Ireland, Spain, Brazil and the European Investment Bank, and the possibility of a contribution to SDF from European Union funds. *They expressed the hope* that where feasible these efforts could be concluded successfully during 2005 and 2006, *and indicated* their willingness to assist in any way possible.

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

## **6.7 Contribution Procedures**

6.21 *Contributors agreed* to continue previous practice in respect of the basic contribution procedures, set out in further detail in the Draft Replenishment Resolution. Each Contributor is expected to deposit with the Bank an Instrument of Contribution in respect of the agreed basic contribution set out in Table 7, with the final date for such deposit in the case of SDF 6 set as December 31, 2005 or such later date as the Bank and each Contributor may agree. Each Instrument of Contribution becomes effective on the date of its deposit with the Bank.

6.22 Instruments of Contribution shall be unqualified, except as an exceptional case where an unqualified contribution cannot be given by a Contributor due to its legislative practice, the Bank may accept an Instrument of Contribution that contains the qualification that payments subsequent to the first instalment are subject to budgetary appropriations, with the Contributor undertaking to seek the necessary appropriations.

## **6.8 Contributions to the Replenishment**

6.23 The overall framework for contributions to SDF 6 and the agreed basic contributions are set out in Table 7. The basic contributions are those pledged by each Contributor at the final meeting of Contributors on the Replenishment, unless the contribution is indicated in parentheses. Where a Contributor has indicated that its obligation will be denominated in a currency other than the US dollar, the exchange rate used to determine the amount in the unit of obligation is the average daily exchange rate for the 6-month period ending June 30, 2005.

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6.24 Each basic contribution is payable to the Bank in four equal instalments, with the first instalment due within 30 days after deposit of the Instrument of Contribution. Any Contributor may, however, pay its contribution in fewer instalments or in larger portions, or at an earlier date. Each instalment is payable in cash or demand notes or any combination of the two.

6.25 Drawdown by the Bank in respect of notes deposited are made on a *pro rata* basis among Contributors semi-annually, based on the Bank's projected disbursement requirements. *Contributors agreed* with the Bank's proposal that for SDF 6, to simplify budgetary planning and in keeping with the practice in some other concessional funds, these semi-annual drawdowns would be made using a fixed schedule based on historical loan disbursement profiles. Such schedule will be communicated by the Bank to each Contributor at the time of the first deposit of an Instrument of Contribution.

6.26 *Contributors also agreed* that note encashments could be made on a more accelerated basis where the Contributor so agrees, and that the Bank may agree to an adjustment of any Contributor's encashment schedule to reflect their legal and budgetary requirements, provided that any such revised schedule yields at least an equivalent value to SDF. Two illustrative scenarios for accelerated payment and early encashment of demand notes are set out in Appendix D.

6.27 Additional contributions may be made by any Contributor listed in Table 7 and the comparable table in the Replenishment Resolution, or by any other Contributor, on terms similar to those set for the basic contributions.

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**TABLE 7: CONTRIBUTIONS TO THE SPECIAL DEVELOPMENT FUND SIXTH CYCLE (SDF 6)**

	<b>Basic Contribution (USD '000)</b>	<b>Unit of Obligations</b>	<b>Amount in Unit of Obligations ( '000)</b>
<b>Part A</b>			
<b>Regional</b>			
Trinidad and Tobago	7,500	USD	7,500
Jamaica	7,500	USD	7,500
Guyana	4,215	USD	4,215
Commonwealth of The Bahamas	3,400	USD	3,400
Barbados	4,210	USD	4,210
Antigua and Barbuda	420	USD	420
Belize	1,100	USD	1,100
Commonwealth of Dominica	840	USD	840
Grenada	100	USD	100
Haiti <sup>1</sup>	650	USD	650
St. Kitts and Nevis	1,100	USD	1,100
St. Lucia	1,100	USD	1,100
St. Vincent and the Grenadines	1,100	USD	1,100
Cayman Islands	420	USD	420
Anguilla	420	USD	420
Turks and Caicos Islands	420	USD	420
British Virgin Islands	420	USD	420
Montserrat	420	USD	420
	<b>35,335</b>		<b>35,335</b>
Colombia	3,600	USD	3,600
Mexico	3,000	USD	3,000
Venezuela	3,600	USD	3,600
	<b>10,200</b>		<b>10,200</b>
<b>Non-Regional</b>			
Canada <sup>m</sup>	44,000	Canadian \$	54,340
United Kingdom <sup>n</sup>	44,000	Pound Sterling	23,492
Germany <sup>o</sup>	12,170	Euro	9,474
Italy	5,003	Euro	3,850
People's Republic of China	5,200	USD	5,200
	<b>110,373</b>		
<b>Part B</b>			
Structural Gap	25 932	USD	
Suriname <sup>p</sup>	2,160	USD	
	<b>28,092</b>		
<b>TOTAL</b>	<b>184,000</b>		

