

CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND SIXTH REPLENISHMENT

SDF MID-TERM REVIEW

SEPTEMBER 2007

TABLE OF CONTENTS

Abbreviations

Executive Summary

1. Introduction

- 1.1. Purpose of this Review
- 1.2. Introduction to the Special Development Fund Unified [SDF (U)]
- 1.3. Objectives of this Review
- 1.4. Methodology

2. The Unified Special Development Fund,

- 2.1. SDF (U) Resources and Programme
- 2.2. SDF 6 Commitment Authorities and Use of Funds
- 2.3. SDF (U) Terms of Lending and Reflows
- 2.4. SDF Loan Approvals and Disbursements
- 2.5. SDF Portfolio
- 2.6. SDF Grants and Loans by Cycle and Country
- 2.7. Contributions to the SDF (U)
- 2.8. SDF (U) Resource Allocations
- 2.9. Other SDF (U) Financial Matters

3. Operations

- 3.1. Sectors Aided by SDF (U) Funds
- 3.2. BNTF
- 3.3. TA
- 3.4. Policy-Based Lending
- 3.5. SDF Programming in Haiti

4. Organisation

- 4.1. Organisation
- 4.2. Country Focus
- 4.3. Staff Resources

5. Development Themes

- 5.1 Poverty Reduction
- 5.2 Governance
- 5.3 Social Protection
- 5.4 Regional Initiatives
- 5.5 Natural Disaster Mitigation and Response
- 5.6 Gender
- 5.7 Environment
- 5.8 Private Sector Development
- 5.9 CDB and AIDS

6. Managing for Development Results

- 6.1 Results-Based Frameworks
- 6.2 RBM
- 6.3 Results-Based Country Strategies
- 6.4 CMDGs
- 6.5 MfDR and Paris Declaration Indicators

- 6.6 Evaluations
- 6.7 Portfolio Performance Monitoring
- 6.8 CDB-BMC Joint Approaches to MfDR

7. Membership

- 7.1 Membership Expansion
- 7.2 New Borrowing Members
- 7.3 Regional Non-Borrowing Members
- 7.4 Non-Regional Non-Borrowing Members
- 7.5 Non-Traditional Members

8. Coordination and Partnerships

- 8.1 Harmonisation and Alignment
- 8.2 Joint Initiatives
- 8.3 Coordination

9. Conclusion

- 9.1 Progress on SDF 6 Commitments
- 9.2 Recommendations and Next Steps

ABBREVIATIONS

AfDB	-	African Development Bank
AsDB	-	Asian Development Bank
BMCs	-	Borrowing Member Countries
bn	-	billion
BNTF	-	Basic Needs Trust Fund
BOD	-	Board of Directors
CARICOM	-	Caribbean Community
CCRIF	-	Regional Catastrophic Risk Insurance Facility
CDB	-	Caribbean Development Bank
CFD	-	Caribbean Forum for Development
CIDA	-	Canadian International Development Agency
CMDG	-	Caribbean MDGs
CODE	-	Committee for Development Effectiveness
CPAs	-	Country Poverty Assessments
CPD	-	Corporate Planning Division
CPS	-	Composite Performance Score
CRNM	-	Caribbean Regional Negotiating Machinery
CSME	-	Caribbean Single Market and Economy
CSOs	-	Civil Society Organisations
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
DFID	-	Department for International Development
DMFC	-	Disaster Mitigation Facility for the Caribbean
DRR	-	Disaster risk reduction
EC	-	European Commission for Barbados and the Eastern Caribbean
EOV	-	Evaluation and Oversight
EU	-	European Union
GDP	-	Gross Domestic Product
IBRD	-	World Bank Group (IBRD)
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
KPIs	-	Key Performance Indicators
MDBs	-	Multilateral Development Banks
MDG	-	Millennium Development Goal
MfDR	-	Management for Development Results
MSE	-	Micro- and Small-Scale Enterprises
NPRSs	-	National Poverty Reduction Strategies
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
PBLs	-	Policy-based Loans
PCR	-	Project Completion Report
PIN	-	Project Information Number
PPAR	-	Project Performance Audit Report
PPES	-	Project Performance Evaluation System
PPI	-	Portfolio Performance Index
PPMS	-	Project Portfolio Management System
PRAP	-	Poverty Reduction Action Plan
PRGF	-	Poverty Reduction and Growth Facility
PRSD	-	Project Services Division
PRSs	-	Poverty Reduction Strategies
PRSP	-	Poverty Reduction Strategy Paper

PSC	-	Project Steering Committee (BNTF)
PSSDDG	-	Poverty and Social Sector Development Donors' Group
RAS	-	Resource Allocation Strategy/Resource Allocation System
RPGs	-	Regional Public Goods
SDF (O)	-	Special Development Fund (Other)
SDF (U)	-	Special Development Fund (Unified)
STF	-	Strategic Thematic Fund
SMEs	-	Small- and Medium-Scale Enterprises
SSD	-	Social Sector Division
SPARC	-	Support for Poverty Assessments and Reduction
TA	-	Technical Assistance
TOR	-	Terms of Reference
UNDP	-	United Nations Development Programme
UNIFEM	-	United Nations Development Fund for Women
UK	-	United Kingdom
USD	-	United States dollars
USAID	-	United States Agency for International Development
UWI	-	University of the West Indies
WB	-	World Bank

EXECUTIVE SUMMARY

0.01 In December 2005, negotiations were completed for the Sixth Cycle of the Unified Special Development Fund (SDF 6). The *Report of the Contributors* called for a Mid-Term Review of progress. This Review was undertaken by a joint consulting team from Canada (Rideau Group Consultants) and the United Kingdom (University of Birmingham).

0.02 The methodology included a document and file review, discussions with officers of the Caribbean Development Bank (CDB), and discussions with representatives of three Contributors. The Review did not include visits to Borrowing Member Countries (BMCs), although three of the consultant team had made such visits to seven BMCs immediately before in regard to the evaluation of CDB's technical assistance (TA) operations.

PROGRESS

0.03 The *Report of the Contributors* called for a Mid-Term Review of progress on 23 specific actions items. The Review found good progress on a majority of the items. The past two years have seen several important achievements by the Bank.

0.04 During this period, CDB accepted Haiti as a borrowing member, reorganised its Projects Department to facilitate lending and granting operations, and was innovative in, for example, undertaking new policy-based lending. CDB showed leadership in helping develop Caribbean-specific Millennium Development Goal (MDG) targets, made progress on an ambitious agenda of country poverty assessments; and re-launched its project management training.

0.05 CDB completed its Strategic Plan 2005-2009, with considerably strengthened focus on managing for development results. It also reviewed its approach to the Special Development Fund (Unified) [SDF (U)] resource allocation and tabled a paper with several suggestions for improving this system.

0.06 The Bank implemented an active programme of evaluations, including an evaluation of CDB's TA operations. The Evaluation and Oversight (EOV) Division is planning a multi-cycle evaluation of the Special Development Fund to begin in late 2007 that promises to be a key contribution to the SDF 7 negotiations. The evaluation of the Basic Needs Trust Fund (BNTF) 5 was underway during this Review.

0.07 CDB has strengthened, or is in the process of strengthening, its staff capability in environmental analysis and gender analysis. However, these areas are so important to the Bank's mission that more needs to be done. CDB has not yet met its commitments to produce country gender analyses.

0.08 Poverty assessments need to be accelerated and the Bank's efforts need to be refocused somewhat on supporting the implementation of results-based poverty reduction strategies that build on the poverty assessments.

0.09 CDB's Country Strategy Papers (CSPs) have shown improvement in their results orientation but, because they are so central to the effectiveness of the Bank, more needs to be done. The links between MDGs, CDB's CSPs, and CDB's Strategic Plan need to be clearer.

RESOURCE CONSTRAINTS AND AREAS FOR ATTENTION

0.10 CDB is a small multilateral development bank (MDB). As this Review proceeded, it was often clear that resources were insufficient to do as much as Contributors wished. Our general assessment is that CDB needs to be larger (to scale up) to be able to operate in the way Contributors desire. It needs

more depth in key areas to avoid discontinuities and loss of momentum when one person is on leave, or leaves the Bank or is transferred to other duties.

0.11 At the same time, Contributors should resist the tendency to require commitments in too many areas at once and without new resources. For example, expanding the membership of the Bank is a high priority for Contributors to SDF 6, but no SDF resources were allocated specifically to support that effort. Similarly, CDB was asked to undertake initiatives in governance, gender, the environment and regional public goods, policy-based lending and public sector reform, BNTEF, natural hazard reduction, economic adjustment, social protection, regional economic integration, and harmonisation and alignment. All of these require incremental resources.

RECOMMENDATIONS AND NEXT STEPS

0.12 Section 9 of this Review states our conclusions and recommendations in some detail. In summary, CDB should be guided by five themes in the remainder of SDF 6.

- (1) CDB needs to find new ways of **working with BMCs that rely more on the country's own systems of management and accountability**, while not losing the key aspects of the Bank's due diligence systems. At the same time, CDB needs to be active in harmonising its objectives, strategies and systems with its partners, to work together within a single coherent strategic framework in each country.
- (2) CDB should **sharpen its focus on its poverty reduction mission**, by expanding its use of Management for Development Results (MfDR), and other management improvement initiatives where appropriate, and also by paying greater attention to some key factors in development in the Caribbean, including governance, gender, the environment and the HIV/AIDS disaster. CDB should shift its focus from poverty assessments more to poverty reduction strategies, and should work increasingly jointly with partners in poverty reduction efforts.
- (3) CDB needs to **increase the scope and scale of SDF operations**. We believe that formulating a long-term strategic plan (2020) would provide a useful roadmap for scaling up. It would also clarify the resources needed to achieve CDB's strategic goals. We believe that some important efforts, including the effort to attract new members, need more resources allocated to them. We also suggest that CDB consider an "integrated" approach to expansion that targets clusters of related regional and non-regional countries (that is, related by language, culture and history). CDB needs to produce a customised "prospectus" for each potential member containing in-depth analysis of the specific advantages that could accrue from membership. Lastly, we think that TA could be substantially expanded. Commitments and disbursements, for both loans and TA, are lagging in some areas and need to be accelerated to achieve CDB's objectives within SDF 6.
- (4) CDB has reorganised its Projects Department in 2007. The new organisation seems to have many strengths but will need time to prove itself. In the medium term, as CDB diversifies its borrowing membership, country focus should become a more important dimension of the CDB organisation, i.e., CDB activities may need to be **organised increasingly by country** to be effective in a variety of contexts with differences in language, culture, legal and political systems, and type of economy.
- (5) CDB is in the midst of renewing its staff, filling a large number of vacancies and diversifying its professional skills and experiences. This is important to the Bank's effectiveness during

the remainder of SDF 6 and in SDF 7. We have made a number of suggestions. In summary, CDB needs to **recruit the best qualified development professionals available from anywhere in the world**, and to find ways to bring young professionals, men and women, into the Bank and the Caribbean.

0.13 Section 9 states the next steps that we recommend. The following is a summary of the main points:

- (a) The utilisation of BNTF funds needs to be accelerated in Dominica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and the Turks and Caicos Islands. In general, CDB needs to scale up its TA operations. This will require greater focus, dedicated resources and country knowledge. Improving CDB's "country focus" will be increasingly important in a more diverse Bank. This has many aspects. It may include strengthening the geographic dimension of the Bank's internal organisation, and improving its physical presence in BMCs. There are implications for CDB's long-term strategy, which may need an internal "transformation" plan to work effectively with a diverse set of borrowing members.
- (b) Meeting these and future commitments to SDF (U) Contributors will require increasingly strong and diverse staff capabilities. CDB should therefore recruit young officers, seeking the best from anywhere in the world. In the context of its strategy to expand in non-English-speaking areas of the Caribbean, CDB needs to increase its working capabilities in languages other than English and in the legal and political systems of the non-Commonwealth Caribbean.
- (c) The next generation of CDB strategic plans should include further analysis of relative priorities among CDB's poverty-reduction objectives, an analysis of whether the existing portfolio of loans and TA is a good fit with those relative priorities, and a measurement system for tracking both CDB performance and overall Caribbean progress towards specific objectives. CDB should use the Caribbean Millennium Development Goals and targets as the framework against which to manage and measure its progress towards results. Some thematic areas need to be strengthened. We recommend that there should be a set-aside of SDF (U) funds for environmental protection and natural resources management separate from funds to help BMCs in fiscal trouble. CDB needs to meet its commitment to producing a Gender Strategy and conducting gender-and-development assessments in ten BMCs before the end of SDF 6, and to report the results during negotiations for SDF 7. In the last years of SDF 6 and in SDF 7, CDB must act with clarity, determination and energy on the HIV/AIDS crisis.
- (d) CDB should give high priority to producing excellent country strategies by cross-department interdisciplinary teams, working within the framework of CDB's Strategic Plan, making clear commitments to specific results, clarifying accountability for country strategy implementation (country focus), and evaluating performance against those strategies and reporting to the Board on a regular basis. BMC perspectives on CDB country strategies need to be explored in the upcoming multi-cycle evaluation of SDF (U), and in preparing SDF 7.
- (e) CDB should consider improving the visible independence of the EOVS Division by having it report directly to the Board, as is best practice in other MDBs, and instituting fixed term non-renewable appointments for Directors of Evaluation. CDB's EOVS should prepare a multi-year Evaluation Strategy and Workplan as a working paper in support of the SDF 7 negotiations. Evaluation should be a prominent feature of CDB's website home page, and all evaluation products and their related management action plans should be posted to the site within six months of completion. We recommend several evaluations prior to SDF 7,

- including an evaluation of the policy-based loans to Belize and St. Kitts and Nevis, an evaluation of CDB's programme of poverty assessments and poverty reduction strategy papers, and an evaluation of regional programming under SDF 5 and SDF 6.
- (f) We recommend that CDB produce some strategy papers, including a clear programming strategy in the area of governance, building on the guidelines already prepared; a comparative paper on social protection in BMCs; a paper on strategy in the small business sector; and a new policy on CDB programming for environmental improvement.
 - (g) The portfolio performance information available to management to guide decision making, and presented to the Board, must be timelier and more complete. CDB should be an active participant in the worldwide Managing for Development Results Community of Practice sponsored by the DAC and other MDBs; and should be the lynchpin for the extension of this community of practice to its BMCs in the Caribbean.
 - (h) CDB should consider establishing a Membership Task Force. Contributors should consider special funding to cover the significant temporary costs of implementation of the CDB expansion strategy. A "country cluster" approach to attracting new members is suggested. Each accession case should focus on the benefits to the prospective member; but should also include a "change management" process for the Bank itself if linguistic and cultural changes are needed to accommodate the new member country.
 - (i) Finally, CDB should consider how its due diligence procedures might be simplified, particularly by relying more on BMC government systems when these are adequate.

(For more detailed recommendations see Section 9 of the Report.)

1. INTRODUCTION

1.1 PURPOSE OF THIS REVIEW

1.1.1 In December 2005, negotiations were completed for the fifth replenishment (Sixth Cycle) of the Unified Special Development Fund (SDF 6) of the Caribbean Development Bank (CDB). The *Report of the Contributors to SDF 6* established four broad themes for the Sixth Cycle: (1) poverty reduction and broad-based economic growth as an overarching goal; (2) addressing the Millennium Development Goals (MDGs) for the Caribbean; (3) strengthening development effectiveness and management for development results; and (4) planning for and implementation of the expansion of Borrowing Member Country (BMC) membership.

1.1.2 The Contributors called for a Mid-Term Review of progress on these themes. This is the Report of that Review. The Review covers the first two years of SDF 6 – that is 2005 and 2006, and, where appropriate and where data are available, the first half of 2007. The Review also, on the basis of observations of progress in the first half of the cycle, suggests what needs to be done in the second half of the SDF 6 cycle and makes observations and suggestions for the longer term.

1.2 INTRODUCTION TO THE SPECIAL DEVELOPMENT FUND (UNIFIED) [SDF (U)]

1.2.1 The Special Development Fund (SDF) was established in 1970 to enable CDB to make loans and grants to its member countries to contribute to the solution of development problems in the Caribbean. Currently, these challenges include the Region's natural fragility and vulnerability, stubborn pockets of poverty, debt and economic adjustment challenges, lack of regional economic integration, crime, drugs and corruption, and a severe health crisis related to HIV/AIDS in Haiti.

1.2.2 In 1983, SDF (U) was created, based on consistent terms, objectives and procurement conditions. At the same time, a governance structure was created which included an Annual Meeting of Contributors. Contributors provide funds to SDF (U) in four-year replenishments, based on negotiations with CDB regarding programme objectives, priorities, and scope and scale of operations. After negotiations, CDB's Board of Directors (BOD) considers the *Report of the SDF Contributors* and approves an Action Plan to implement its agreements.

1.2.3 SDF (U) funds are available to BMCs to different degrees depending on their categorisation by CDB into four country groups, based on their per capita incomes and, to a lesser extent, other socio-economic criteria.

1.2.4 All BMCs are eligible for SDF resources, but countries in Group 1 do not receive a specific allocation. These countries' participation is limited to regional projects, and highly poverty-focused projects, such as country poverty assessments (CPAs) and poverty reduction strategies (PRSs), technical assistance (TA) to promote good governance, and assistance in the event of a natural disaster. In contrast, Group 4 countries, Guyana and Haiti, may access only concessionary loans and grants.

1.3 OBJECTIVES OF THIS REVIEW

1.3.1 The objectives of this report are to:

- (a) review the administration and operation of the Sixth Cycle of the SDF (U) at the mid-point of the Cycle; and

- (b) identify lessons learnt and recommend improvements to increase the effectiveness and impact of the remaining resources available under SDF 6 and to advise CDB on the attainment of the objectives outlined in the *Resolution and Report of Contributors on SDF 6*.