<sup>1</sup> Figure for Haiti was negotiated and approved as part of their membership arrangements.

<sup>m</sup> US\$1= Cdn\$1.235. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>n</sup> GBP1= US\$1.873. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>o</sup> Euro1= US\$1.2846. Average daily exchange rate for 6-month period ending June 30, 2005.

<sup>p</sup> Figure for Suriname was negotiated and approved as part of their membership arrangements.



**APPENDIX A**

**DOCUMENTS REVIEWED BY CONTRIBUTORS**

<b>First Formal Negotiation Meeting – November 2004</b>	
SDF 6/1– NM-2	Themes, Issues and Timeline for SDF 6 Negotiation Process
SDF 6/1– NM-3	Implementation and Progress Report for SDF 5
SDF 6/1– NM-4	Poverty Reduction Strategy
SDF 6/1– NM-5	Achieving the Millennium Development Goals in BMCs: The role of SDF and CDB
SDF 6/1– NM-6	Reducing Poverty in the Caribbean and Targeting the MDGs: An Issues Paper for the Replenishment
<b>Round Robin Discussion – March 2005</b>	
SDF 6/1–RRN-1	Supporting Regional Cooperation and Integration
SDF 6/1–RRN-2	Planning for Haiti’s Accession to Membership of CDB
SDF 6/1–RRN-3	Unified Special Development Fund Resources Requirement and Level of Replenishment (Sixth Cycle)
SDF 6/1–RRN-4	Use of Grants in SDF Funds
<b>Second Formal Negotiation Meeting – May 2005</b>	
SDF 6/1–RRN-1, Rev. 1	Supporting Regional Cooperation and Integration
SDF 6/1–RRN-4, Rev. 1	Use of Grants in SDF Funds
SDF 6/2– NM-3	Development Effectiveness: The Results Agenda
SDF 6/2– NM-4	SDF 6 Action Plan
SDF 6/1–RRN-3	Unified Special Development Fund Resources Requirement and Level of Replenishment (Sixth Cycle)
SDF 6/2– NM-5	Draft Outline Report of Contributors
<b>Informal Circulation (On-Line Discussion Board) – June 2005</b>	
Paper BD 24/05 Add. 1 (SDF 6/3–NM-3)	Unified Special Development Fund Resources Requirement and Level of Replenishment (Sixth Cycle) (Revised)
Review Draft (SDF 6/3–NM-4)	Draft Report of Contributors: Initial Review Draft
<b>Third Formal Negotiation Meeting – July 2005</b>	
SDF 6/3–NM-3 Add.2	Unified Special Development Fund Resources Requirement and Level of Replenishment
SDF 6/3–NM-4 Rev.1	Draft Report of Contributors: Negotiation Draft
<b>Round Robin Discussion – July 2005</b>	
SDF 6/3–NM-4 Rev.2	Draft Report of Contributors: Revised Negotiation Draft
SDF 6/3–RRN-1	Draft Resolution of Contributors to SDF 6 and Report on Negotiations for SDF 6



**APPENDIX B**

**MDGS, TARGETS AND INDICATORS: AN INDICATIVE FRAMEWORK<sup>11</sup>**

<p><b>Goal 1. Eradicate extreme poverty and hunger</b></p> <p><i>Target 1.</i> Halve, between 1990 and 2015, the proportion of people who fall below the absolute poverty line</p> <p><i>Target 2.</i> Halve, between 1990 and 2015, the proportion of people who suffer from hunger</p>	<p><b>Indicators: Goal 1</b></p> <ol style="list-style-type: none"> <li>1. Headcount Index (absolute and relative poverty).</li> <li>2. Poverty gap ratio (incidence x depth of poverty).</li> <li>3. Share of poorest quintile in national consumption.</li> <li>4. Prevalence of underweight children. (under five years of age).</li> <li>5. Proportion of population below minimum level of dietary energy consumption.</li> </ol>
<p><b>Goal 2. Achieve universal secondary education</b></p> <p><i>Target 3.</i> Ensure that, by 2015, children in the Caribbean, boys and girls alike, will be able to complete a full course of secondary schooling, up to at least Grade 12 (5<sup>th</sup> Form).</p>	<p><b>Indicators: Goal 2</b></p> <ol style="list-style-type: none"> <li>6. Net enrolment ratio in primary education.</li> <li>7. School attendance among primary school children.</li> <li>8. Proportion of pupils starting grade 1 who reach grade 5.</li> <li>9. Net enrolment ratio in secondary education.</li> <li>10. Proportion of pupils who reach 5<sup>th</sup> Form in secondary school.</li> <li>11. Proportion of students who matriculate at 5<sup>th</sup> Form with passes in at least two subjects - one that is associated with literacy. (English or official language of country), and Mathematics.</li> <li>12. Literacy rate of 15-24-year-olds.</li> </ol>
<p><b>Goal 3. Promote gender equality and empower women</b></p> <p><i>Target 4.</i> Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015</p> <p><i>Target 5.</i> Eliminate gender disparities in income and occupational opportunities at all levels and in all sectors, no later than 2015</p> <p><i>Target 6.</i> Reduce by 60%, the incidence of physical acts of gender based violence.</p>	<p><b>Indicators: Goal 3</b></p> <ol style="list-style-type: none"> <li>13. Ratio of girls to boys in primary, secondary and tertiary education.</li> <li>14. Proportion of students by sex who take Mathematics and Science examinations at 5<sup>th</sup> Form.</li> <li>15. Ratio of literate females to males of 15 to 24-year-olds.</li> <li>16. Share of women in wage employment in the non-agricultural sector.</li> <li>17. Average national income of men and women by sector of employment.</li> <li>18. Employed persons by occupational status by sex.</li> <li>19. Proportion of seats held by women in national parliament.</li> <li>20. Proportion of women holding office in local government.</li> <li>21. Incidence of reported physical abuse by sex of the abused.</li> </ol>
<p><b>Goal 4. Reduce child mortality</b></p> <p><i>Target 7.</i> Reduce by two thirds, between 1990 and 2015, the under-five mortality rate.</p>	<p><b>Indicators: Goal 4</b></p> <ol style="list-style-type: none"> <li>22. Under-five mortality rate.</li> <li>23. Infant mortality rate.</li> <li>24. Proportion of children 1 to 5 years of age who have received complete immunisation coverage (namely BCG, three doses of DPT and oral polio, and measles).</li> <li>25. Three leading causes of death among children 5 years and under.</li> </ol>