1.3.2 The Terms of Reference (TOR) for this mid-term review require assessing progress on the Action Plan adopted by CDB in response to the *Report of the Contributors*. The cross-references in Section 9.1 link this report to the Action Items.

Themes of this Mid-Term Review

1. Overall progress on the operational programme, including implementation of the operational priorities set out in this Report. (See Section 9.1 “Progress on SDF 6 Commitments”; and Executive Summary of the Review.)
2. Status of funding, and availability and use of commitment authority. (See Chapter 2).
3. 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 (U) resource allocation strategy (See Section 2.8 “SDF (U) Resource Allocations), preparation of results-based country strategies (See Section 6.3 “Results-Based Country Strategies”), CDB’s thematic and sector evaluation work (See Section 6.6 “Evaluations”), and the selected Indicators of Progress on the alignment, harmonisation agenda (See Section 8.1 “Harmonisation and Alignment”) and the results agenda (See Chapter 6).
4. Progress with respect to development of a monitoring and evaluation framework for SDF (U) based on Caribbean-specific MDGs, Targets and Indicators (See Chapter 6).
5. Progress on other aspects of the SDF 6 programme; using the additional indicators requested by Contributors (See Chapter 3 “Operations”, Chapter 4 “Organisation”, Chapter 5 “Development Themes”, Chapter 7 “Membership” and Chapter 8 “Partnerships”).
6. Planning for SDF 7, including planning for a multi-phase programme evaluation of SDF (U). (See Section 6.6 “Evaluations”).

The consultant team was asked to determine the progress of SDF 6 towards achieving its targets. The tasks to be undertaken included:

- (a) review the policies, procedures and systems currently in place for the administration, operation and monitoring of SDF 6;
- (b) assess the degree of efficiency with which the operations of the Sixth Cycle are being undertaken;
- (c) assess the level of funding and the adequacy of financing available for various aspects of SDF 6, as well as the availability and use of commitment authority;

- (d) assess progress on the implementation of the operational strategy outlined in the Resolution and Report of Contributors on SDF 6;
- (e) assess progress on the SDF 6 Action Plan as outlined in the Resolution and Report of Contributors on SDF 6;
- (f) report on the progress of efforts to expand CDB's borrowing and non-borrowing membership and to ensure additional contributions to SDF (U);
- (g) identify any lags in the implementation of (d) to (f) above, and the potential impact on the success of SDF 6; and
- (h) make recommendations on any operational adjustments, which may be required to ensure the achievement of SDF 6 objectives.

1.4 METHODOLOGY

1.4.1 The methodology for this Mid-Term Review of SDF 6 had five components:

1. A profile of activities and achievements under SDF (U) and SDF 6 in particular. This profile will describe the status of SDF 6 funding and activities and expectations for the remainder of Cycle 6. We will examine data on loans and grants, and will distinguish between different types of loans and different categories of grants. Set-aside funding for special purposes will be examined, with particular attention to the Basic Needs Trust Fund (BNTF).
2. A report on performance against the milestones agreed with Contributors.
3. An examination of operational aspects of CDB's work with SDF (U) funds, and, in so far as it is possible within the scope of the study, recommendations to improve efficiency and effectiveness in the remainder of the Cycle.
4. A brief examination of the strategic context of the SDF (U), including the relevant development trends in the Caribbean and broad trends in concessionary funds of the Multilateral Development Banks (MDBs).
5. On the basis of all of the above, recommendations to CDB regarding efficiency and effectiveness in the remainder of the SDF 6 cycle, and suggestions as input to the SDF 7 replenishment discussions.

2. THE UNIFIED SPECIAL DEVELOPMENT FUND

2.01 This Chapter describes the financial and operational status of SDF 6. It does not address commitments and issues. The latter are covered in succeeding Chapters.

2.1 SDF (U) RESOURCES AND PROGRAMME

2.1.1 The SDF 6 planned programme expenditures of \$257.5 million (mn) are financed by contributions of \$156.7 mn from Contributors and \$77.5 mn that is internally generated. The difference (\$23.3 mn) is being financed year-by-year by income from the accelerated encashment of SDF Contributors' (mainly Canada) demand notes.¹

Status at December 2006

2.1.2 The *SDF 6 2006 Annual Report* states that SDF loans outstanding at the end of December 2006 amounted to \$363.3 mn (\$11.2 mn or 3.2% more than a year earlier). The money-markets investment portfolio of SDF funds grew substantially from \$80 mn at the end of 2005 to \$114.8 mn in December 2006, due to the accelerated encashment of demand notes (Table 2.1).

TABLE 2.1: SDF (U) FINANCIAL SUMMARY, 2003-2006
(USD mn)

Financial Indicators	2003	2004	2005	2006
Loans Outstanding (Net)	318.9	335.9	352.1	363.3
Cash and Investments	65.2	66.7	80	114.8
Loan Income	7.6	7.8	8.1	8.2
Investment Income	1.0	1.1	1.6	4.6
Administrative Expenses	9.0	9.3	9.7	9.6
Net Income	2.8*	(0.5)	0.0	3.1

Net income for 2003 includes a foreign exchange gain of \$3.2 mn

Source: CDB, SDF 6 Annual Report 2006

2.1.3 In 2006, the Fund generated a net income of \$3.1 mn. This increase over 2005 resulted mainly from a large increase in CDB's money-market investment portfolio coupled with improved investment returns. Cash and investments in 2006 grew by \$34.8 mn, generating increased revenues of \$4.6 mn. There was a marginal increase in loan income of \$0.1 mn while administrative expenses decreased by \$0.1 mn.

Financial Projections

2.1.4 The *SDF 6 2006 Annual Report* states that the loan portfolio is expected to grow from \$363.3 mn in 2006 to \$428.5 mn in 2009; and to yield annual income rising to \$10.3 mn in 2009 (see Table 2.2).

2.1.5 The money-market investment portfolio is estimated to average \$125 mn during 2007-09. Principal repayments on SDF loans are projected to be \$13.7 mn (2007), \$16.2 mn (2008) and \$16.1 mn (2009). Net income from all sources is projected to rise from \$4.4 mn in 2007 to \$5.2 mn in 2009.

TABLE 2.2: PROJECTED FINANCIAL RESULTS, 2007-2009
(USD mn)

Financial Indicators	2007	2008	2009
Long-term Loans	378.8	400.5	428.5
Cash and Investments	123.8	127.0	124.2
Loan Income	9.3	9.7	10.3
Investment Income	5.0	5.4	5.4
Administrative Expenses	9.9	10.2	10.5
Net Income	4.4	4.9	5.2

Source: CDB, SDF 6 Annual Report 2006

Programme

2.1.6 The overall SDF (U) programme is funded through contributions, loan repayments (principal and interest) and income from short-term money-market investments. SDF 6 Contributors approved a programme amounting to \$257.5 mn, although it was not fully funded. There was a “structural gap” of \$25.1 mn, which is being funded on a year-by-year basis by income from accelerated encashment of Contributors’ promissory notes (see Table 2.3).

TABLE 2.3: SDF (U) RESOURCES AND PROGRAMME LEVELS, CYCLES 1-6
(USD mn)

Resources	SDF 1	SDF 2	SDF 3	SDF 4	SDF 5	SDF 6
Contributions (New and b/f)	171.1	98.1	123.4	124.8	92.5	156.7
Net Income and Reflows	9.7	19.8	34.4	48.3	74.9	77.5
Unallocated Gap (at June 2007)						23.3
Programme Target Levels	180.8	107.9	157.8	173.1	167.4	257.5
Loans	124.4	154.2	90.1	127	111.8	166.5
BNTF		5	15	18	32	32
Other Grants	5.1	5.7	8.1	18.3	12.1	59

Source: CDB Corporate Planning Division (CPD), July 2007

2.1.7 The 2006 SDF Annual Report notes that the approved programme level for SDF 6 was \$89.6 mn for country allocations (net of the original financing gap of \$25.9 mn) and \$142 mn in set-asides for grants in targeted areas (see Table 2.4). By the end of 2006, CDB had approved \$68.3 mn in loans and grants (26.5% of the SDF 6 programme). This amount comprised loans of \$56 mn and grants of \$12.3 mn. Loan approvals included \$28.6 mn (32% of the indicative country loan allocations) plus \$27.4 mn (60% of the \$45 mn set-aside for loans) to support countries in fiscal distress and fund disaster mitigation/rehabilitation projects.

2.1.8 To June 2007, the main beneficiaries of loans approved from the indicative allocations in SDF 6 were Grenada (\$13.4 mn), Guyana (\$10 mn) and the Turks and Caicos Islands (\$2.5 mn). The total value of loans approved for Grenada exceeded its \$5.7 mn indicative allocation as CDB responded to the needs created by Hurricane Ivan. The loan to Turks and Caicos Islands for low-income mortgages and student loans also exceeded that country’s indicative allocation of \$1.5 mn. The total set-aside allocation of \$142 mn included \$45 mn for natural disaster mitigation/rehabilitation loans, and assisting countries in fiscal distress, \$27 mn for loans and grants to support CDB’s initial programme in Haiti and \$70 mn for other grant funding.

2.1.9 CDB made grants to BNTF beneficiary countries and Haiti for TA (regional integration, regional public goods (RPGs), such as the environment, and, in general, to support MDGs). The loans and grants approved in 2005-2006 from the set-aside allocations totaled \$39.8 mn. Loans for disaster mitigation and

fiscal distress amounted to \$27.4 mn and included loans to Belize (\$10 mn), St. Kitts and Nevis (\$8 mn), Grenada (\$7.9 mn), and Barbados (\$0.5 mn).

TABLE 2.4: SDF 6 ALLOCATIONS AND 2005-06 APPROVALS

Group 1 Countries	Allocation	%	Approvals	Balance Available
Bahamas	None			None
British Virgin Islands	None			None
Cayman Islands	None			None
Group 2/3 and 4 Countries				
Anguilla	3,460	1.3	300	3,160
Antigua and Barbuda	2,262	0.9		2,262
Barbados	-	-	-	0
Belize	7,256	2.8	-	7,256
Dominica	8,404	3.3	550	7,854
Grenada	5,716	2.2	13,440	(7,724)
Guyana	22,906	8.9	10,000	12,906
Jamaica	13,393	5.2	1,160	12,233
Montserrat	2,507	1.0	-	2,507
St. Kitts and Nevis	3,562	1.4	600	2,962
St. Lucia	10,841	4.2	-	10,841
St. Vincent and the Grenadines	7,810	3.0	-	7,810
Turks and Caicos Islands	1,451	0.6	2,500	(1,049)
Trinidad and Tobago	-	-	-	-
Sub-total Country Allocations	89,568	34.8	28,550	61,018
Total Set-Asides*	142,000	55.1	39,788	102,212
Total	231,568	-	68,338	163,230
Structural Gap	25,932	10.1		
Approved Programme Level	257,500	100.0		

* For disaggregated figures for "set asides" see Table 2.16
Source: CDB CPD, June 2007

2.2 SDF 6 COMMITMENT AUTHORITIES AND USE OF FUNDS

2.2.1 The 2006 SDF Annual Report stated that, at the end of 2006, pledges received from existing Contributors amounted to \$156.7 mn, \$1.4 mn less than the forecast at the end of 2005. Net income to December 31, 2008 is projected to increase from \$8.7 mn to \$12.4 mn due to higher investment yields and the expanded investment portfolio. Committable resources projected to 2008 stand at \$234.2 mn, compared with the previously projected \$231.6 mn. SDF (U) commitment authorities are projected to remain positive during 2006-2008. Authorities are shown in Table 2.5.²

TABLE 2.5: SDF (U) COMMITMENT AUTHORITY AND USE OF FUNDS
(USD mn)

	Actual		Projected		
	2005	2006	2007	2008	2005-08
Commitment authority at beginning of period	5.0	(1.5)	26.4	4.3	5.0
Net income	0.0	3.1	4.4	4.9	12.4
Repayments	14.4	15.8	13.7	16.2	60.1
Commitment authority from new contributions ^{a/}	11.0	45.4	55.6	44.7	156.7
Approvals for SDF Loans	26.3	29.7	41.8	47.0	144.8
Approvals for SDF Grants (Excl. BNTF and Haiti)	5.6	6.7	12.0	8.0	32.3
Approvals for BNTF and Haiti			42.0	9.0	51.0
Commitment authority at end of period	(1.5)	26.4	4.3	6.1	6.1

^{a/} New contributions exclude the amount of the structural gap and contributions from Suriname

Source: CDB CPD, 2007

2.3 SDF TERMS OF LENDING AND REFLows

2.3.1 CDB net income from loans, 1984 to (May) 2007, was \$445.1 mn. (Table 2.6) Of this, 11.2% was from SDF loans.

TABLE 2.6: CDB INCOME, 1984 TO MAY 2007

Item	SDF 1 1984-87	SDF 2 1988-91	SDF 3 1992-95	SDF 4 1996-00	SDF 5 2001-04	SDF 6 2005-06	Total
Total Income	121.6	168.2	157.5	232.6	212.1	130.3	1,022.3
Total SDF Income	12.0	25.4	27.6	46.2	36.4	22.5	170.1
% of SDF to Total	9.9	15.1	17.5	19.9	17.2	17.3	16.6
Net Income							
Total Net Income	28.8	93.0	84.8	116.9	87.1	34.5	445.1
Total SDF Net Income	4.7	14.3	9.5	13.6	4.7	3.2	50.0
% of SDF to Total	16.3	15.4	11.2	11.6	5.4	9.3	11.2

Source: CDB CPD, June 2007

2.3.2 SDF lending terms vary according to country grouping. The lending terms to be applied in SDF 6 are shown in Table 2.7. In SDF 6, Grenada will receive Group 4 country terms to help it recover from hurricane losses.

TABLE 2.7: LENDING TERMS, MEMBER COUNTRY GROUP

Country Group	Interest Rate	Maximums		
		Grace Period	Maturity	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%

Source: CDB CPD, July 2007

TABLE 2.8: EFFECTIVE INTEREST RATES BY SOURCE OF LOAN FUNDS

Cycle and Year	Source of Loan Funds		
	Ordinary Capital Resources (OCR)	SDF (U)	Special Development Funds (Other) SDF (O)
SDF 6 2006	6.1%	2.29%	2.4%
2005	5.9%	2.37%	2.4%
SDF 5 2004	5.6%	2.40%	2.4%

Source: CDB Annual Reports and CDB CPD, July 2007

2.4 SDF (U) LOAN APPROVALS AND DISBURSEMENTS

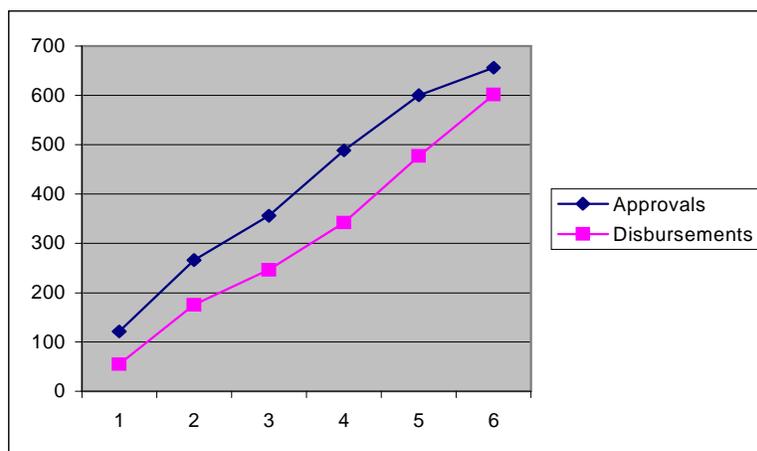
2.4.1 From 1984 to 2006, CDB approved \$2.14 billion (bn) in loans. Of this, about 30% was from SDF (U) funds (Table 2.9 and Figure 1). In the first decade (1984-95), the proportion of SDF (U) funds was much higher. In the second decade, the proportion has been stable at about 20%.

TABLE 2.9: CDB LOAN APPROVALS AND DISBURSEMENTS, 1984-2006
(USD mn)

	SDF 1 1984-87	SDF 2 1988-91	SDF 3 1992-95	SDF 4 1996-00	SDF 5 2001-04	SDF 6 2005-06	Total
Loans Approved							
Total Approvals	190.6	297.2	236.7	623.5	515.0	275.2	2,138.2
SDF (U) Approvals	121.7	144.5	90.1	132.1	111.8	56.0	656.2
% of SDF (U) to Total	63.9	48.6	38.1	21.2	21.7	20.3	30.7
SDF (U) Cumulative Approvals	121.7	266.2	356.3	488.4	600.2	656.2	
Loans Disbursed							
Total Disbursements	151.2	259.5	222.0	425.1	596.4	273.7	1,927.9
SDF (U) Disbursements	55.3	120.1	70.8	95.7	135.4	124.4	601.7
% of SDF (U) to Total	36.6	46.3	31.9	22.5	22.7	45.5	31.2
SDF (U) Cumulative Disbursements	55.3	175.4	246.2	341.9	477.3	601.7	

Source: CDB CPD, May 2007

FIGURE 1: CUMULATIVE SDF (U) LOAN APPROVALS AND DISBURSEMENTS, SDF (U) CYCLES 1-6
(USD mn)



2.4.2 In 2005 and 2006, disbursements from special funds were about 27% of all disbursements by CDB. This was a similar proportion to the average across SDF 4, 5 and 6 (Table 2.10).

TABLE 2.10: LOAN DISBURSEMENTS BY FUND AND BY YEAR

	OCR	SDF (U)	SDF (O)	OSF	Total
SDF 6 2006	84,481	26,962	309	5,302	117,054
2005	93,928	30,221	88	3,834	128,071
SDF 5 2004	170,949	32,602	6,035	12,585	222,171
2003	79,690	31,485	1,799	3,572	116,546
2002	74,010	33,592	2,938	3,728	114,268
2001	62,047	37,700	2,235	4,285	106,267
SDF 4 2000	66,986	24,596	349	2,263	94,194
1999	79,764	20,105	528	3,436	103,833
1998	64,116	15,233	57	4,316	83,722
1997	37,354	21,328	163	2,028	60,873
1996	29,066	14,392	527	429	44,414
Totals	842,391	288,216	15,028	45,778	1,191,413
%	70.7	24.2	1.3	3.8	100.0

2.5 SDF PORTFOLIO

2.5.1 SDF (U) operations over the period 1970-2006 approved a total of \$656.4 mn in net loans and \$132.6 mn in net grants. In May 2007, CDB held a portfolio of outstanding loans totaling \$919.5 mn. Of this, approximately 40% was SDF funds (See Table 2.11).

2.5.2 The SDF loan portfolio has increased more rapidly over time than the OCR loans portfolio – by 6.55 times compared with 2.88 times in approximately 20 years (1987 to 2007). One factor is that SDF loans tend to be longer term than OCR and therefore the portfolio tends to be larger over time for a given amount approved.

TABLE 2.11: CDB LOAN PORTFOLIO, OCR AND SDF, BY SELECTED YEARS, 1987-2007

Loans Outstanding	SDF 1 1987	SDF 2 1991	SDF 3 1995	SDF 4 2000	SDF 5 2004	SDF 6 May 2007
OCR Loans Outstanding						
SDF Loans Outstanding	55.5	164.5	207.4	257.6	335.0	363.3
Total Loans Outstanding	319.4	496.4	543.0	701.6	1,060.9	919.5
% of SDF (U) to Total	17.4%	33.1%	38.2%	36.7%	31.6%	39.5%

Source: CDB CPD, June 2007

2.6 SDF GRANTS AND LOANS, BY CYCLE AND COUNTRY

2.6.1 CDB's TA approvals were approximately \$6.5 mn per year in 1996-1999 to \$6.1 mn in 2000-2004. The number of TA interventions at the regional or sub-regional level rose from an average of 16 per year to an average of 22. The average size of regional/sub-regional TAs declined sharply to \$105,000, in some cases much less, and the average for country-specific TAs declined marginally to \$270,000.³

2.6.2 SDF grant disbursements have been, on average, 8.5% of all SDF disbursements (Table 2.12). The most active period for grants was 1992-95, when grant disbursements were approximately 15% of the total.

TABLE 2.12: SDF LOAN AND GRANT DISBURSEMENTS, 1984-2008
(USD mn)

Disbursements	SDF 1	SDF 2	SDF 3	SDF 4	SDF 5	SDF 6 (estimated)	Total
Loans	55.33	120.10	70.82	95.65	135.38	124.38	601.67
Grants	7.06	5.19	12.60	11.61	10.12	9.54	56.12
Total	62.39	125.29	83.42	107.27	145.50	133.92	657.78
% grants	11.3	4.1	15.1	10.8	7.0	7.1	8.5

Source: CDB CPD, June 2007

2.6.3 About one-third of SDF grants have been regional with Guyana receiving approximately 17%. No other country received more than 10% - the closest was Belize with 8.1% of SDF grants (See Table 2.13).

TABLE 2.13: SDF LOAN AND GRANT APPROVALS, BY COUNTRY, 1970-2006

Country	USD			%		
	Loans	Grants	Total	Loans	Grants	Total
Anguilla	9,612	628	10,240	1.5	0.5	1.3
Antigua and Barbuda	11,688	804	12,492	1.8	0.6	1.6
Bahamas	1,602	672	2,274	0.2	0.5	0.3
Barbados	5,688	853	6,541	0.9	0.7	0.8
Belize	62,009	10,383	72,392	9.4	8.1	9.2
British Virgin Islands	10,705	578	11,283	1.6	0.5	1.4
Cayman Islands	4,470	144	4,614	0.7	0.1	0.6
Dominica	68,391	7,200	75,591	10.4	5.6	9.6
Grenada	85,896	8,236	94,132	13.1	6.5	12.0
Guyana	121,290	21,579	142,869	18.5	16.9	18.2
Jamaica	78,843	4,379	83,222	12.0	3.4	10.6
Montserrat	7,984	3,694	11,678	1.2	2.9	1.5
St. Kitts and Nevis	57,803	6,118	63,921	8.8	4.8	8.2
St. Lucia	57,791	8,511	66,302	8.8	6.7	8.5
St. Vincent and the Grenadines	46,177	7,948	54,125	7.0	6.2	6.9
Trinidad and Tobago	5,218	336	5,554	0.8	0.3	0.7
Turks and Caicos Islands	12,226	2,315	14,541	1.9	1.8	1.9
Regional	9,018	43,121	52,139	1.4	33.8	6.7
Total	656,411	127,499	783,910	100.0	100.0	100.0

Source: CDB CPD, June 2007

2.7 CONTRIBUTIONS TO SDF (U)

2.7.1 All CDB member countries, regional and non-regional, borrowing and non-borrowing, have contributed to SDF (U). In nominal dollars, Contributors have paid or pledged \$766.5 mn to SDF (U) (See Tables 2.14 and 2.15).

TABLE 2.14: CONTRIBUTIONS TO SDF (U) BY CATEGORY OF MEMBER – SDF 1 TO 6
(USD mn)

Category	SDF 1	SDF 2	SDF 3	SDF 4	SDF 5	SDF 6	Totals	%
Borrowing Members	10.4	10.4	19.4	19.6	25.4	36.1	121.3	16
Other Regional Members	10.0	6.7	15.0	9.0	9.6	10.2	60.5	8
Non-regional Members	145.7	76.0	82.0	89.8	57.5	110.4	561.4	73
Non-Members	5.0	5.0	7.0	6.3	0.0	0.0	23.3	3
Totals (Nominal dollars)	171.1	98.1	123.4	124.7	92.5	156.7	766.5	100

Source: CDB CPD, 2007

TABLE 2.15: CONTRIBUTIONS TO SDF (U)¹
(\$'000)

	SDF 1 1984-87 ²	SDF 2 1988-91	SDF 3 1992-95	SDF 4 1995-00	SDF 5 2001-04	SDF 6 2005-08	SDF 1-6 1984-2008		
							\$	%	%
Regional Members: BMCs									
Trinidad and Tobago	2,500	2,500	3,850	3,850	5,000	7,500	25,200	20.8	3.3
Jamaica	1,400	1,400	3,870	3,850	5,000	7,500	23,020	19.0	3.0
Guyana	1,400	1,400	2,160	2,160	2,810	4,215	14,145	11.7	1.8
Bahamas	1,400	1,400	2,160	2,160	2,810	4,214	14,144	11.7	1.8
Barbados	1,400	1,400	2,160	2,160	2,810	4,210	14,140	11.7	1.8
Belize	250	250	650	650	840	1100	3,740	3.1	0.5
St. Kitts and Nevis	250	250	650	650	840	1100	3,740	3.1	0.5
St. Lucia	250	250	650	650	840	1100	3,740	3.1	0.5
St. Vincent and the Grenadines	250	263	650	650	840	1100	3,753	3.1	0.5
Dominica	250	250	650	650	840	840	3,480	2.9	0.5
Grenada	250	250	650	650	840	100	2,740	2.3	0.4
Antigua and Barbuda	250	250	162	250	320	420	1,652	1.4	0.2
Anguilla	100	100	250	250	320	420	1,440	1.2	0.2
Turks and Caicos Islands	100	100	250	250	320	420	1,440	1.2	0.2
British Virgin Islands	100	100	250	250	320	420	1,440	1.2	0.2
Montserrat	100	100	250	250	320	420	1,440	1.2	0.2
Cayman Islands	100	100	150	250	320	420	1,340	1.1	0.2
Haiti						650	650	0.5	0.1
Sub-Total	10,350	10,363	19,412	19,580	25,390	36,149	121,244	100.0	15.8
Regional Members: Non-BMCs									
Colombia	5,000	3,333	5,000	3,000	3,600	3,600	23,533	38.9	3.1
Mexico ³			5,000	3,000	3,000	3,000	14,000	23.2	1.8
Venezuela	5,000	3,333	5,000	3,000	3,000	3,600	22,933	37.9	3.0
Sub-Total	10,000	6,666	15,000	9,000	9,600	10,200	60,466	100.0	7.9
Non-Regional Members									
Canada	60,865	15,000	20,000	16,800	25,200	44,000	181,865	32.4	23.7
United Kingdom (UK)	42,823	15,000	20,000	16,800	25,200	44,000	163,823	29.2	21.4
France (member until October 2000)	21,000	10,000	14,000	11,760			56,760	10.1	7.4
Italy	21,000	10,000	14,000	8,660	3,145	5,003	61,808	11.0	8.1
Germany	-	26,000	14,000	11,760	--	12170	63,930	11.4	8.3
China (joined in 1998)	-	-	-	24,000	4,000	5,200	33,200	5.9	4.3
Sub-Total	145,688	76,000	82,000	89,780	57,545	110,373	561,386	100.0	73.3
Non-Members									
Netherlands	5,000	5,000	7,000	6,300			23,300		3.0
Sub-Total	5,000	5,000	7,000	6,300	0	0	23,300		3.0
Totals	171,038	98,029	123,412	124,660	92,535	156,722	766,396		100.0

Source: CDB, CPD, May 2007

Notes: 1. \$ net of transfers from earlier SDF (U) cycles and adjustments, at exchange rates at date of payment.

2. The SDF 1 contributions include amounts originally contributed to earlier special funds.

3. Mexico's contribution in 1984 and 1988 (\$5mn and \$3.33mn) was to 'SDF Other' [SDF (O)].

2.7.2 Regional borrowing members have contributed 15.8% of the total in all six SDF (U) cycles. Regional non-borrowing members have contributed about half that amount (7.9%). In total regional members have contributed a little less than one quarter of SDF (U) funds. Non-regional members have contributed about three quarters of the funds (somewhat more than that if one were to include SDF (O) contributions and Canada's separate bilateral contribution to the BNTF at the time of the SDF (U) Cycle 6 replenishment negotiations). Canada has been the largest contributor to SDF (U) (23.7%), followed by the UK (21.4%). Italy, Germany and France have contributed similar amounts (7.5% to 8.5%).

Growth in SDF (U) Contributions

2.7.3 The initial contributions to SDF (U) in 1984 were far larger than any subsequent replenishment. Most of the funds came from non-regional countries (about \$151 mn of the \$171 mn total). Regional BMCs and regional non-BMCs both contributed approximately \$10 mn. Over time, the BMCs have increased their nominal-dollar contribution by more than three and one half times (to \$36.149 mn in SDF 6). The regional non-borrowers have not increased their contribution in nominal dollar terms, which means that it has decreased substantially in constant dollar terms.

2.7.4 Total contributions in SDF 2 were approximately 57% of the amount in SDF 1. Part of difference was transfers from previous funds. In the next two cycles (SDF 3 and 4), contributions were stable at a slightly higher level (\$123.5 mn to \$125 mn, nominal). In SDF 5 contributions dropped sharply because three countries that had previously been significant contributors did not contribute. (France, Germany and the Netherlands). Subsequently, in SDF 6, total contributions expanded as a result of increases in the contributions of regional BMCs, and Canada and the UK.

2.7.5 Overall, there has been an uneven pattern of modest growth in SDF (U) contributions in the second to sixth cycles, after a substantial drop from the inaugural contributions level.

2.8 SDF (U) RESOURCE ALLOCATION

2.8.1 At the time of SDF 5 replenishment negotiations in 2000, CDB and Contributors agreed to introduce a new approach to allocating SDF (U) resources among member countries.⁴ The main innovations in the new system were (a) that it allocates according to a transparent formula; and (b) that the formula contains both country need and country performance variables. By introducing a "country performance" dimension, CDB intended to provide incentives for good performance. An allocation is made at the beginning of each SDF (U) cycle and revised at the mid-point.

2.8.2 In total, SDF 6 programming included \$121.5 mn for normal lending operations, inclusive of a tentative provision of \$6 mn for lending through financial intermediaries in Haiti. In addition to specific allocations for loans to member countries, CDB sets aside certain SDF (U) funds for grants for special purposes. The set-asides for grants total approximately \$91 mn. This includes \$32 mn for BNTF in support of poor communities, and \$18 mn for TA grants (See Tables 2.16 and 2.17).

2.8.3 In SDF 6, CDB formally allocated approximately 60% of funds as loans and 40% as grants (although the actual disbursement expectation for grants is only about 7% of total disbursements, subject to the design of the new BNTF after the current evaluation) (See Table 2.12).

**TABLE 2.16: SDF 4-6 RESOURCE ALLOCATIONS
(USD' 000)**

Country	SDF 4 Initial Allocation	SDF 5 Initial Allocation	SDF 5 Revised Allocation	SDF 6 Initial Allocation	Total Initial Allocations (SDF 4-6)	% Total Allocations
Anguilla (Grp 2)	2,000	5,010	2,742	3,460	10,470	3.42
Antigua and Barbuda (Grp 2)	4,000	2,480	1,760	2,262	8,742	2.85
Barbados (SDF 4 Grp 1, SDF 5 & 6 Grp 2)	1,000	3,420	1,000		4,420	1.44
Bahamas (Grp 1)	1,000	0	0		1,000	0.33
Belize (Grp 3)	10,000	10,810	6,100	7,256	28,066	9.16
British Virgin Islands (SDF 4 Grp 2, SDF 5 Grp 1)	2,000	0	0		2,000	0.65
Cayman Islands (Grp 1)	300	0	0		300	0.10
Dominica (Grp 3)	11,000	5,970	8,760	8,404	25,374	8.28
Grenada (Grp 3)	11,000	5,610	7,841	5,716	22,326	7.28
Guyana (Grp 4)	12,000	21,540	25,378	22,906	56,446	18.42
Haiti (FI)				6,000		0.00
Jamaica (Grp 3)	19,200	12,300	8,274	13,393	44,893	14.65
Montserrat (Grp 3)	6,200	3,480	3,480	2,507	12,187	3.98
St. Kitts and Nevis (Grp 3)	7,400	3,660	7,400	3,562	14,622	4.77
St. Lucia (Grp 3)	11,000	9,130	10,035	10,841	30,971	10.11
St. Vincent and the Grenadines (Grp 3)	11,000	7,300	6,500	7,810	26,110	8.52
Trinidad and Tobago (SDF 4 Grp 1, SDF 5 Grp 2)	1,700	3,770	1,000		5,470	1.78
Turks and Caicos (Grp 2)	3,200	2,440	1,430	1,451	7,091	2.31
Total Country Allocations (Loans)	114,000	96,920	91,700	95,568	306,488	100.00
Unallocated	12,000				12,000	
Loans - Disaster Mitigation and Fiscal Distress		15,000	18,000	45,000	60,000	
Regional Projects	4,000	5,000			9,000	
Total Loans	130,000	116,920	109,700	140,568	387,488	
Grants						
Haiti [BNTF-\$19m, TA-\$2m, FI-\$6m] and Suriname (SDF 5)		10,000	5,000	21,000	31,000	16.94
Disaster Response				8,000	8,000	4.37
Regional Integration and RPGs			4,000	10,000	19,000	10.38
Project Training	1,000			2,000	3,000	1.64
Caribbean Technological Consultancy Services (CTCS)				4,000	5,000	2.73
Economic Research	1,000					0.00
MDGs				4,000	4,000	2.19
BMC Capacity Building TA (Excl. Haiti)	9,000	12,000	15,000	10,000	31,000	16.94
BNTF Excluding Haiti	18,000	32,000	32,000	32,000	82,000	44.81
Total Grants (Excluding Haiti)	30,000	54,000	56,000	91,000	183,000	100.00
Total Funding	160,000	170,920	165,700	231,568	570,488	
Structural gap				25,932		
Total programme	160,000	170,920	165,700	257,500	588,420	

Source: CDB, CPD, May 2007

TABLE 2.17: SDF 4-6 RESOURCE ALLOCATIONS AND UTILISATION
(\$'000)

Country	Total Initial Allocations (SDF 4-6)	Disbursements during SDF 4-6 (To Dec. 31, 2006)	% Disbursed
Anguilla (Grp 2)	10,470	2,055	19.6
Antigua and Barbuda (Grp 2)	8,742	4,091	46.8
Barbados (SDF 4 Grp 1, SDF 5 & 6 Grp 2)	4,420	1,665	37.7
Bahamas (Grp 1)	1,000	0	0.0
Belize (Grp 3)	28,066	20,150	71.8
British Virgin Islands (SDF 4 Grp 2, SDF 5 Grp 1)	2,000	1,457	72.9
Cayman Islands (Grp 1)	300	79	26.3
Dominica (Grp 3)	25,374	31,272	123.2
Grenada (Grp 3)	22,326	13,600	60.9
Guyana (Grp 4)	56,446	54,889	97.2
Haiti (FI)			
Jamaica (Grp 3)	44,893	25,148	56.0
Montserrat (Grp 3)	12,187	3,353	27.5
St. Kitts and Nevis (Grp 3)	14,622	19,430	132.9
St. Lucia (Grp 3)	30,971	15,169	49.0
St. Vincent and the Grenadines (Grp 3)	26,110	15,692	60.1
Trinidad and Tobago (SDF 4 Grp 1, SDF 5 Grp 2)	5,470	500	9.1
Turks and Caicos (Grp 2)	7,091	5,501	77.6
Total Country Allocations (Loans)	306,488	214,051	69.8
Unallocated	12,000		0.0
Loans - Disaster Mitigation and Fiscal Distress	60,000	66041	110.1
Regional Projects	9,000	5487	61.0
Total Loans	387,488	285,579	73.7
Grants			
Haiti [BNTF\$19m, TA-\$2m, FI-\$6m] and Suriname (SDF5)	31,000		0.0
Disaster Response	8,000		0.0
Regional Integration and RPGs	19,000		0.0
Project Training	3,000	639	21.3
CTCS	5,000		0.0
Economic Research			
MDGs	4,000	182	4.6
BMC Capacity Building TA (Excl. Haiti)	31,000		0.0
BNTF Excluding Haiti	82,000	6,865	8.4
Total Grants (Excluding Haiti)	183,000	7,686	4.2
Total Funding	570,488		0.0
Total programme	588,420	293,265	49.8

Source: CDB, CPD, June 2007

2.8.4 The TA category includes 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. The Haiti set-aside included a tentative provision of \$15 mn for BNTF-type programming and \$4 mn for CDB's administrative expenses. There was an allocation of \$45 mn as a provision for loan funding for natural disaster mitigation and rehabilitation and countries in fiscal distress.