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<p><b>Goal 5. Improve maternal health</b></p> <p><i>Target 8.</i> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio</p>	<p><b>Indicators: Goal 5</b></p> <p>26. Maternal mortality ratio.</p> <p>27. Proportion of births attended by skilled health personnel.</p>
<p><b>Goal 6. Combat HIV/AIDS, malaria and other diseases</b></p> <p><i>Target 9.</i> Have halted by 2015 and begun to reverse the spread of HIV/AIDS</p> <p><i>Target 10.</i> Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases</p>	<p><b>Indicators: Goal 6</b></p> <p>28. HIV prevalence among 15 to 24-year-old pregnant women.</p> <p>29. Contraceptive prevalence rate.</p> <p>30. Condom use as a proportion of overall contraceptive use among women in consensual unions.</p> <p>31. Condom use at last high-risk sex, by sex.</p> <p>32. Percentage by sex of 15 to 24-year-olds with comprehensive correct knowledge of HIV/AIDS.</p> <p>33. Number of children orphaned by HIV/AIDS.</p> <p>34. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures.</p> <p>35. Prevalence of death rates associated with malaria.</p> <p>36. Prevalence and death rates associated with tuberculosis.</p> <p>37. Proportion of tuberculosis cases detected and cured under directly observed treatment short course.</p>
<p><b>Goal 7. Ensure environmental sustainability</b></p> <p><i>Target 11.</i> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources</p> <p><i>Target 12.</i> Halve by 2015 the proportion of people without sustainable access to safe drinking water and proper sanitation</p> <p><i>Target 13.</i> By 2020 to have achieved a significant improvement in the lives of at least 70% of persons living in poor communities.</p> <p><i>Target 14.</i> Construct and implement a vulnerability index for the Caribbean within the next 5 years, which is sensitive to economic, social and environmental conditions</p>	<p><b>Indicators: Goal 7</b></p> <p>38. Percentage of coral reefs destroyed by human activity.</p> <p>39. Percentage of coral reefs destroyed by natural disasters.</p> <p>40. Incidence of natural disasters.</p> <p>41. Economic losses resulting from natural disasters.</p> <p>42. Social dislocations resulting from natural disasters.</p> <p>43. Proportion of land area covered by forest.</p> <p>44. Land area protected to maintain biological diversity.</p> <p>45. GDP per unit of energy use (as proxy for energy efficiency).</p> <p>46. Carbon dioxide emissions (per capita).</p> <p>47. Proportion of population with sustainable access to an improved water source.</p> <p>48. Proportion of people with access to improved sanitation.</p> <p>49. Proportion of people with access to secure tenure.</p> <p>50. Existence of a sustainable framework for the collection, processing and analysis of data relevant to the construction of a Vulnerability Index.</p>
<p><b>Goal 8. Develop a global partnership for development</b></p> <p><i>Target 15.</i> Develop further an open, rule-based, predictable, and equitable trading and financial system. (Includes a commitment to good governance, development, and poverty reduction — both nationally and internationally)</p> <p><i>Target 16.</i> Address the special needs of the least developed countries. (Includes: tariff and quota free access for least developed countries' exports; enhanced programme of debt relief for HIPC's and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction)</p>	<p><b>Indicators: Goal 8</b></p> <p><b>Official development assistance</b></p> <p>51. Net ODA as percentage of OECD/DAC donors' gross national product.</p> <p>52. Proportion of ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation).</p> <p>53. Proportion of ODA that is untied.</p> <p>54. Proportion of ODA for environment in small island developing states.</p>

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<p><b>Target 17.</b> Address the special needs of landlocked countries and small island developing states (<i>through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly</i>).</p> <p><b>Target 18.</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long-term</p> <p><b>Target 19.</b> Develop and implement strategies for decent and productive work for the unemployed</p> <p><b>Target 20.</b> In cooperation with pharmaceutical companies, provide access to affordable, officially approved essential drugs in developing countries</p> <p><b>Target 21.</b> In cooperation with the private sector, make available the benefits of new technologies, especially information and communications</p>	<p><b>Market access</b></p> <p>55. Proportion of exports (by value) admitted free of duties and quotas.</p> <p>56. Services as a proportion of total exports.</p> <p>57. Average tariffs and quotas on agricultural products and textiles and clothing.</p> <p>58. Domestic and export agricultural subsidies in OECD countries.</p> <p>59. Cost of implementing sanitary and phytosanitary measures as a percentage of the total value of exports for which these measures are required.</p> <p>60. Sanitary and phytosanitary rules implemented by developed countries, which exceed the standards specified by international organisations.</p> <p>61. Proportion of ODA provided to help build trade capacity.</p> <p><b>Debt sustainability</b></p> <p>62. Proportion of official bilateral HIPC debt cancelled.</p> <p>63. Debt service as a percentage of exports of goods and services.</p> <p>64. Proportion of ODA provided as debt relief.</p> <p><b>Other factors</b></p> <p>65. Unemployment rate by age group and sex.</p> <p>66. Proportion of population with access to affordable, approved essential drugs on a sustainable basis.</p> <p>67. Telephone lines per 1,000 people.</p> <p>68. Personal computers per 1,000 people.</p> <p>69. Ratio of personal computers to students in school by type of school.</p>
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**APPENDIX C**