2.8.5 In 2006, CDB commissioned an independent review of the SDF (U) resource allocation system and tabled the results of that review at CDB's 2007 Annual Meeting.

2.8.6 The main recommendation of that review was that in SDF 7 country performance scoring as the basis of the allocations should be undertaken with more senior leadership and in a somewhat more collegial manner, that the portfolio performance variable in the allocation formula be reformed, and that reallocations by formula be more frequent to help avoid ad hoc adjustments.

2.8.7 Haiti was not included in the performance-based allocation system. Instead it received a fixed allocation. Haiti has a much larger population than any other BMC. Nevertheless, this will not affect its allocation as much as one might expect, given the exponential allocation formula presently used by the Bank. The exponential relationship between the allocation and population means that increases in population are less and less influential at the higher end of the population scale. In contrast, a system such as the Inter-American Development Bank's (IDB), where the relationship between resources and population is linear, would give Haiti a larger share of SDF (U) resources.

2.9 OTHER SDF (U) FINANCIAL MATTERS

Blending and Interest Subsidisation

2.9.1 CDB frequently blends ordinary capital funds with SDF funds in a single loan. The average proportion of SDF funds has been about 30%. In SDF 6, excluding loans that were entirely SDF financed, the blend of ordinary capital and SDF monies, on average, has been 55% to 45%. The percentage of loans approved in 2005 or 2006 that had blended financing was 33% by number and 39% by dollar amount.⁵ There are two reasons for blending: first, some components of a project may be more appropriately financed by Ordinary Capital Resources (OCR) and some by SDF; and second, blending lowers the average interest rate to the borrower.⁶

Interest Subsidisation Fund (ISF)

2.9.2 In 2007 CDB instituted an ISF. The Fund will be used to reduce OCR loan interest rates by approximately 2% or 200 basis points to certain heavily indebted middle-income BMCs, for projects with a strong poverty reduction focus.⁷ The interest rates on a blended loan then will be a weighted average rate (4% for the OCR funds and for a variable rate for the SDF funds depending on the country group). The net effective rate will depend on the SDF interest rates (See Section 2.9.5) and the proportions of OCR and SDF funds in the blend.

2.9.3 The policy rationale for ISF is that it will reduce the debt burden for BMCs in fiscal distress.⁸ The actual impact on debt burden will depend on the borrowing behaviour of BMCs in response to cheaper loans. CDB began this initiative in the context of increasing interest in helping countries with severe debt problems, especially for projects that involved regional or global public goods (such as control of HIV/AIDS and highly pathogenic avian influenza), or accelerating the attainment of MDGs.

2.9.4 Many innovations in blending have been proposed, including parallel financing, pooled financing, blending bilateral grants with MDG loans (buy-downs to tailor financing to a target level of concessionality), direct debt service buy downs, donor guarantees of MDB exposure, multi-donor trust funds, and single-donor debt service trust funds⁹. The CDB ISF is an example of the latter. However, in the case of ISF, the impetus for the new initiative was provided by two additional factors, the slow growth in CDB's loan portfolio and the debt crisis in several BMCs. The public debt to Gross Domestic Product (GDP) ratio in several countries, including the Organisation of Eastern Caribbean States (OECS), is

unsustainable. Among OECS countries, it averages about 113% (2003). Assuming average growth rates of 2.6% (the average for the 1998-2003 period), the required fiscal adjustment to achieve a debt to GDP ratio of 60% by 2008 (reflecting a primary surplus of 12.2%), would amount to 14% of GDP. [See World Bank (WB)¹⁰] In the pilot phase of ISF, Group 3 countries are eligible for ISF resources, with the exception of Jamaica (which was regarded as potentially too large a borrower for the limited ISF funds) and Montserrat (which is receiving only SDF funding). The eligible countries are therefore Belize, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. However, eligibility for policy-based loans (PBLs) and ISF is not restricted.

2.9.5 It was proposed to use \$11 mn from OCR plus \$10 mn from SDF (out of the \$47 mn set aside for disaster mitigation including countries in fiscal distress). In February 2007, CDB's Board of Directors approved the use of \$10 mn of SDF funds in ISF, subject to concurrence of the SDF Contributors.¹¹ At the subsequent meeting of Contributors to SDF, held in Caracas, Venezuela, in May 2007, the appropriation from SDF 6 resources was not approved.

2.9.6 The ISF interest rate subsidy may be applied to investment loans or to PBLs. As each interest payment becomes due, CDB will charge ISF for part of the interest payment (the interest subsidy portion) and the remainder will be billed to the borrower.¹²

2.9.7 Total "subsidised" loan disbursements will amount to \$245.7 mn by 2017. With an assumed return on ISF investments of 4% per annum and a subsidy rate of 2%, the ISF will be adequate to support the subsidy to 2012. The dollar value of the appropriations required to effect subsidisation for the full maturity of the loans will be determined when the pilot phase is reviewed at the end of year 2 - end of 2008.

2.9.8 The projected net income reduction is around \$0.2 mn in 2007, increasing to \$-0.7 mn by 2012. If the more attractive interest rate afforded by the ISF results in increases in the volume of loans, then the reduction in OCR net income will be offset (partly or wholly) by the increases in loan income. However, CDB assumes that there will be no incremental increases in loan volume as a result of the ISF. The appropriation from OCR surplus and the reduction in OCR net income will impact on the OCR retained earnings. By 2012, the retained earnings with the ISF is approximately \$14 mn lower than the scenario without ISF.

3. OPERATIONS

3.1 SECTORS AIDED BY SDF (U) FUNDS

3.1.1 SDF (U) loans have mainly been in three sectors: (1) housing, health and education; (2) transportation and communications; and (3) agriculture, forestry and fishing. About half of net loans have been in these sectors.¹³ An additional third have been "multi-sector or other." TA grants are even less comfortable with a traditional categorisation by sector, 82.3% being "multi-sector or other". The pattern of current loan commitments and disbursements under SDF 6 appears to continue this trend.¹⁴

3.1.2 Another way to look at approvals by area is through the CDB's "poverty lens".¹⁵ However, these categories are so general that it is doubtful whether they are much help in describing the alignment of resources and priorities; and some loans are rather force fitted to lens categories. For example, PBLs are classified under capacity enhancement and were a substantial part of commitments in that category. Most loan and grant funds go to capacity enhancement area, mainly because it is here that the larger infrastructure projects are classified; and to large PBLs (which form the largest single disbursement items in 2005 and 2006).

3.2 BNTF

3.2.1 The SDF 6 Contributors' Report requested a mid-term evaluation of BNTF 5, which is now underway; that evaluation is expected to report in late 2007. At the same time, CDB is presently commissioning a study of maintenance of the completed BNTF projects. This study will report in early 2008. There are several outstanding issues that these evaluations should address.¹⁶

3.2.2 BNTF was established in 1979, with assistance from United States Agency for International Development (USAID), to contribute to poverty reduction through small infrastructure works costing less than \$0.5 mn, in poor rural communities (schools, roads, drainage, and health facilities). It stressed creating temporary employment for poor people. To May 2007, BNTF has funded 1,756 projects from a total allocation of \$176.26 mn (Table 3.1).

TABLE 3.1.: BNTF FUNDS AND NUMBER OF PROJECTS FUNDED, BY CYCLE
(USD mn)

Source of Funds	BNTF 1 (June 1979)	BNTF 2 (April 1984)	BNTF 3 (May 1992)	BNTF 4 (May 1996)	BNTF 5 (Dec. 2001)	Total BNTF 1-5	BNTF 6 (2007)
USAID	18.50	19.70		1.38		39.58	
SDF Grant to BNTF	08.00	08.50	15.00	18.00	32.00	81.50	32.00
SDF Loan to BNTF	02.00					02.00	
Canadian International Development Agency (CIDA) Grant to BNTF					26.30	26.30	
BMC Grant to SDF			06.25	07.93	13.00	27.18	
Total:	28.50	28.20	21.25	27.31	71.30	176.56	
Number of Projects							
(1) Larger Projects*	100.00	276.00	175.00	210.00	144.00	905.00	
(2) Smaller projects*				586.00	265.00	851.00	
Total:	100.00	276.00	175.00	796.00	409.00	1756.00	

Source: BNTF Programme, Social Sector Division (SSD)

* Up to BNTF 4, smaller projects were defined as <\$20,000, and in BNTF 5 <\$35,000. Larger projects have budgets greater than these amounts.

3.2.3 The first three phases of BNTF were coordinated by the CDB's Infrastructure Division and implemented by the Public Works Departments of the 13 participating BMCs. In 1994, BNTF was incorporated into the CDB Social Development Division. BNTF is now part of SSD of Projects Department.

3.2.4 A *Mid-Term Review of BNTF 3* noted that community consultation and involvement needed to be strengthened. In Cycles 4 and 5 of SDF, BNTF stressed community and social dimensions of development, especially poverty reduction and sustainability. A "bottom up" approach to BNTF was introduced, with greater beneficiary involvement. Significant funding was set aside as an incentive to be allocated towards the end of the cycle, depending on country performance.

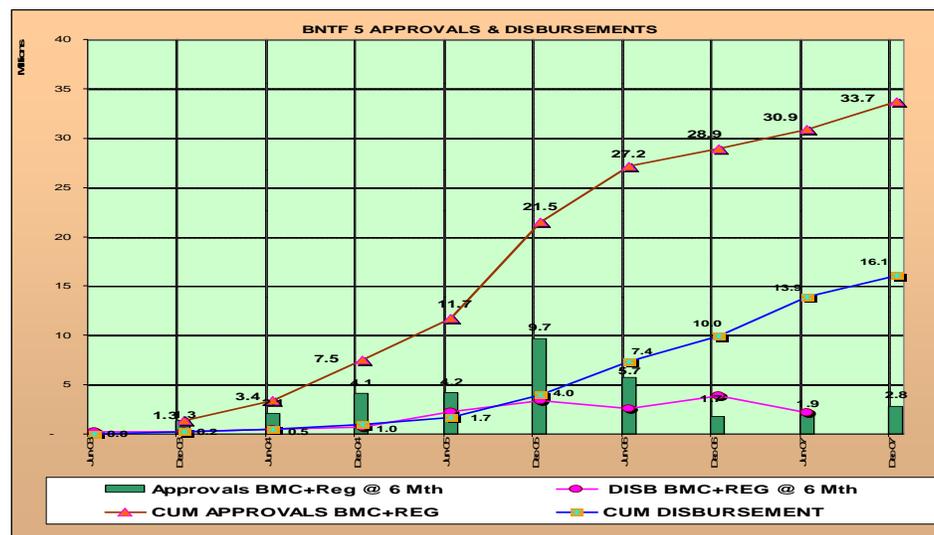
3.2.5 BNTF 4, starting in 1996, introduced several innovations including a provision for small project grants, greater delegation of authority to local levels, the addition of a community mobiliser, and a new provision to fund training for capacity and skills development including those of implementing agencies and CDB. BNTF 5 was approved by CDB in 2001 and substantially supplemented by Canadian (CIDA) funding in 2003. In total, its grant resources were increased from approximately \$18.0 mn in BNTF 4 to approximately \$58.29 mn in BNTF 5 (CIDA contributed approximately \$26 mn). These resources were allocated among countries using the performance-based allocation formula that CDB uses to allocate SDF funds.

TABLE 3.2: BNTF APPROVALS AND DISBURSEMENTS, JUNE 2003 TO MAY 2007 (USD)

Country	Allocation	Commitments	Projects Complete	Amount Disbursed	% Disbursed
Belize	5,261,100	4,897,091	35	2,092,214	40
Grenada	2,721,945	4,237,886	05	1,137,095	42
Guyana	10,482,129	9,893,526	113	5,129,659	49
Jamaica	2,297,931	2,222,562	20	1,954,472	85
St. Lucia	4,450,813	3,828,685	19	1,355,513	30
Dominica	2,904,418	931,851	31	376,348	13
Montserrat	1,685,712	968,310	01	352,732	21
St. Kitts and Nevis	1,782,553	823,530	07	208,911	12
St. Vincent and the Grenadines	3,539,529	847,045	03	166,022	05
Turks and Caicos Islands	1,194,250	795,544	03	22,478	02
Sub-Total (BMCs)	36,320,380	29,446,129	237	12,795,443	43
Consultancy Services	8,153,621	2,309,141		1,418,511	61
Workshops, Training, CDB Supervision	593,966	280,000		261,871	94
Canadian Technical Cooperation Fund, Environmental Impact Assessment (EIA)-Natural Hazard Impact Assessment, Gender Assessment, Mid-Term Evaluation	2,548,276	992,432		274,960	28
Management Information Systems, CDB Management and Admin. Support	2,225,517	1,399,799		1,380,304	99
Coordination and Consultancies Sub-total	13,521,380	4,981,372		3,335,647	67
Unallocated incentive amount	8,448,276				0
Sub-Total Set-Asides					
Grand Total	58,290,036	34,427,501		16,131,090	47

Source: BNTF Programme, SSD

FIGURE 2: BNTF APPROVALS AND DISBURSEMENTS, JUNE 2003 TO MAY 2007 (USD)



Source: BNTF Programme, SSD

Status of BNTF 5

3.2.6 There have been innovations in BNTF 5 including formation of a Poverty Reduction Action Plan (PRAP) for each participating BMC. PRAP is related to the CDB's CPAs and the country poverty reduction strategies. BNTF also introduced new financial and administrative systems, expanded the country Project Steering Committee to eight members with equal representation from the public sector and civil society, and emphasised gender equality. BNTF offices were removed from being embedded in particular ministries and located in town centres for greater independence and easier public access.

3.2.7 A little less than half of BNTF 5 committed resources have been disbursed. There are large differences from country to country in the rate of utilisation of committed funds. For example, Jamaica has utilised 85% of its available funding and St. Vincent and the Grenadines have utilised 5%. A larger part of the resource set aside for coordination and consultancies (67%) has been disbursed. The unallocated incentive amount (\$8,448,276) is to be allocated among countries during 2007 on the basis of the findings of the evaluation that is presently underway.

3.2.8 Emphasising a bottom-up approach to BNTF, based on community interaction, but with rigorous requirements for screening projects and contracting the approved work, has led to slow disbursement by BNTF. However, on the other hand, there is an outstanding list of project proposals from the most active BMCs, for which funding is not available and which, therefore, must wait for BNTF 6, which is expected to begin in the latter half of 2007.

3.2.9 CDB has commissioned a gender assessment and strategy as part of the BNTF programme, (see Section 5.6 for a description and assessment of that document). We are told that gender assessments are conducted on all BNTF sub-projects and that BNTF supports gender-specific sub-projects on occasion.

3.2.10 In the remainder of the BNTF 5 cycle, something needs to be done about slow utilisation of funds in some key countries, including Dominica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and the Turks and Caicos Islands. Reallocation of funds to other countries, while necessary in some circumstances of underutilisation, is not a satisfactory solution because poverty in these islands is a severe problem.

3.2.11 CDB can perhaps improve utilisation by assigning additional staff resources to BNTF and by simplifying BNTF approval and reporting procedures. CDB can also encourage the formation of a more active Project Steering Committee in the lagging countries and/or engaging a more resourceful local project manager. However, BMC initiative is also extremely important and each BMC has unique issues.

3.3 TA

3.3.1 TA is probably a key determinant of CDB's development impacts. Nevertheless, CDB provides only a small amount of TA to its member countries. Its estimated TA disbursements in SDF 6 (2005-2008) are \$9.54 mn over four years across all BMCs. This is very small.¹⁷

3.3.2 In addition, SDF (O) funds are used for TA and CDB staff, particularly economists and technical specialists, who provide advice to BMC governments. However, this advice is relatively informal. CDB does not publish thematic working papers. There is no CDB equivalent of the IDB Institute to do research into development topics, nor an *Annual Review of Development Effectiveness* or *Caribbean Development Report*.

3.3.3 We think that CDB needs to set higher targets for its TA during the remainder of SDF 6 and for SDF 7. From the low current base, analysis might indicate, for example, that it is possible to double annual TA disbursements by 2010 and double again in SDF 7.

3.3.4 In 2007, CDB reported an evaluation of its TA operations, 2000-2004. The evaluators¹⁸ examined 37 grant-financed TA projects selected by CDB's Evaluation and Oversight Division (EOV). The consultants visited five BMCs to examine the projects and then, with EOV, assessed each project against the standard performance criteria by which CDB judges project performance. Those criteria are: strategic relevance, poverty relevance, efficacy, efficiency, sustainability, institutional development impact, CDB performance, executing agency performance and consultant performance. The performance scoring was done in a group session after the consultants had conducted file reviews and country visits for each of the 37 TA projects. Projects Department staff attended the scoring session to advise but not to score. Three evaluators and the Deputy Director, EOV discussed each project and assigned performance scores anonymously and iteratively (Delphi technique).

3.3.5 On the basis of their performance scores, about 1 in 20 TA projects were rated as excellent. About a third was highly satisfactory and 22% were satisfactory. More than a third were rated marginally unsatisfactory, and a proportion similar to but a little higher than those rated excellent were rated unsatisfactory (8.0%). In summary, CDB does some excellent work but there is a significant number of TAs that fail to achieve their objectives. The TAs performed best on strategic relevance, quite well on poverty relevance, efficacy and efficiency - but poorly on sustainability and institutional development impact. TAs in some BMCs scored better than others. Similarly, some types of TAs performed better than others. Delivery of public services and support for CDB operations (e.g. project preparation assistance) generally performed well.