**PPES - PERFORMANCE CRITERIA, RATINGS, SCORES AND WEIGHTS**

PERFORMANCE CRITERIA AND WEIGHTS	FACTORS TO BE TAKEN INTO ACCOUNT	WHEN?	RATINGS/ SCORE
<b><i>RATIONALE:</i></b>			
<b>Strategic Relevance</b> [Weight 0.1]	Fit with country strategy and CDB statutes, strategy, comparative advantage and policy priorities.	<ul style="list-style-type: none"> <li>✘ Conformity to country's development strategy</li> <li>✘ Conformity to CDB's strategic objectives and corporate priorities</li> <li>✘ Removal of obstacles to growth.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b>Poverty Relevance</b> [Weight 0.2]	Fit with BMC and CDB poverty reduction strategies.	<ul style="list-style-type: none"> <li>✘ Capability enhancement of poor persons</li> <li>✘ Reduction of vulnerability to natural or man-made disasters</li> <li>✘ Participation in good governance.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b><i>OUTCOMES:</i></b>			
<b>Efficacy</b> [Weight 0.3]	Extent to which project achieved objectives – policy, production, physical, financial, social and environmental objectives. Sub-loan performance.	<ul style="list-style-type: none"> <li>✘ Fully vs. partially met objectives</li> <li>✘ Shortcomings affecting achievement.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b>Cost Efficiency</b> [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.]	<ul style="list-style-type: none"> <li>✘ Changes in project costs</li> <li>✘ Adequacy and growth of benefits stream</li> <li>✘ Implementation progress.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b>Institutional Development Impact</b> [Weight 0.2]	Extent to which better norms and practices enable better use of human, financial and natural resources.	<ul style="list-style-type: none"> <li>✘ Better use of resources</li> <li>✘ Improvements in institutional arrangements</li> <li>✘ Better alignment of institutional mission, capacity and mandate.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b>Sustainability</b> [Weight 0.1]	Likelihood of achieving full expected life in the light of all known internal and external factors.	<ul style="list-style-type: none"> <li>✘ Resilience of project benefits to risks</li> <li>✘ Project's sensitivity to changes in its operating environment</li> <li>✘ Duration of net benefits.</li> </ul>	Appraisal Supervision Completion Evaluation  Rated and scored
<b><i>SUMMARY OF PROJECT PERFORMANCE:</i></b>			
<b>Overall project performance</b>	PPI		Appraisal Supervision Completion Evaluation  Rated and scored
<b><i>INSTITUTIONAL PERFORMANCE:</i></b>			
<b>Borrower and executing agency performance</b>	Adequacy of assumption of ownership and responsibility for success and sustainability. For example: counterpart \$, project management, compliance with loan conditions, procurement management, organisation/administration	<ul style="list-style-type: none"> <li>✘ Extent of policy support</li> <li>✘ Adequacy of counterpart, managerial and technical resources</li> <li>✘ Compliance with loan conditions.</li> </ul>	Supervision Completion Evaluation  Rated
<b>CDB performance</b>	Quality of services, especially quality at entry and supervision, operational arrangements. [e.g., project identification and design, disbursement management, project scheduling, and consultant performance.]	<ul style="list-style-type: none"> <li>✘ Quality of CDB advice, monitoring, troubleshooting and reporting</li> <li>✘ Adequacy of supervision resources</li> <li>✘ Treatment of disbursement claims.</li> </ul>	Supervision Completion Evaluation  Rated

**POSSIBLE SCENARIOS FOR ACCELERATED PAYMENTS AND EARLY  
ENCASHMENT OF DEMAND NOTES**

1. Contributors have agreed to explore avenues for financing the SDF 6 structural gap. In accordance with their budgetary practice and for convenience, some Contributors have in the past paid their contributions to a particular Replenishment in full at the beginning of the period or in cash instalments, while others have paid their instalments in the form of demand notes or part in cash and part in notes.

2. As a means of contributing toward the financing of the structural gap, Contributors have agreed that, where possible, they would endeavour to accelerate payments or to make payments in cash rather than notes or, in the case of payments made in the form of notes, to agree to an accelerated schedule of encashment. Such measures will contribute to increased income from investment of the payments concerned in the period prior to when they are required to meet disbursements on project commitments made under SDF 6, and this income will provide an important contribution toward the financing of the structural gap.

3. The objective of this short paper is to illustrate the benefits for the Bank and Contributors, which might accrue from the application of different accelerated payment and early encashment scenarios. In addition, Contributors are being asked to agree to the use of the benefits from early encashment as additional income to fill the structural gap rather than to underwrite the contributions of members. The potential benefits from these payment approaches and their contribution to reducing the structural gap are explored for two scenarios.

**Scenario 1**

4. **Assumptions :**

- (a) Contributor A will pay its contribution in full at the start of SDF 6;
- (b) Contributor B will pay its contribution in four equal annual payments;
- (c) Contributor C will pay its contribution over three years with 42% in the first year and 33% in the second and 25% in the third year;
- (d) Contributor D and Contributor E will each issue demand notes for their total contribution at the start of SDF 6. The notes will be paid to the Bank in four equal annual installments commencing one year after the notes have been issued;
- (e) All other Contributors will pay their contributions in four equal annual installments, 50% in cash and 50% in demand notes. The notes will be paid to the Bank semi-annually according to a fixed encashment schedule based on the Bank's historical project disbursement profile set out in the table below.
- (f) The annual investment yield is assumed at 3%.

5. **Anticipated Benefit:** The outcome of these payment arrangements is that the Bank will earn \$6.5 mn in additional income on investments which can be applied to increasing its commitment authority and reducing the structural gap. The estimated annual payment for each Contributor under this scenario is shown in Annex 1 of this paper.

**PROPOSED ENCASHMENT SCHEDULE FOR DEMAND NOTES**

<b>Year</b>	<b>% of Notes to be Encashed</b>	<b>Year</b>	<b>% of Notes to be Encashed</b>
2005	-	2010	7%
2006	10%	2011	9%
2007	26%	2012	8%
2008	17%	2013	6%
2009	13%	2014	4%

**Scenario 2**

**6. Assumptions:**

- (a) Contributor A will pay its contribution in full at the start of SDF 6;
- (b) Contributor B will pay its contribution in four equal annual payments;
- (c) Contributor C will pay its contribution over three years with 42% in the first year and 33% in the second and 25% in the third year;
- (d) Contributor D and Contributor E will each issue demand notes for their total contribution at the start of SDF 6. Each note will be paid to the Bank in full, one year after it has been issued.
- (e) All other Contributors will issue demand notes each year of the SDF 6 period for 25% of their total contributions. Each note will be paid to the Bank in full, one year after it has been issued.
- (f) The annual investment yield is assumed at 3%.

7. **Anticipated Benefits:** the effect of this payment option is an increase in income and contribution to funding of the structural gap of \$6.5 mn. The estimated annual payment for each Contributor under this scenario is shown in Annex 2 of this paper.

8. The results of the two scenarios illustrate the possible contribution from early payment and/or accelerated encashment of demand notes pledged by contributors. Each contributor may agree with the Bank such payment terms as are appropriate for its particular budgetary and legal circumstances. The SDF 6 agreement provides for the Bank and each Contributor to agree on appropriate terms for accelerated payment and/or early encashment. Where payments are made in instalments, a Contributor may be able to increase the amount of the initial instalment and/or to make payment in two or three instalments, as in the case of Mexico, rather than four. In the case of payments made in the form of notes, a schedule of accelerated encashments could be agreed between a Contributor and the Bank.

9. In the case of accelerated payments and payments in cash, the Contributor would need to advise the Bank in writing of its intention, and this would constitute sufficient authority for the Bank to include an estimate of the income from such payments as a contribution to meeting the structural gap, and correspondingly as an increase in commitment authority for SDF 6, although actual use of the

**RESOLUTION OF CONTRIBUTORS TO SDF 6**  
**SCHEDULE 3 – REPORT AND CONCLUSIONS OF NEGOTIATIONS FOR SDF 6**

commitment authority would be phased so as to coincide with the period during which the funds would be available to the Bank.

10. In the case of accelerated encashment of notes, the SDF 6 Agreement provides in paragraph 6.17 for the Bank and the Contributor concerned to reach agreement on the terms for such an accelerated encashment of notes. Under such agreement, the Bank would be authorised to draw down the notes according to the agreed schedule. The net benefit in terms of increased income and contribution to the meeting the structural gap would also depend on the terms of the agreement between the Contributor and the Bank. The Bank would calculate an estimate of the net benefit when the agreement with the Contributor is concluded.