3.3.6 CDB's own performance was rated as satisfactory, highly satisfactory or excellent for 76% of the sample. Key factors in assigning performance scores included attention to quality at entry, including project design and understanding of capacity issues, extent of monitoring and supervision, timely problem solving, and whether there were mid-course adjustments to improve project effectiveness. Beneficiaries and their executing agencies performed excellently about one time in five, and their performance was satisfactory or better about three-quarters of the time. Expert consultant performance was rated as excellent for 35% of the sample projects and as satisfactory or better in 82%. This was not a random sample of CDB's TA projects, but even allowing for sample selectivity, we read these performance results as very positive, with, however, significant weak points that drag down the average performance rating.

3.3.7 In 2007, the evaluators noted that CDB's TA should be managed more strategically. This recommendation is similar to one being considered by IDB in 2007 - 'implement a coherent Technical Assistance Programme'.¹⁹

3.3.8 As key part of the proposal aimed at achieving greater strategic coherence in its TA, IDB is considering reorganising its grant funds into a number of Strategic Thematic Funds (STF).²⁰ STF would be an instrument to achieve TA resource allocations that are aligned with priorities. If IDB proceeds with this idea, it would mobilise resources for each fund separately from the others and would provide an annual report to each donor on resource utilisation and performance of each fund. The full merits and challenges of such a scheme are beyond the scope of this Review but the idea seems worth some consideration by CDB.

3.3.9 Expanding and renewing the CDB's TA efforts would be partly a matter of committing funds already allocated, partly a matter of accelerating disbursements of funds already committed, and partly a

matter of mobilising new resources. To be able to scale up, CDB needs to manage TA more efficiently. This might involve a stronger organisational focus for managing TA, to supplement the general training in TA work across the Bank. It might involve stronger country programme management (country focus) of TA, and greater delegation of authority to approve and manage TA. It would likely require faster CDB response when a TA lags in its implementation; and increased efforts to reduce transactions costs for TA recipients while maintaining probity standards. Scaling up would also benefit from improved strategic management of its TA, with coherent series of TAs and TA budget allocations in proportion to CDB thematic priorities. The evaluators recommended that CDB should pay attention to two aspects of TA quality, in particular TA influence on institutional strengthening and sustainability of the TA results.

3.3.10 CDB disbanded its TA unit at the beginning of 2003. CDB's evaluation of TA operations in 2007 commented on the loss of information that resulted from disbanding the Unit and advised that it be partly reconstituted as a TA Focal Point in Project Services Division (PRSD).

Next Steps: TA

3.3.11 CDB's evaluation of TA operations 2000-2004, which was completed in 2006-07, was favourable to CDB's performance but identified opportunities to expand and renew the TA efforts. The consultant team took the view that TA is both central to CDB's development mandate and a useful instrument to support efforts to expand CDB's loan portfolio.

3.3.12 In that spirit, we observe that in SDF 7, CDB needs to scale up its TA operations. It is not easy to see how to do this with TA "mainstreamed" throughout the Bank. It may require greater focus and dedicated resources.

3.3.13 We suggest that CDB should develop a TA Action Plan based on the best practices identified in the 2006 evaluation of its TA operations.

3.4 POLICY-BASED LENDING

3.4.1 Milestone 20 of the SDF 6 Action Plan is: 'Develop a proposal for policy-based lending'. CDB has done this²¹ and has made two policy-based lending loans—to St Kitts and Nevis²² and Belize.²³ These loans involve an assessment of the macroeconomic environment and the development of a policy matrix. This type of lending has benefits and risks.²⁴ CDB's Strategic Plan 2005-2009 (para 4.62) notes its thinking.²⁵ CDB Board has limited PBL to 20% of the Bank's loan portfolio, such a high figure that it is unlikely to be a practical constraint during SDF 6 or SDF 7. The Contributors' Report also called for a "comprehensive review of lending products and related policies" that has not been carried out yet.

3.4.2 CDB intends to limit its policy-based lending to countries in fiscal distress, those that have severe debt problems and need institutional support. The first tranche disbursement for St. Kitts and Nevis was scheduled for June 2007, but was delayed pending legislation amendment. CDB indicates that technical and administrative support to policy needs strengthening. The CDB due diligence with the Government of Belize proved more time consuming than expected, so disbursement was delayed. The first tranche of disbursement is done.

3.4.3 In both countries, CDB works closely with the International Monetary Fund (IMF). CDB is invited to participate in all missions – Staff Visits and Article IV Consultations. CDB shares information on the countries generally. CDB is working closely with IDB in Belize, where CDB has been involved in the revenue-enhancement debate, which sees the improvement of the Customs Department as a critical reform, and in reform of the National Development Bank. In St. Kitts and Nevis, with CIDA, CDB has

been involved in fashioning a national debt strategy. Quarterly monitoring will be based on the policy matrices agreed with the BMC.

3.4.4 Policy-based lending (more commonly known as general budget support) can at its best be a partnership with common objectives, a focus on government plans and working together, risks reduced by successful implementation, and trust established. At its worst, there is a risk of cynical lip service to a donor-imposed list of reforms without real commitment. CDB reflecting on the lessons learnt from earlier policy-based lending²⁶ notes: “Generally, the major lessons to be drawn from the operations of this type include the critical importance of country ownership of the operation; and the identification and design of conditionalities that are relevant and appropriate to the results sought, are within the implementation capacity of the borrower, and can be effectively monitored”. (Para 3.5.3)

3.4.5 This observation reinforces the findings of evaluations of general budget support.²⁷ Ownership and political will to reform are characteristics that successful general budget support programmes have in common. Others are long-term relationship, vulnerability to suspension on political grounds, high costs of failure both to government and donors, reduction of risk as implementation proceeds and benefits accrue, much built in alignment with government objectives and systems and harmonisation among donors, and beneficial coordination effects on projects.²⁸

3.4.6 CDB’s view is that there is strong ownership of reform in St. Kitts and Nevis and Belize, but high risks of external economic shocks (e.g. commodity prices). The documentation for the loans has been well prepared with clear policy performance matrices (although that for Belize lacks specific means of verification). The agreed policy actions are specific, clear and limited. However implementation is slower than was anticipated.²⁹

Next Steps: Policy-Based Lending

3.4.7 It is essential to the success of CDB’s recent policy-based loans to St. Kitts and Nevis and Belize, and to the maintenance of trust, that reform implementation momentum is maintained. Policy-based lending is appropriate only if there is strong political will to implement reforms; but CDB can contribute by providing high quality TA in support of the policy-based loan. Because CDB is learning from these first loans, we recommend a quick evaluation. CDB’s EOJ should schedule an evaluation of policy-based lending, especially an evaluation of the implementation of related governance reforms, as early as is reasonable.

3.5. SDF PROGRAMMING IN HAITI

3.5.1 The 2005 SDF 6 Contributors’ Report set out certain guidelines for programming in Haiti.³⁰ First, operations would be funded by SDF. In May 2006, Haiti moved from an interim un-elected Government to a democratically elected one. CDB attended two donor Conferences and commissioned a proposal for a medium-term action plan to prepare for a high-level mission to Haiti in February 2007 to coincide with Haiti’s full membership. At the same time, CDB sets up an internal working group on Haiti involving the Projects, Legal, and Economics Departments and CPD under the President’s leadership. CDB’s internal report recommended three areas of intervention.³¹ These were keyed to the Haitian development plan at the time (the 2004-2007 Interim Co-operation Framework) and took into account the provisions of the SDF 6 Report. The report also set out the approximate costs for establishing a CDB presence in Haiti.

3.5.2 A mission, led by the CDB President, identified potential interventions -- for example, primary education facilities, and a line of credit for intermediation to SMEs. Haitian authorities put forward requests for additional projects such as agricultural feeder roads, and capacity development in the tourism

sector. Following the mission, CDB decided to focus on a few priority areas in which it would collaborate with other development partners, specifically WB and IDB, which have large programmes in Haiti. Meanwhile, WB had proposed a partnership on a joint project to support the Haitian National Education for All Strategy. After several joint missions under the technical leadership of the WB's appraisal team, in May 2007, CDB Board approved a grant of \$10 mn from the SDF for a three-year programme associated with a \$25 mn International Development Association grant.³² CDB's execution of the grant will follow the WB's lead agreement with Haiti on implementation (procurement and disbursement) arrangements, including legal conditions, and provisions for monitoring, audit and risk assessment.

3.5.3 Three further Haiti project initiatives at the planning stage in CDB for 2007-2008 approval involve:

- (a) organisation of a regional seminar to introduce Haitian SMEs to their Caribbean Community (CARICOM) counterparts and learn from CDB's on-lending experience with its development finance institutions (DFIs), with the aim of developing a similar line of credit to a specific Haitian small and medium enterprise;
- (b) a regional workshop to introduce Haitian works contractors to their Caribbean counterpart to learn from their business practices as well as regional procurement procedures; and
- (c) planning a joint project with IDB either in primary education or for agricultural feeder roads.

3.5.4 CDB has not decided whether to establish an office in Haiti and what mandate such an office would have. In the short term, there is an agreement with the CARICOM Secretariat that CDB will share the facilities (and relevant costs) of the CARICOM office when it is opened in the near future.

3.5.5 An operational strategy for Haiti, in response to the SDF Action Plan (#11), will be presented to CDB's Board in October 2007. A full results-based Haiti Country Strategy Paper will come later. CDB presently forecasts a new commitment figure of \$9 mn for 2008, which will exhaust the budget set-aside for Haiti. CDB is on a steep learning curve with respect to knowledge and expertise in Haiti. Successful programme implementation will depend on the arrangements CDB puts in place in the country with the Haitian partner institutions, other donors (in the case of co-financed projects) and its own locally contracted professional staff.

Next Steps: Haiti

3.5.6 CDB seems to have made a good start in Haiti. The Bank will need to invest in its capabilities to understand development challenges in Haiti and, eventually, to administer a full programme of activities in Haiti. To assist this process CDB's internal Task Force on Haiti, set up to manage the initial stage of programming, should probably be recast into a more permanent structure, depending on the amount of resources available (See Section 4.2 "Country Focus").

4. ORGANISATION

4.1 ORGANISATION

4.1.1 Milestone 22 in the SDF 6 Action Plan ‘Review of lending policies and project modalities’ requires CDB to improve the efficiency and effectiveness of its delivery of SDF programming. It has done so in several important ways most notably in innovating in policy-based lending, in reorganising its Projects Department, and making efforts to recruit a full complement of staff for that Department.

4.1.2 In 2006, CDB commissioned a review of the organisation of Projects Department.³³ The review found that the 2002 reorganisation of the Projects Department into two different parts, (1) project identification, appraisal and approval; and (2) project implementing and monitoring, had not worked well. CDB also commissioned a study of the *Costs of Doing Business with CDB*, based mainly on interviews with public servants in BMCs. The study has been accepted in principle by CDB, subject to some corrections. It concluded that the costs of doing business with CDB were relatively high, especially with regard to time costs. However, this study did not compare CDB with other MDBs, and such comparisons might be to CDB’s advantage. For example, IDB reports that TA projects budgeted at less than \$150,000 take an average of 3.6 months to approve. Many take much longer, and projects budgeted between \$150,000 and \$750,000 average more than one year from request to approval.³⁴

4.1.3 CDB instituted a new structure for Projects Department on January 1, 2007. It created four divisions: Economic Infrastructure (e.g. airports and sea ports, roads, water and sewerage, solid waste); Social Sector (e.g. education and training, health, BNTF); Private Sector (e.g. financial intermediaries lending, CTCS) and Project Services. The Project Services Division (PRSD) is an innovation; it is home to a variety of services which cut across sectors: procurement, environment, disaster risk reduction, disaster emergency response, gender, social analysis, CPAs, regional technical co-operation and RPGs, governance and institutional development, project training, and claims processing.

4.1.4 This seems to us a reasonable arrangement. Some weaknesses may arise from the large proportion of CDB’s projects portfolio that is in “Economic Infrastructure” relative to the other Divisions; and perhaps challenges in operationalising the multidisciplinary contributions across division boundaries. The innovation of having a separate PRSD seems an important one. If it works well it will have much to contribute. It may be the logical place for a strong TA capability to evolve in the Bank, for example. It may also be able to give due weight and visibility to some important dimensions of CDB’s development work. On the other hand, it has a very small staff and a large number of diverse responsibilities.

4.1.5 As BMC governments raise the quality of their administrative services, the relation with external donors changes, with donors relying increasingly on government’s own accountability structures, subject to monitoring that confirms they are of acceptable standard.

Next Steps: Organisation

4.1.6 *CDB has reorganised its Project Department. This is a major undertaking and will take time to settle. We have two relatively minor suggestions. First, more benchmarking of appropriate time-and-cost standards for project identification, appraisal and approval, for loans and TA would be useful.³⁵ Second, the Bank needs to encourage a proactive approach by staff to growing the portfolio of loans and TA. In that regard, fairly frequent market studies are justified to identify likely demand and to assess the competitive factors (price factors and quality factors) in project lending in the Caribbean (both private and multilateral).³⁶*

4.2 COUNTRY FOCUS

4.2.1 CDB country focus is presently provided mainly by the Economics Department, which produces Country Strategy Papers (CSPs) with the assistance of other staff. The general view of the Economists seems to be that this arrangement works reasonably well, enabling focus upon countries as well as sectors. It does not of course create the in-BMC staff presence which all acknowledge would be ideal, but many feel would be too expensive; nor does it create a single point of contact within CDB for each BMC. In 2006, one of the options CDB considered for the reorganisation of Projects Department was strengthening its “country cluster focus”. The option was put aside as a possible future consideration because it was assessed as being too costly for CDB at its present scale of operations.

4.2.2 All of the major MDBs and many of the larger bilateral development institutions have found it necessary to use “country focus” as their main dimension for organising operations, because of the diversity of languages, political economies and community cultures in which they work. As CDB becomes larger and more diverse, the same pressures will no doubt be felt. CDB’s centralised organisation structure, without local offices and not differentiated geographically or culturally at headquarters, may prove limitations in its aspiration to be leading pan-Caribbean development institution.

4.2.3 In 2007, CDB has chosen its traditional project-and-sector model as the basis for organising its operations. Sector specialists rather than country generalists deliver loans and grants. CDB is organised to deliver projects within three broad sector groups – infrastructure, social, and private sector. The strength of this approach is that it develops strong technical competence within each Division. Its weakness is that it does not develop comprehensive cross-sector country knowledge among the operations officers and portfolio managers, nor does it provide a single person within CDB who takes responsibility for each BMC relationship as a whole.

4.2.4 However, the sector focus of Projects Department is balanced in two ways. First, one Division (Project Services) will contain experts with cross-cutting expertise, including environmental and gender expertise. This does not necessarily involve deep country knowledge, but it often does, because the specialties are broad. Second, Economics Department is involved in understanding BMCs holistically. One can see that, for example, in the effort to develop results-based country strategies.

4.2.5 In the past, CDB worked with broadly similar country cultures and economies. BMCs are diverse but they share a common language, history and, in many respects, culture. The membership of Haiti is, however, a quantum change in the diversity and complexity of CDB’s membership. Initially, CDB’s programme in Haiti is solely grants undertaken jointly with other development agencies that have experience in Haiti. However, as time goes by, CDB will want to have its own capabilities to operate effectively in Haiti, even if its programme continues to be mostly joint with other development institutions. In addition, the Dominican Republic may become a borrowing member, subject to CDB Board approving membership of non-CARICOM countries. This will open the door to the Spanish-speaking Caribbean. CDB will then be operating in three major economic, cultural and linguistic groups within the Caribbean basin – English, French/Creole and Spanish (See Section 7 for further discussion on CDB membership and SDF (U) contributors).

4.2.6 Preparing for such a complex expansion is a challenge for a small institution. There are at least three things that make cross-cultural development work difficult. First, the language is different, which requires investment in translation, language training for CDB staff, and recruitment of staff from the new BMC(s) who are native speakers. Second, the legal systems and government administrative traditions may be different from the British tradition in the Commonwealth Caribbean, as indeed they are in Haiti and the Spanish Caribbean. CDB will have to develop new procurement expertise and procedures to cope with this. Third, the political economies and development history of these new BMCs are different and

require CDB Operations Officers and Economists to develop capabilities to operate in wholly new environments.

4.2.7 The natural direction of evolution for CDB, if it becomes a pan-Caribbean institution, as it wishes to do, is probably towards organising itself to deal with country clusters. The new clusters are likely to be sub-regional, linguistic/cultural or level of development. As such clusters develop, there will be a stronger case than in the past for recognising them within the organisation of CDB; and a stronger case for sub-regional CDB offices in-country to serve the natural clusters of BMCs.

4.2.8 This is potentially expensive. It would be a mistake to think that such an expansion, as beneficial as it could be for CDB in the Caribbean, can be done on the cheap. To undertake it successfully, CDB will require a significant increment of funds. These funds could come partly from SDF (U) Contributors, both in the form of increased contributions and in the form of allowing CDB more flexibility in accessing SDF funds for administrative and operational purposes. SDF 6 sets a precedent in this regard when the Contributors and the Board approved the allocation of \$4 mn to cover CDB administrative and representation expenses in Haiti to the end of 2008. This may be adequate administrative funding in the short term but is unlikely to be adequate in the longer term if Haiti is to become a fully integrated member of CDB.

4.2.9 The second source of funds is reflows from expanded lending. Expanded lending is important to CDB if it is to succeed in becoming the key pan-Caribbean development institution that its mission statement envisages. However, expanded lending and reflows is not relevant to Haiti and will take time to materialise in the Spanish-speaking Caribbean. In the short to medium term, CDB's business plan for a serious expansion of its BMCs in these new areas is likely to need substantial net outflows.

4.2.10 A third source of funding could be special "transformational funding" by new non-borrowing members to assist CDB to expand its operations to the member's linguistic and cultural community members in the Caribbean. Such funding would recognise the transformation of CDB structures and resources needed to expand successfully in this new context. For example, Spain might be willing, under some circumstances, to make substantial SDF contributions earmarked to support the transformation of CDB into an institution that can operate comfortably and effectively in Spanish. Conceivably Spain's accession to CDB membership, if it were to come, might involve such a package of support and, if so, it would ideally be simultaneous with the completion of membership formalities by one or more Spanish-speaking Caribbean BMCs.

Next Steps: Country Focus

4.2.11 Improving CDB's "country focus" will be increasingly important in a more diverse Bank. This has many aspects. It may include strengthening the geographic dimension of the Bank's internal organisation, and improving its physical presence in BMCs, from pied-à-terre offices without full-time residents to full-service local offices. There are implications for CDB's long-term strategy, which may need an internal "transformation" plan to work effectively with a diverse set of borrowing members.

4.3 STAFF RESOURCES

4.3.1 As part of our review of the administration and operation of the Sixth Cycle of the SDF (U), this section deals with the issue of CDB staff resources and their deployment. The Action Plan for SDF 6 does not contain any specific recruitment or deployment milestones by which progress can be judged. On the other hand, staffing has important implications for achievement of the SDF 6 commitments. Perhaps more than other areas of CDB's operations, SDF (U) presents challenges in terms of staff resources and deployment. CDB's mission is the systematic reduction of poverty. SDF (U) experience with targeting

the poor is that small-scale carefully targeted programmes, the application of multidisciplinary skills, a predisposition to participatory working and a willingness to work in a variety of intervention modes and structures, are each important.

4.3.2 An analysis of the implications of CDB staffing for the success of SDF (U) is complicated by the fact that SDF (U) is not a discrete programme of operations; rather, it is a fund upon which CDB can draw to provide both loans and TA. Operations often blend both SDF and OCR funding. Therefore, it is not possible to construct an organisation chart for SDF (U) as such, within the larger formal structure of CDB.

4.3.3 Many interviewees stated that CDB has too few staff to meet the demands made on it. The crude staff to project ratio, at about 2:1³⁷ compares to reported ratios of 8:1 for the African Development Bank (AfDB) and higher for the IDB and the Asian Development Bank (AsDB).³⁸ However not too much should be made of this comparison since details are unclear and truly comparable figures are not available.

4.3.4 The vacancy level at about 10% within CDB as a whole compares with a similar figure reported in 2002 for AfDB.³⁹ The problem is in the Projects Department with 15 vacant professional posts (nearly a third of the total authorised establishment). It is clear that this has been responsible for problems in SDF (U) delivery – both approvals and disbursements. Relatively low remuneration (the target for 2009 is 70% of levels paid by comparable institutions) and slow recruitment have been contributing factors. Non-borrowing members have on occasion funded specific CDB positions but this is a minor matter compared with the basic challenge of building a full complement of qualified staff in CDB.

4.3.5 Staffing levels have affected SDF (U) operations in a number of ways. Firstly, there is output. One characteristic of some SDF (U) activities is that they are resource intensive, small-scale and complex operations with, inevitably, high transaction costs. A recent consultants' report on the cost of doing business⁴⁰ with CDB finds that high costs arise substantially from CDB's oversight of procurement. In particular, much effort is expended to commission and supervise micro-projects.

4.3.6 The CTCS budget for TAs/workshops for 2006 identifies 97 separate activities across the Region supervised by two investment officers (with one vacancy). It is difficult to see how, with a centralised structure of this kind, output can be increased without further staff resources. A second problem is the quality of outputs, and it is interesting to note that the Vogel Report points to a loss of credibility with BMCs caused by delays.

Staff Competencies

4.3.7 Staff in the Projects Department are mainly engineers, with the non-engineer functional specialists mainly in PRSD. Staff dedicated to BNTF and CTCS are almost entirely engineers with postgraduate training. This has strengths but also weaknesses compared with other development institutions that emphasise generalist skills and country knowledge⁴¹ (See Section 4.2 Country Focus).

Staff Countries of Origin

4.3.8 It is important to spread the recruitment net worldwide if CDB is to be an institution of quality comparable to the larger development banks. Table 4.1 shows a narrow base in terms of countries of origin of CDB staff.

4.3.9 Some statistical over-representation of staff from Barbados in recruitment is understandable, given the natural preference of professional staff for employment at home but the low share of

professional staff from outside the Caribbean is noteworthy. Of extra-regional staff, almost as many three are posted to information services/technology as to projects. CDB's ratio of support staff to professional officers is about 1:1.

4.3.10 Comparable statistics for other institutions are difficult to obtain although there is dated data available for AsDB, which shows a ratio of about 1:2 for 1997⁴² - that is about half the CDB support staff ratio. Six appointments are currently advertised by CDB.⁴³ It is worth noting that five of the six appointments are in the Projects Department. The range of specialisations among vacant positions is relevant to subsequent discussion.

4.3.11 CDB's draft human resources strategy⁴⁴ identifies a number of immediate workforce issues. These include questions of capacity (not enough staff and a mismatch between skills and changing strategies and portfolios of work); recruitment and retention challenges; a high professional vacancy rate in some Departments; human capital renewal and succession planning; misalignment of workforce to the requirements of a changing business culture and resistance to change; and a need for better knowledge management.

4.3.12 Several of these themes are repeated in a recent CDB study of the organisation of the Projects Department,⁴⁵ within which, of course, all SDF (U) loans and many SDF (U) TA projects are managed. Prior to the 2007 reorganisation, the consultants reported low morale, implementation gaps, heavy procedural workloads, and a passive approach to new business generation. They noted weaknesses in aligning the structure with strategic directions and lack of staff in some key areas, especially in regard to private business enterprise and the support of projects that address the needs of small and medium enterprises (SMEs). Some of the human resource constraints continue.

4.3.13 Some argue that remuneration levels are inadequate to attract high calibre staff, although we were impressed with the capabilities of staff and the typical pattern which appears to be long tenures and low turnover. Nevertheless, staffing is not particularly aligned with the strategic directions of the *2005-2009 Strategic Plan*. It is a challenge to CDB to muster the technical capacity to address the wide range of its priorities such as social protection, rural development, governance, vulnerability both to natural disasters and fiscal indiscipline, and cross-cutting themes such as environmental sustainability and disaster risk management. The Universalia Report also recommends less focus on individual replacement and more focus on overall staffing by design.

TABLE 4.1: PROFESSIONAL STAFF IN CDB PROJECTS DEPARTMENT AND ECONOMICS DEPARTMENT, BY COUNTRY OF ORIGIN

CDB Department	Barbados	Other Caribbean	Other Countries
1. Projects Department			
Economic Infrastructure	2	6	1
Social Sector	3	8	1
Private Sector	5	3	1
PRSD	1	6	0
Consultants funded under OCR	0	2	1
Staff funded under TA arrangements	1	1	0
2. Economics Department			
Country Analysis and Policy Unit	4	5	0
Social and Economic Research Unit	1	1	0
Consultants funded under OCR	0	1	1
% share	30	60	10

Source: CDB, Human Resources, July 2007.

Human Resource Strategy

4.3.14 CDB has prepared a draft human resource strategy.⁴⁶ It aims to introduce new policies and approaches in several areas including remuneration policy, greater flexibility regarding regional and international recruitment, adjustments to staff types and numbers; use of a standardised competency framework with corresponding realignment of operational policies and procedures; enhanced human resource management practice by training and the introduction of a communications strategy; and improved operational capabilities by expanding the pool of recruitment, accelerating the recruitment process and filling upcoming vacancies with an eye to the skill demands of the strategic work programme. In our opinion, these strategies provide a good basis for improvement in SDF (U) operations.

Renewal and Current Recruitment

4.3.15 The Bank has made 15 new appointments over the period January 2005 to July 2007. Table 4.3 below analyses the main (in most cases, post-graduate) qualifications of appointees by broad grouping, for example, finance/business/management. Experience prior to joining the Bank was also analysed but does not lead to materially different conclusions.

TABLE 4.2: NEW APPOINTMENTS BY DISCIPLINE AND SEX, 2005-2007

Major Qualification	2005	2006	First half 2007
Law	0	1	1
Engineering	2	0	1
Finance/Management	1	2	0
Economics	1	0	1
Sociology/Development	0	3	1
Computing	1	0	0
Total new appointments	5	6	4
Male-Female Ratios	4/1	4/2	3/1

Source: CDB Human Resources August 2007

4.3.16 There is evidence of a shift in recruitment share away from traditional disciplines (law, engineering and finance) towards greater diversity, with four development-qualified appointments over the period 2006-2007. This has been complemented by a significant expansion in the experience base of the Bank with the development-qualified appointments bringing in experience as a poverty programme advisor with United Nations Development Programme (UNDP), as a micro-projects advisor in Guyana and as an educationalist both in Government and a bilateral agency. It is also worth noting the change in the male-female balance of appointments over this period although the numbers are too small to generalise. The same pattern, that is a broadening of the recruitment base, is evident in the six appointments currently (July 2007) advertised by the Bank.⁴⁷ It is worth noting that five of the six appointments are in the Projects Department, which is primarily responsible for SFD (U) operations. The range of specialisations among vacant positions is relevant to subsequent discussion.

4.3.17 The dominant engineering backgrounds in CTCS and BNTF are a product of history, and current Bank recruitment demonstrates a concern for broadening the range of skills. In particular, CDB needs to look both for formal qualifications over a range of economic and social sciences, and evidence of a formal training in a development-related field, preferably in post-graduate form. It has begun to do this more systematically over the past two years. Skills should include project management expertise, familiarity with participatory methods of development interventions, and understanding of policy analysis and the formulation of policy options in development work, and deep country knowledge developed through study that breaks through the “familiarity illusion”. Dedication to the CDB mission is key, and good interpersonal skills and inter-cultural skills, are essential to be effective in helping to eradicate pockets of entrenched poverty. Of course, every development institution wishes to have such paragons of staff and the recruitment business is very competitive.

4.3.18 New staffing and a changing mix of competencies is an opportunity to establish new CDB skills and procedures - to ensure that, for example, gender expertise is incorporated in project planning and that participatory consultation is carried out when appropriate. There are encouraging signs from recent recruitment. Three of the appointments currently advertised are new competencies, broadly interpreted: specialists in gender, education and governance. There is evidence too from recent appointments that CDB is actively pursuing worldwide recruitment.

4.3.19 One constraint that needs reconsideration is that CDB largely recruits only well-qualified and experienced people to permanent positions. No doubt it feels it is important to maximise added value from appointments, not least because the turnover rate in CDB is so low (2.5% of staff in 2005⁴⁸), and staff represent 65% or more of total administration costs. A post once filled represents a continuing high cost for CDB. The practice of appointing only at intermediate levels contributes to staff costs since qualifications are accompanied by corresponding salary expectations, since there is an active market for such skills in the Caribbean and elsewhere.

4.3.20 To some degree, recruitment by CDB and subsequent mobility within the Caribbean can add to the skills base in BMCs.⁴⁹ From the point of view of SDF (U), both internship and young professional programmes offer the opportunity to meet competency needs at lower costs and with new ideas and energy. Internship programmes, typically aimed at recent graduates, combine low costs (with the advantage of fixed appointment periods) and the opportunity to broaden the base of recruitment. There is a pool of exciting young graduates globally and CDB should look to benefit from these. The fact that some will leave within a few years to other jobs, most likely within the Caribbean, has its good aspects from a development point of view. We suggest that staff mobility and constant renewal should be an important part of the CDB relationship with its BMCs. CDB should expect most young professionals to move to other jobs after a few years. Gradually, they would constitute a CDB alumni group with good effects on the Bank's relationships with BMCs.

4.3.21 We noted that CDB's website could be modified to make it more attractive, both to young graduates and to French/Spanish speakers. Profiles of new appointments, perhaps taken from the CDB Newsletter, accessed by links from the homepage would help. A bigger task but perhaps an important one is the provision of French and Spanish versions. Thought should also be given to more formal arrangements with university level institutions within the Caribbean region and especially UWI. Young Professional Programmes, similar to that long operated by WB, offer an opportunity to refresh the staffing base and aid current efforts to move away from what one respondent termed the tendency to recruit people in its own traditional image.

4.3.22 SDF (U) implementation calls for a change of CDB organisational culture if it is to be as effective as it could be in the future. Like most development banks, operations in CDB are characterised by a formal hierarchical structure, clearly defined operational processes with comprehensive checks and balances, clearly defined departmental boundaries and a predisposition towards reaction rather than initiation in activities. The operating environment of CDB, and particularly its long experience in the eastern Anglophone Caribbean has reinforced this. This culture has many strengths but also weaknesses.

4.3.23 Poverty-focused operations, particularly in poor countries with unstable governments, ill-developed civil society institutions with a history of conflict require a different way of working. Nowhere will this be truer than in Haiti. Staff will need to develop a culture of negotiation, politically informed choice and some flexibility over the application of procedures.

Next Steps: Staff Resources

4.3.24 *The CDB commitments to SDF (U) Contributors require increasingly diverse staff capabilities as well as expanding staff resources. CDB should therefore recruit young officers, seeking the best from anywhere in the world. In the context of its strategy to expand in non-English-speaking areas of the Caribbean, CDB needs to increase its working capabilities in languages other than English and in the legal and political systems of the non-Commonwealth Caribbean.*

5. DEVELOPMENT THEMES

5.1 POVERTY REDUCTION

5.1.1 CDB's poverty reduction strategy is defined by three overlapping themes. These are: capability enhancement;⁵⁰ vulnerability reduction;⁵¹ and good governance.⁵² Two other areas of anti-poverty intervention that are significant in SDF 6 are: (1) environmental sustainability, especially the relationship between poverty reduction and environmental degradation; and (2) regional cooperation and integration, especially support for RPGs from which the poor benefit equally. At the same time, CDB has developed Caribbean-specific targets and indicators for MDGs, and has listed them in its 2005-2009 corporate strategy. The Strategic Plan lists its "Strategic Focus and Priorities" somewhat differently: promoting broad-based economic growth; fostering inclusive social development; promoting good governance; and fostering regional cooperation and integration. It also lists two cross-cutting themes: environmental sustainability and disaster risk management and reduction. Lastly, it lists sector and thematic strategies. Poverty reduction is a constant guide.

Poverty Assessments and Strategies

5.1.2 In SDF 6, CDB has made a commitment to Contributors to update its CPAs⁵³ and to develop national poverty reduction strategies (NPRSs) in all BMCs.⁵⁴ CDB agreed to a timetable for implementation by the Projects Department during 2005-2008 (Table 5.1). This commitment was affirmed in CDB's 2005-2009 Strategic Plan.

5.1.3 CDB has taken the lead on poverty assessments in Belize and in the OECS. In other cases, for example EU support of St. Vincent and the Grenadines, and IDB support of the Bahamas, another agency has taken the lead. Since the first CPA was conducted in St. Lucia in 1995, CDB has provided approximately \$2.0 mn to assist ten BMCs to conduct CPAs.⁵⁵ In May 2006, CDB approved the use of \$3.385 mn to support the production of CPAs, country poverty strategies and poverty maps in BMCs. Additionally, CDB approved grants to BMCs to a maximum of \$330,000 to assist with the acquisition of equipment and computer software for use in CPAs during 2006 to 2008.⁵⁶

TA for Poverty Assessments and PRSs

5.1.4 CDB provides TA grants to BMCs for consultants' fees and to help them procure equipment and software needed to process and analyse CPA data. As part of their counterpart contributions, estimated by the CDB as approximately \$200,000 per country, the BMC governments assist the National Assessment Teams, not limited to support for public education and awareness activities, but including organising workshops, consultations, training and the review of reports. CDB has conducted national and sub-regional training activities in conjunction with the OECS Secretariat under the Secretariat's WB-funded *Mini-MECovi Programme* in five OECS countries, Dominica, Grenada, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. As well, CDB is the executing agent for part of the Support for Poverty Assessment and Reduction in the Caribbean (SPARC)⁵⁷ – that is, the part, supported by

an IDB grant of \$350,000 for training and capacity-building to strengthen survey design and implementation, promote the use and dissemination of survey data, and build capacity for poverty measurement and analysis.⁵⁸

TABLE 5.1: SCHEDULE OF CPAs AND REDUCTION STRATEGIES

Country	Date of Most Recent CPA	Author/ Sponsor	Updates		Status of PRS
			CDB Target Update*	Update Now Expected	
Anguilla	2002	CDB	2007	2007	Preparation after the 2007 CPA
Antigua and Barbuda	2006	CDB	2010	2010	To start in 2007
Bahamas	2001	Gov't with IDB		Unknown	Unknown
Barbados	1997	IDB	2006	2007	Preparation after 2007 CPA
Belize	1995 and 2002	DFID	2008	2008 (CDB)	Preparation after 2008 CPA
British Virgin Islands	2002	CDB	2008	2008	Unknown
Cayman Islands	None		2006	2007	
Dominica	2002	CDB	2007	2007	Current to be updated after 2007 CPA
Grenada	1999	CDB	2007	2007	Interim to be updated after 2008 CPA
Guyana	1994, 1999 a7 2005	WB and UNDP		2007 (WB)	Unknown
Haiti	1997	WB		Unknown	Unknown
Jamaica	Annual Survey of Living Conditions from 1989	Gov't/WB		2006	Unknown
Montserrat	The Government of Montserrat conducted a <i>Preliminary Poverty Assessment</i> in 2000. CDB Board Paper 13/06 (May 2006) stated that the Government was planning to conduct a full CPA 2007.				
St. Kitts and Nevis	2000	CDB	2006	2006	Current to be updated after 2007 CPA
St. Lucia	1995, 2005	CDB	20010	2010	Interim to be updated in 2007
St. Vincent and the Grenadines				2007 [European Union (EU)]	Interim to be updated after 2007 CPA
Trinidad and Tobago	1992, 1997, 2005	Government/WB		Unknown	Unknown
Turks and Caicos Islands	1999	CDB	2007	2008	To be prepared after 2008 CPA

* Targets set out in CDB Paper BD 13/06 "Country Poverty Assessments and Poverty Reduction Strategies Programme in Borrowing Member Countries", May 15, 2006. Table 2.