11. Under paragraph 6.18 of the SDF 6 Agreement, Contributors agreed to advise the Bank, if possible by November 30, 2005, of the extent to which they expected to be able to contribute to financing of the structural gap in these various ways, and requested the Bank to report to the Board of Directors at their meeting in December 2005 on progress with respect to closing the structural gap, in order to allow the Bank to adjust its estimates of expected commitment authority accordingly and report to the Board thereon. A further report can be made for the next following meeting of the Board of Directors. Further action to reduce the structural gap, if required, can be considered by the Board at that time.

RESOLUTION OF CONTRIBUTORS TO SDF 6  
SCHEDULE 3 – REPORT AND CONCLUSIONS OF NEGOTIATIONS FOR SDF 6

ANNEX 1 TO APPENDIX D

**CONTRIBUTION TO UNIFIED SPECIAL DEVELOPMENT FUND**  
**ILLUSTRATIVE ENCASHMENTS (SDF 6) - SCENARIO 1**  
**(\$'000)**

		2005	2006	2007	2008	2009	2010-2014
<b>Proposed Encashment Rate for Notes</b>			10	26	17	13	34
<b>Member Country</b>	<b>Amount Pledged</b>	<b>Payments in Cash</b>					
<b>Regional Borrowing Members</b>							
Trinidad and Tobago	7,500	938	1,313	1,913	1,575	488	1,275
Jamaica	7,500	938	1,313	1,913	1,575	488	1,275
Bahamas	3,400	425	595	867	714		
Guyana	4,215	527	738	1,075	885	274	717
Barbados	4,210	526	737	1,074	884	274	716
Belize	1,100	138	193	281	231	72	187
Dominica	840	105	147	214	176	55	143
Grenada	100	13	18	26	21	7	17
St. Kitts and Nevis	1,100	138	193	281	231	72	187
St. Lucia	1,100	138	193	281	231	72	187
St. Vincent and the Grenadines	1,100	138	193	281	231	72	187
Cayman Islands	420	53	74	107	88	27	71
Anguilla	420	53	74	107	88	27	71
Turks and Caicos Islands	420	53	74	107	88	27	71
British Virgin Islands	420	53	74	107	88	27	71
Antigua	420	53	74	107	88	27	71
Montserrat	420	53	74	107	88	27	71
Haiti *	650	81	113	166	137	42	111
<b>Sub-Total</b>	35,335	4,416	6,183	9,011	7,420	2,297	6,007
<b>Regional Non-Borrowing Members</b>							
Colombia	3,600		900	900	900	900	-
Mexico	3,000	1,250	1,000	750			-
Venezuela	3,600	450	630	918	756	234	612
<b>Sub-Total</b>	10,200	1,700	2,530	2,568	1,656	1,134	612
<b>Non-Regional Members</b>							
Canada	44,000		11,000	11,000	11,000	11,000	-
United Kingdom	44,000		11,000	11,000	11,000	11,000	-
Italy	5,003	2,502	250	650	425	325	851
Germany	12,170	6,085	609	1,582	1,034	791	2,069
China, People's Republic of	5,200		1,300	1,300	1,300	1,300	
<b>Sub-Total</b>	110,373	8,567	24,159	25,532	24,760	24,416	2,920
<b>TOTAL</b>	<b>155,908</b>	<b>14,703</b>	<b>32,872</b>	<b>37,111</b>	<b>33,836</b>	<b>27,847</b>	<b>9,539</b>

\* Proposed Borrowing Member

**ANNEX 2 TO APPENDIX D**

**CONTRIBUTION TO SPECIAL DEVELOPMENT FUND**  
**ILLUSTRATIVE ENCASHMENTS (SDF 6) - SCENARIO 2**

(\$'000)