5.1.5 In the CPA process, CDB engages many international organisations operating in the Region and Regional organisations, through an Inter-Agency Committee. This committee, which was designed in the initial stages of the Bank's involvement in CPAs around 1994, assisted in developing the conceptual framework that now defines the Bank's approach to CPAs. It meets formally to review the draft report of each CPA. The comments from this meeting along with those generated from the review exercises in the country are provided to the consultants for use in preparing the final report. In addition, different elements of past CPAs have been co-financed by DFID and UNDP and most recently, some funding for the local cost items for the St. Lucia and Antigua CPAs was provided by UNDP and the OECS Secretariat. This collaboration is facilitated by the Poverty and Social Sector Development Donors' Group (PSSDDG) comprising WB, IDB, CIDA, Department for International Development (DFID), UNDP, EU, United Nations Development Fund for Women (UNIFEM), United Nations Children's Fund, CARICOM, OECS Secretariat etc. and CDB. PSSDDG is co-coordinated by UNDP and it meets periodically to share information on poverty and social development matters and to identify areas of collaboration.

5.1.6 CPAs have contributed to making poverty reduction a focus of public policy in the Caribbean. Topics that have generated public interest include the high proportion of working poor in some

countries, the poverty of many households headed by single women, and increasing levels of deprivation among the elderly, particularly among elderly men. The impact in terms of change is yet to be assessed.

5.1.7 The assessments may have been used in many ways. CDB notes possible contributions to poverty reduction initiatives such as Social Investment Funds (Belize, Jamaica and Trinidad and Tobago), rural enterprise development projects (Dominica and St. Lucia) and human settlements projects (Belize and Grenada). The CPA information may also have been used to inform the design of projects in the education, agriculture and health sectors, and/or guided the reform of social policies and institutions. CDB notes that CPAs were helpful background to the redesign of BNTF.

PRsS

5.1.8 A key to active poverty reduction is a working strategy based on good analysis. CDB's target is to assist BMCs to produce six PRsS by the end of 2008. These are noted in Table 5.1 above. The timetable for updates to CPAs has slipped in regard to Barbados and TCI but is generally on schedule. CDB estimates that funds will be fully expended by the end of 2008. The Bank will be seeking additional funds for updating CPAs during SDF 7.

5.1.9 Some BMCs have prepared PRsS or interim strategies. For example, Dominica and Guyana have prepared Poverty Reduction Strategy Papers (PRSP) as a commitment to the WB and the International Monetary Fund under structural adjustment programmes. CDB has helped Belize, Dominica and St. Kitts and Nevis to prepare PRsS, and poverty maps. CDB intends to provide similar assistance to other BMCs in 2008 and 2009.

5.1.10 However, the CDB budget for supporting the production of PRsS is very small. The CDB contribution towards the development of a PRS by St. Kitts and Nevis was \$50,000. The contribution to Belize was the same (in this case IDB is providing additional funding). Each strategy follows a CPA, which provides a base of current data and in which consultations with stakeholders are normally extensive. Nevertheless, it seems to us that poverty reduction strategies are under-resourced relative to the poverty assessments.

5.1.11 We suggest that CDB considers declaring a "standard poverty assessment year" and a regular cycle of assessments for the whole Caribbean. For example, if 2010 was a standard poverty assessment year then CDB would plan to undertake updates of its poverty assessments for all its BMCs in that year. This would be preferable to the present ad hoc timing. Having all of the assessments done in a single year would have major advantages in terms of the relevance of the data, the ability to compare progress among countries, and the level of public attention that could be generated. The years 2010 and 2015 have the advantage of fitting with the 2015 target year for the achievement of MDGs. The year 2010 also has the advantage of being a census year in several BMCs, which would enable census data and CPA data to be complementary. A bold approach would be to plan and cost the proposed exercise and, assuming it proves viable, seek special funding from major donors for the effort that would be required. The product (a full poverty map of the Caribbean and comparative analysis, for example) could enhance CDB's contribution and reputation significantly. To complete all CPA updates in a single year would require advance planning, cooperation by several development agencies, and prior building up of consulting capability to conduct assessments. It would be an ambitious undertaking but, with two or three years lead time for planning and resourcing, not impossible in our opinion.

Next Steps: PRSs

5.1.12 *CDB has taken the lead in poverty assessment among its BMCs. There has been some delay but the programme of poverty assessments and PRSs can still be completed on time.*

5.1.13 *CDB encourages each BMC to prepare a new or revised PRS immediately following the CPA. This is essential to a results-based approach. We suggest, therefore, that there should be greater investment in poverty reduction strategies. Poverty is a complex phenomenon and a CPA, while essentially, does not automatically lead to an obvious PRS.*

5.1.14 *Within the coordination provided by the Inter-Agency Committee, CDB has taken the lead in supporting poverty assessments and strategies in certain countries, and other development agencies have led in other countries. In the spirit of the Paris Declaration on Aid Effectiveness, CDB should consider undertaking CPAs jointly (rather than “coordinated”) with other multilateral development agencies.*

5.1.15 *We suggest that CDB considers declaring a “standard poverty assessment year” and a regular cycle of assessments for the whole Caribbean.*

5.1.16 *We recommend that CDB’s EOV Division should commission an evaluation of CDB’s programme of poverty assessments and poverty reduction strategy papers, which, among other things, would assess progress against the points raised in the “lessons learned” section of the 2006 Board paper on poverty assessments.⁵⁹ Such an evaluation should also review the CPA methodology. Most importantly, an evaluation could assess the degree to which the PRSs that do exist have been implemented.*

5.2. GOVERNANCE

5.2.1 In 2003, CDB adopted its “Strategy on Governance and Institutional Development”.⁶⁰ It described governance as a cross-cutting issue. CDB did not intend to create a “governance” programme.⁶¹ The importance of the governance area was again stressed in the negotiations leading to SDF 6. The Contributors’ Report noted, “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, the provision of public services and broad-based sustainable growth”. It recalled the six elements of CDB’s approved Governance Strategy for programming.⁶² The governance section of the Contributors’ Report welcomed CDB’s Policy-Based Lending Facility during SDF 6 (suggesting that PBLs were regarded as governance instruments) and emphasised crime and public security as an important new priority.

5.2.2 In 2005, CDB developed and adopted two Governance Toolkits, one for project appraisal (basically a questionnaire for use of Projects Department staff) and one to guide CSPs (the latter was a more substantive document inspired by the WB’s approach to governance). At the same time, a Toolkit was prepared for the Poverty Reduction Strategy and it presented a different approach to “governance”.

5.2.3 The SDF 6 Action Plan made only a brief reference to governance -- calling for “strengthened operational policy capability for governance (along with poverty, environment and natural hazard protection). There is no set aside for governance in the SDF 6 resource allocation framework. Initiatives have tended to arise ad hoc.⁶³ The 2005 and 2006 SDF Annual Reports list \$4.6 mn in approved loans and grants for country projects⁶⁴ and regional projects⁶⁵ under the “good governance” title, representing fewer than 4% of approvals. None of the projects currently in the pipeline have the word governance in their “sector” category.

5.2.4 We reviewed various CDB policy and strategic documents on governance and found that the topic is difficult to pin down. It takes on different aspects and emphasis in different documents. There is little consistency in terminology or methodology.⁶⁶ It is not easy to see what has been done differently because of CDB's new emphasis on "governance". Since there is no clarity on what constitutes a "good governance" project, there has been a tendency to give projects this label if not obviously something else;⁶⁷ and this is more likely to be after the event. The concept is vague and its practical application by CDB unclear.

Next Steps: Governance

5.2.5 *In preparation for SDF 7 negotiations, we suggest that CDB prepare a paper setting out a clear strategy on programming in the area of governance, building on the guidelines already prepared. The Governance Programming Paper should contain critical analysis of the aspects of governance in which it is realistic for CDB to be involved; and should set out corresponding commitments to consistent programming in these areas. If CDB were to institute one or more Strategic Thematic Funds (STF), "good governance" might be a candidate topic (See Section 3.3 Technical Assistance, STFs).*

5.3 SOCIAL PROTECTION

5.3.1 The SDF 6 Action Plan (milestone 26) requires 'development with other donors of joint approaches to social protection in CDB's BMCs by 2006. Social protection is defined as "all interventions from public, private, voluntary organisation and social networks, to support communities, households and individuals, in their efforts to prevent, manage, and overcome a defined set of risks and vulnerabilities." This is a broad definition that would exclude little of the normal development agenda. The emphasis on controlling risk provides some focus. However, there is a risk that a CDB approach to "social protection" might fail to find an operational focus.

5.3.2 CDB SDF has supported some projects to reduce vulnerability that one could label social protection, mostly for natural disaster mitigation and response. Such lending was high after the major hurricanes in 2001-04 (almost \$80 mn) compared with 2005 (\$9.3 mn) or 2006 (\$6.5 mn) (see Table 5.2).

TABLE 5.2: SDF (U) COMMITMENTS BY THEME, SDF 5 AND 6

	SDF 5		SDF 6				Total	
	2001-2004		2005		2006			
Item	\$ mn	%	\$ mn	%	\$ mn	%	\$ mn	%
Capability enhancement	73	47	21.5	67	26.4	73	47.9	70
Reduction of vulnerability	79.7	51	9.3	29	6.5	18	15.8	23
Good governance	3.3	2	1.1	3	3.5	10	4.6	7
TOTAL	156	100	31.9	100	36.4	100	68.3	100

Source: SDF Annual Report 2006, Table 1.5: SDF 5 and SDF 6 Total Commitments by Priority Area

5.3.3 In 2004, CDB, with DFID and EU funding,⁶⁸ sponsored a study to examine social protection in Belize, Dominica, Grenada, Jamaica, and St. Lucia. The focus was on social and livelihood vulnerabilities and social safety nets and emergency assistance. A regional approach to social protection was put forward, with a role for CARICOM. The follow-up conference in October 2004 made various recommendations.⁶⁹

5.3.4 A meeting was held in February 2005 between CDB, DFID, the European Commission for Barbados and the Eastern Caribbean (EC), UNDP, and WB, to discuss the conference outcome, to find ways to harmonise efforts within the Region.⁷⁰ WB recently completed a draft Social Protection Strategy for the Caribbean and DFID⁷¹ had prepared a draft Social Protection Policy paper. The EU is funding social protection programmes in St. Lucia (such as the Poverty Reduction Fund), St. Vincent and the

Grenadines and Dominica (e.g. social investment funds, and micro-credit programmes). All wish to move beyond these single intervention approaches to focus on risk management within a social protection framework based on certain principles.⁷² Seven priority areas on which the development partners will work jointly to engage partner governments and regional bodies were also agreed.⁷³

5.3.5 Although various papers on social protection are in circulation, the concept is not yet much used in political and policy discussions in BMCs; and regional initiatives are few.⁷⁴ In 2007, CDB is working on a policy paper on social protection, with emphasis on strategic options, with a target date for draft circulation in late 2007 or early 2008.

5.3.6 The view at the February 2005 donors' meeting was that it was important to rationalise (harmonise) the many overlapping donor-funded initiatives that could broadly be categorised as social protection, but our team found no evidence of subsequent progress on this priority. Experience elsewhere is that rationalisation of donor-funded activities comes mainly through recipient country leadership (See Section 8.1 on Harmonisation and Alignment). We also wonder whether harmonisation should be the focus of attention in an area where there are many gaps and plenty of scope for effective individual action. For example, the social protection agenda does not so far pay much attention to crime, personal security and narcotics, despite the Caribbean having the highest murder rate per capita in the world and a burgeoning illegal drug trade. In this key area, SDF has funded only a small TA grant for a recent conference on Youth, Crime and Violence in the OECS. It is not clear that CDB has yet formulated a social protection agenda for SDF 7 or exactly what such an agenda would entail.

Next Steps: Social Protection

5.3.7 *In SDF 7, CDB should work towards social protection in the Caribbean at two levels. With individual BMCs, CDB can draw upon its traditional strengths to link social, economic and environmental analysis into physical investment so the investments are better designed to consider livelihoods of vulnerable groups and risk reduction for those groups. At the regional level, CDB could measure and compare BMC status and progress in providing social protection to vulnerable populations – the contribution to transparency and visibility would be valuable. CDB should consider a comparative approach to this topic as part of its Annual Economic Review of the Caribbean. Finally, CDB should consider whether it is giving sufficient weight to BMC performance in social protection in its assessment of country performance for SDF (U) resource allocation purposes.*

5.4 REGIONAL INITIATIVES

5.4.1 Support to regional cooperation and integration is part of the CDB Charter. Three developments have made this a vital issue for SDF 6 and 7: first the unfinished business of creating a CARICOM Single Market and Economy (CSME) and the related OECS commitment to economic union; second the fact that RPGs are key to achieving some of the Caribbean Millennium Development Goals (CMDGs); and, third, CDB's goal of becoming a truly pan-Caribbean institution.

5.4.2 These factors of the "new regionalism" underline the importance of strengthening CDB's regional partnerships and institutions, principally through TA grants. The CDB 2005-2009 Plan states that this is one of CDB's four main areas of focus (along with broad-based economic growth, inclusive social development and good governance). Accompanying the 2005-2009 Strategic Plan and timed to support the negotiations on SDF 6, CDB commissioned in May 2005, a policy paper on this subject that focuses on four items: CDB's role in the evolving Caribbean community; strengthening regional governance; the regional economic policy agenda; and the provision and protection of RPGs.

5.4.3 For the first time in a CDB thematic policy, the regional cooperation policy paper sets out its themes in a results-based management framework that stresses outcomes and impacts. Eight priority areas were proposed. The Contributors' Report said CDB should create an operational capacity for regional programming (Action Plan Item #19). In SDF 6, CDB set aside \$10 mn for regional initiatives, twice the allocation in SDF 5.⁷⁵

5.4.4 Both the policy paper and the Contributors' Report had underlined the complexity of regional programming (especially supervision of outside recipients of the funds), the need to look at the experience of other MDBs, and the need to select a limited number of regional interventions that were within the expertise and capacity of Bank staff.

5.4.5 Regional projects received a lot of attention in the 2006 Evaluation of CDB TA (2000 to 2004). Half of the 40 projects sampled were regional or sub-regional (i.e. OECS).⁷⁶ The evaluation team commented on a lack of focus in CDB's regional programming. The Projects Department, CPD and the Economics Department all handle regional projects. There is no single focal point or oversight for this work, although the new PRSD covers three topics that have strong inter-relationships - TA, governance and regional projects. It might be difficult to achieve strategic coherence in regional programming without more organisational focus.

5.4.6 Under SDF 6 to July 2007, there were no regional loans; and most grants were relatively small. Of the approximately \$10 mn in grants approved in the first two years for regional activity, 24 out of 38 projects were under \$100,000. 76% of the funds were accounted for by three projects: (1) preparation of Caribbean building standards (\$1.4 mn); (2) re-introduction of project management training by CDB (\$3.2 mn), and support for CPAs (\$3.1 mn). CDB was the implementing agency for the latter two projects, an arrangement termed 'use of funds', which we believe was appropriate. CDB was the implementing agency for seven other projects among the regional grants.

5.4.7 The evaluation of TA was unable to identify a strong organising effect of the Regional Policy on regional programming,⁷⁷ but perhaps it was too soon.

Next Steps: Regional Initiatives

5.4.8 *Three years after the production of its policy paper on regional programming (May 2008) would be an appropriate milestone to evaluate the effects of that Policy. We suggest that the EOVS Division should produce an evaluation of regional programming under SDF 5 and SDF 6, building on the findings of the 2007 evaluation of CDB's TA operations.*

5.5 NATURAL DISASTER MITIGATION AND RESPONSE

5.5.1 The SDF 6 Contributors' Report and CDB's 2005-2009 Strategic Plan treat environmental sustainability and disaster risk management reduction in the Caribbean as closely related. Specifically, the Report notes under the topic "reducing vulnerability" the objective of mainstreaming natural hazard risk management at regional, national and community levels. Risk hazard management includes incorporating hazard risk considerations into project design, disaster preparedness, disaster mitigation and prevention, and emergency response and rehabilitation. To this end, the SDF 6 Action Plan calls on the Projects Department to strengthen environmental programming; to integrate natural hazard risk reduction into project design; and to integrate the disaster mitigation with all CDB activities.

5.5.2 SDF 6 set aside \$8 mn in grants for immediate disaster response and \$45 mn in loan funding for natural disaster mitigation and rehabilitation, as well as for countries “in fiscal distress”. This was the largest single budget set aside under SDF 6.

5.5.3 The inclusion of the notion of fiscal distress within the SDF financial framework for natural disasters was an innovation. The idea flowed from CDB’s definition of vulnerability reduction that had been presented in SDF 5 as one of the three strategic levers of poverty reduction and later integrated into the 2004 Poverty Reduction Strategy. These two documents focused on vulnerability reduction activities on poorer groups and addressed a range of economic risk indicators as well as natural hazards. This went further than CDB had in SDF 5 when it had merely earmarked an “emergency reserve” for natural disaster response, major economic transitions, and emergencies such as HIV/AIDS, without distinguishing between them.

5.5.4 At the end of 2006, the \$1.6 mn USAID-financed project “*Disaster Mitigation Facility for the Caribbean 2000-2006*” concluded. It had been executed by CDB. This project aimed to assist BMCs in adapting and institutionalising disaster mitigation policies and practices. It also had components aimed at strengthening CDB’s own institutional capacity to implement its (1998) Natural Disaster Management Strategy with a focus on mitigation.