		2005	2006	2007	2008	2009	2010- 2014
<b>Proposed Encashment Rate for Notes</b>			10	26	17	13	34
<b>Member Country</b>	<b>Amount Pledged</b>	<b>Payments in Cash</b>					
<b>Regional Borrowing Members</b>							
Trinidad and Tobago	7,500		1,875	1,875	1,875	1,875	
Jamaica	7,500		1,875	1,875	1,875	1,875	
Bahamas	3,400		850	850	850	850	
Guyana	4,215		1,054	1,054	1,054	1,054	
Barbados	4,210		1,053	1,053	1,053	1,053	
Belize	1,100		275	275	275	275	
Dominica	840		210	210	210	210	
Grenada	100		25	25	25	25	
St. Kitts and Nevis	1,100		275	275	275	275	
St. Lucia	1,100		275	275	275	275	
St. Vincent and the Grenadines	1,100		275	275	275	275	
Cayman Islands	420		105	105	105	105	
Anguilla	420		105	105	105	105	
Turks and Caicos Islands	420		105	105	105	105	
British Virgin Islands	420		105	105	105	105	
Antigua and Barbuda	420		105	105	105	105	
Montserrat	420		105	105	105	105	
Haiti *	650		163	163	163	163	
<b>Sub-Total</b>	35,335	-	8,834	8,834	8,834	8,834	-
<b>Regional Non-Borrowing Members</b>							
Colombia	3,600		900	900	900	900	
Mexico	3,000	1,250	1,000	750			
Venezuela	3,600		900	900	900	900	
<b>Sub-Total</b>	10,200	1,250	2,800	2,550	1,800	1,800	-
<b>Non-Regional Members</b>							
Canada	44,000		11,000	11,000	11,000	11,000	
United Kingdom	44,000		11,000	11,000	11,000	11,000	
Italy	5,003		1,251	1,251	1,251	1,250	
Germany	12,170		3,043	3,043	3,043	3,040	
China, People's Republic of	5,200		1,300	1,300	1,300	1,300	
<b>Sub-Total</b>	110,373		27,594	27,594	27,594	26,290	-
<b>TOTAL</b>	<b>155,908</b>	<b>1,250</b>	<b>39,228</b>	<b>38,978</b>	<b>38,228</b>	<b>38,224</b>	<b>-</b>

\* Proposed Borrowing Member

## END NOTES

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

<sup>2</sup> *Report of Contributors on SDF 5*, p. 6, paragraphs 21 and 22.

<sup>3</sup> The indicative goals and targets, together with the indicators set out in Appendix B, have been developed through an interactive process with Caribbean countries and further work done by CDB in preparation for SDF 6. Further discussion with BMCs is planned. This includes revisiting targets and indicators to mainstream gender equality as proposed by the Interagency Regional Advisory Group on Gender and Development.

<sup>4</sup> *Report of the Ad Hoc Committee of the Whole of the 22<sup>nd</sup> Special Session of the General Assembly*.

<sup>5</sup> "Strategy on Governance and Institutional Development," September 2003, circulated under BD 25/01 Add. 3 October 30, 2003, approval by the Board recorded December 11, 2003.

<sup>6</sup> *Report of the World Summit on Sustainable Development*, Johannesburg, September 2002 (United Nations: A/CONF.199/20), *Plan of Implementation*, Chapter VII: "Sustainable development of small island developing states," pp. 41-43.

<sup>7</sup> *Supporting Regional Cooperation and Integration*, Revised, April 2005, SDF 6/1-RRN-1, Rev. 1.

<sup>8</sup> *Chair's Summary: Senior Level Forum on Development Effectiveness in Fragile States*, London, January 13-14, 2005, and the various papers and studies submitted to the Forum.

<sup>9</sup> *Harmonisation, Alignment, Results: Report on Progress, Challenges and Opportunities*, p. 53, Box 19.

<sup>10</sup> The Paris Declaration includes an explanatory note with respect to this Indicator: "Programme based approaches are defined in Volume 2 of *Harmonising Donor Practices for Effective Aid Delivery* (OECD, 2005) in Box 3.1 as a way on engaging in development cooperation based on the principles of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme based approaches share the following features: (a) leadership by the host country or organisation; (b) a single comprehensive programme and budget framework; (c) a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and (d) efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation."

<sup>11</sup> The table sets out an indicative set of Goals, Targets and Indicators adapted to Caribbean-specific circumstances. These are subject to on-going review with the BMCs.