5.5.5 The project laid the foundation for CDB to set up a regional Disaster Mitigation Facility, which includes guidelines for natural hazard impact assessment. These are to be integrated into CDB’s environmental impact assessment procedures. It is beyond the scope of this general review to examine how well this has worked.

5.5.6 Under the USAID project, CDB sponsored training courses for national officials between 2002 and 2006 (Belize, Grenada and St. Lucia being the most active in adopting mitigation policies). CDB also incorporated DDR segments into its CSP process, and adopted common databases for hazard mapping.

5.5.7 IDB announced in June 2006 that it intended to provide CDB with follow-on funding for its Disaster Mitigation Facility, using resources from IDB’s Disaster Prevention Fund set up earlier in the year. This would be a joint IDB-CDB project in the OECS. During this Review (to September 2007), this project was being appraised for later presentation to the Board.

5.5.8 The Projects Department is currently (mid-2007) in the process of taking staffing action to strengthen its environment and disaster management capacity within the newly created PRSD. At present, it has only one professional fully dedicated to the environmental area, and the natural disasters position in the Projects Department was terminated when the USAID programme concluded.

5.5.9 The Contributors’ Report calls for hazard risk assessment to be integrated into all capital project designs. We are told that a risk appraisal and risk reduction strategies where relevant are included in project appraisal documents. It was beyond the scope of this Review to examine a sufficient sample of documents to confirm this.

5.5.10 Few resources have been used. In the first two years of SDF 6, only \$160,000 of the \$8 mn set aside for disaster response grants has been used. Most of the \$45 mn SDF 6 loan resources set aside for disaster management and fiscal distress has been used to provide two PBLs, to Belize (\$10 mn) and to St. Kitts and Nevis (\$8 mn). There have been three natural disaster loans, two to Grenada for post-Hurricane Ivan reconstruction (\$7.9 mn) and to Barbados (\$500,000) for critical coastal erosion control. In 2005, an immediate response loan to Grenada for natural disaster management (\$650,000) and an immediate flood response loan to Guyana (\$500,000) used remaining SDFU 5 funds. CDB contributed to

a multi-donor WB-coordinated Regional Catastrophic Risk Insurance Facility. CDB's Board approved this in May 2007. CDB's participation should provide an opportunity to be active in a multi-donor forum and might lead to identification of further programming opportunities.

Next Steps: Natural Disaster Mitigation and Response

5.5.11 There should be a clear set-aside of SDF (U) funds for environmental protection and natural resources management separate from funds to help BMCs in fiscal trouble.

5.5.12 CDB's PRSD needs to have sufficient expertise in natural disaster mitigation, which we suggest is three professional staff. Expertise is key to being pro-active with BMCs, preparing the relevant sections in CSPs and mainstreaming natural hazard risk impact assessment in CDB's project work.

5.6 GENDER

5.6.1 We believe that the SDF 6 Contributors' stress on gender justifies a lot of attention to the topic in this mid-term review. Gender improvement has been a priority for all MDBs.⁷⁸ However, it is probably fair to say that they have not been as successful in this arena as some bilateral development agencies.⁷⁹ In the SDF 6 Report, the Contributors stressed the importance of "recognition to the special characteristics of poverty and gender equality in the Caribbean."⁸⁰ The SDF 6 Action Plan committed CDB to completing gender assessments for ten BMCs and integrating gender into CDB's operational guidelines. The CDB Strategic Plan 2005-2009 sets as one of its eleven corporate priorities "to promote gender mainstreaming and gender management systems," a phrasing that was not as strong as some other objectives.⁸¹ Gender was seen as a key component of fostering inclusive social development, which we see as an important but potentially limiting connection.⁸²

5.6.2 CDB has three social development analysts who incorporate gender into Bank work. It is vital to women's well being, however, that their economic needs and contributions be recognised as well as the social dimension. Governance issues can be different for women and girls than for men and boys. In addressing justice institutions, for example, CDB cannot assume that police, prosecutors, and judges will respect the rights of girls and women. A CDB TA programme did successfully bring the issue of domestic violence home to police forces in a number of BMCs.⁸³ There was also a TA project that looked at gender differences in education. Both of these projects had limited one-time funding. In sum, casting gender as a social issue risks under-recognition of women's role as economic producers and as investors in the next generation. The use of a social development framework to incorporate gender in CDB's work has disadvantages. It would be preferable to recognize, as well, that both economic roles and governance roles are determined, to an important extent, by gender and to take this into account in grants and loans.

5.6.3 Of course gender concerns are not solely the province of females. Where men or boys face discrimination or social barriers because of their gender, then CDB should equally address those inequities. Youth and Development is a new cross-cutting issue for the Bank. Young Caribbean males seem to be in trouble, with an increasing dropout rate and decreasing representation (presently about 30%) in Caribbean university enrolment. The growing differential in male/female educational attainment seems to be class-based and not endemic to all young males. Nevertheless, the numbers of male dropouts are growing with adverse consequences for education outcomes, human capital development and social stability. Gender (male roles) appears to be a factor but other factors (drugs, crime, economic dislocations) also appear to be influential. In response CDB has funded small projects in St. Lucia and St. Kitts dealing with youth and crime. As well, CDB supported a study by scholars at the University of the West Indies (UWI) on male underachievement in the Caribbean.

Responsibility for Gender at CDB

5.6.4 In 2004, an expert on gender was brought into CDB as the gender specialist in BNTF. She has been tasked with producing a gender strategy for BNTF.⁸⁴ Her scope includes a work plan, semi-annual reports, and annual reviews of the status and impact of BNTF on gender equity.⁸⁵ CDB plans to hire a second gender expert to work in PRSD.

5.6.5 In our opinion, a senior CDB executive needs to be the “champion” for gender equity, in addition to having support from staff experts. That champion would assume responsibility and accountability for CDB’s work in regard to gender. Different development agencies have done this in various ways but have found uniformly that the combination of seniority and expertise is needed to effect change.⁸⁶ At the same time it is the responsibility of each officer of the Bank to consider gender issues each time a loan or grant is designed.

5.6.6 IDB, AsDB and AfDB have all had gender policies and action plans for more than a decade.⁸⁷ Our desk review of best practices indicated that the AfDB is in the forefront, at least in terms of its “Gender Plan of Action – 2004 to 2007”.⁸⁸ The AfDB policy sets out a plan for full gender-sensitive management in each major policy, programme unit and project.⁸⁹

SDF 6 Action Plan Commitments

5.6.7 CDB’s Corporate Strategy (2005-2009) made a commitment to produce a Gender Strategy. This has not yet been done.⁹⁰ Nevertheless a significant amount of work is underway. Social Projects Division, which administers BNTF, is developing generic TOR for gender assessments. The target date for their completion is December 2007. CSPs have recently begun to cover gender. However, only the St. Kitts and Nevis CSP has included significant treatment of gender as a development constraint (see Table 5.3).

TABLE 5.3: GENDER IN CSPS

CSP	Year Approved	Gender Analysis Included	Specific Strategy/Actions for Addressing Gender inequity/ opportunities/CMDG 3
Guyana	2002	No	No
St. Lucia	2005	Minor	No
Belize	2006	Minor	No
St. Kitts and Nevis	2006	Yes	Social Sector Sub-Goal

Diversity in CDB Employment

5.6.8 The female-male balance in CDB’s management reflects the size of the ‘feeder group’ by sex.⁹¹ The ratio of female executives and managers to female non-managerial staff is 59%, and the male ratio is 48%. However, men outnumber women by almost two-to-one in professional positions, while administrative positions are mainly held by women.⁹² Interviewees, both male and female, mentioned that there are no women in CDB’s Senior Management Group and Loans Committee.⁹³

Next Steps: Gender

5.6.9 *CDB needs to meet its commitment to producing a Gender Strategy and conducting gender-and-development assessments in ten BMCs before the end of SDF 6, and to report the results during negotiations for SDF 7.*

5.6.10 *In completing its Gender Strategy, CDB should follow the example of other MDBs in formulating its internal gender policy at the same time as its external gender strategy.*

5.6.11 *A gender analysis should be a mandatory part of each future country strategy paper, policy-based loan design and CPA.*

5.6.12 *We suggest that CDB, while it is Chair of the Interagency Taskforce on Gender, might initiate a significant regional TA project on gender and development in the Caribbean.*

5.6.13 *CDB has two staff experts in gender, one in BNTF and one in PRSD. This is an allocation of resources equal to that in larger MDBs. However, given the importance of gender problems for both females and males in the Caribbean at present, and their likely impact on development, we believe that CDB needs additionally to designate a “champion” for gender in the senior ranks of management*

5.6.14 *Given the importance of gender in the SDF 6 Contributors’ Report, we suggest that a special report on CDB’s work in gender be prepared prior to the SDF 7 negotiations.*

5.7 ENVIRONMENT

5.7.1 CDB is committed to good environmental stewardship and to ensuring that its operations are environmentally sound. In the past, it has made grants and loans in a number of key areas, notably drainage, sewage and waste water treatment, and disaster mitigation works, all associated with environmental benefits. As the Contributors’ Report⁹⁴ notes, the Caribbean faces many important and urgent environmental problems including coastal erosion, deforestation, loss of habitat and declining ecological diversity, soil erosion, urban sprawl, traffic congestion and air, water and land pollution. Consequently, CDB and Contributors agreed that environmental improvement would be a vital part of SDF 6 operations. CDB and SDF (U) Contributors have set targets for achievement in SDF 6, as shown in Table 5.4.

TABLE 5.4: ENVIRONMENTAL TARGETS

Targets Stated in the Contributors’ Report	Targets Stated in CDB Operational Strategies	Targets Stated in the SDF 6 Action Plan
<ul style="list-style-type: none"> • Review environmental policy and strategy. • Strengthen environmental programming. • Strengthen environmental policy. 	<ul style="list-style-type: none"> • Establish sustainability as a priority. • Lend for environmental projects. • Provide TA for environmental capacity development. • Review environmental policy. • Support MDG clean water provision. 	<ul style="list-style-type: none"> • Review environmental policy. • Strengthen environmental programming. • Integrate hazard risk into projects.

SDF 6 Action Plan Targets

5.7.2 CDB’s commitment to reviewing its environmental policy has two aspects - a policy review and a review of operational guidelines.

5.7.3 An evaluation of CDB's Environmental Review Guidelines was undertaken in 2006.⁹⁵ The evaluation found that CDB's procedures are aligned with those of other MDBs. However, it found that environmental concerns are "compartmentalised" within the Bank. The evaluation team also conducted a survey of CDB client organisations that might have been expected to be concerned with environmental matters. It found a relatively low level of interest in and knowledge of CDB's environmental work. "Many of the institutions surveyed seemed to have little or no contact with CDB." Participation in environmental training, advice and joint work was minimal.⁹⁶ The review made recommendations⁹⁷ for improved practice.

5.7.4 Consultants⁹⁸ have been contracted to carry out the policy review. In mid-2007, this review is underway and CDB intended to circulate a discussion paper in late 2007. The inception report of the environmental policy review⁹⁹ noted that poverty reduction, disaster risk management and environmental sustainability are closely linked. However, we note that having set-asides for all three in a single basket can lead to short shrift for the natural environment if fiscal disasters absorb the lion's share of resources. The inception report raises issues in regard to trade liberalisation being linked with stronger environmental protections, more emphasis on climate change and disaster mitigation, and greater use in analysis of the "sustainable livelihoods" approach. Coastal zone management, deforestation and water resource management were identified as important priorities. These recommendations are similar to observations in the SDF 6 Contributors' Report.

Strengthen Environmental Programming

5.7.5 The Contributors' Report envisaged that environmental sustainability should receive a significantly increased priority in SDF 6.¹⁰⁰ This theme is repeated in CDB's statement of corporate priorities for the remainder of SDF 6.¹⁰¹ To implement this priority, CDB has two Environmental Operations Officers, including one starting in late 2007.

5.7.6 To ascertain whether CDB's environmental outputs have been strengthened, we tabulated the relevant projects and analysed commitment flows over the SDF 5/6 period (but not disbursements, which may be quite a different picture). We distinguish between grants directly for increasing capacity (ability to plan and deliver environmental services and investments) and those that may, depending upon content and impact, indirectly make a contribution to capacity. They are categorised by the SDF 6 report as capacity enhancement or vulnerability reduction and we have retained this distinction. We also examined the flow of loans completely or partly funded by SDF (U) that have an element of disaster mitigation.¹⁰² We found 12 initiatives in 2005 and 2006.¹⁰³ We also examined approvals for the first six months of 2007 but found no direct grants for capacity development and only one indirect grant, for the development of a Caribbean agricultural monitoring system. Table 5.5 describes commitments of TA to capacity development in the environmental area by year and funding source.

TABLE 5.5: TA FOR ENVIRONMENTAL CAPACITY BUILDING (\$'000)

Year	Total	SDF Contribution	Contributions from Other Sources
Direct commitments			
2001	336	336	0
2002	156	156	0
2003	20	20	0
2004	0	0	0
2005	79	50	29
2006	1,643	1,643	0
2007	0	0	0
Indirect commitments			
2001	5,738	3,103	2,643
2002	282	282	0
2003	7,073	3,417	3,656
2004	93	93	0
2005	3,598	3,598	0
2006	1,160	1,160	0
2007	50	50	0

Sources: SDF Annual Reports 2004 and 2006¹⁰⁴

5.7.7 In summary, the large TA commitments in certain years reflect a small number of larger grants. In the SDF 6 period, the grant for Caribbean Building Standards and the grant for project management training in BMCs constitute 74% of the total grant funding in this area. We found two environment-targeted loans approved in 2005 and 2006 (Table 5.6).¹⁰⁵

TABLE 5.6: ENVIRONMENT-TARGETED LOANS, BY YEAR (\$'000)

Year	Total	SDF Contribution	Contribution from other sources
2001	8,350	2,030	6,320
2002	None	None	None
2003	3,057	1,314	1,743
2004	13,175	4,166	9,009
2005	500	500	0
2006	500	500	0
2007	0	0	0

Sources: SDF Annual reports 2004 and 2006¹⁰⁶

5.7.8 There are several projects under consideration but not yet approved as at April 2007¹⁰⁷ mainly on urban waste management.¹⁰⁸ CDB has interested itself in the establishment of solid waste management systems in Guyana; a regional study of the feasibility of rain water harvesting, regional; solid waste management in St. Vincent and the Grenadines; and informal settlement regulation in St. Vincent and the Grenadines.

5.7.9 The SDF 6 Action Plan envisaged the integration of hazard risk considerations into project design. Integration in this case is open to different interpretations and it is not clear from the limited discussion in the Contributors' Report¹⁰⁹ what exactly was envisaged. CDB has been hindered in its environmental work by insufficient staff dedicated to the matter. This reflects to some degree a general staffing problem. One staff member with responsibility for environmental screening across the range of operations was clearly insufficient. This situation has improved with the arrival of a second staff member dedicated to environmental matters in PRSD. However, capacity problems are unlikely to be fully ameliorated because it is such an important and complex area of work and impinges on so many CDB activities.

5.7.10 Disaster response and reconstruction have been prominent in the project portfolio of CDB in SDF 6. Loans have included \$11.2 mn to Grenada for the reduction of vulnerability, largely funded by SDF (U). Some CDB staff stated that there is little demand from BMCs for environmentally linked loans. This may reflect a diversion of attention to disasters, but may also reflect the failure of some BMCs to perceive the long-term benefits of investment in environmental protection. Many governments' discount rates are high; and long-term benefits, even if potentially great, are discounted in favour of immediate priorities.¹¹⁰ One fundamental problem facing CDB is that the environmental loans and TA it has to offer are not, apparently, immediately attractive to borrowers. In the final analysis, it is the responsibility of BMCs to put environmental legislation and regulatory/administrative structures in place and to draw upon CDB's assistance in this area.

5.7.11 Some development banks, especially WB,¹¹¹ have taken initiatives on climate change and global warming. The consensus of scientific opinion is that climate change is likely to contribute to a worsening of environmental problems globally and in the Caribbean. Effects are unknown but there are possibilities of an increase in hurricane frequency following sea warming, changes in rainfall distribution and intensity leading to watershed damage and increased coastal erosion. The state of the art of climate prediction does not allow precise forecasts. CDB needs to consider how it can position itself in regard to this issue in the longer term.¹¹² CDB has aided the Caribbean Community Centre for Climate Change, and provided grants for natural hazard training and other forms of institutional strengthening. However, the scale of the effort remains small.

Next Steps: Environment

5.7.12 *CDB should complete and implement a new policy on the environment. The scope of the policy should include the environmental impacts of natural disasters but should not be limited to them. There are many other important man-made environmental problems in the Caribbean.*

5.7.13 *In our opinion, the environmental criterion in the SDF (U) performance-based resource allocation formula should be given more weight and set-asides for environmental grants, separate from disaster mitigation, should be established.*

5.7.14 *In addition to mainstreaming environmental review in its lending and granting activities, CDB should focus upon training for environmental management, expanding consciousness of environmental issues, regional debate, publicity, and cooperation with CARICOM on the environment and with the Climate Change Centre.*

5.7.15 *At its small scale of operations, CDB should seek niches where it can make a significant difference in environmental matters. For example, renewable energy sources are important to small economies that rely on small expensive generating plants.*

5.8 PRIVATE SECTOR DEVELOPMENT

5.8.1 CDB supports private enterprise in the Caribbean as a means of economic growth and poverty alleviation. It does this by lending to the private sector, by making loans and grants to governments for private sector development (including infrastructure investments¹¹³); and by supporting the CTCS Network (with expanded support during SDF 6¹¹⁴). Grants funded during SDF 6 supported training; improvements to the enabling environment for small and medium enterprises (2005); and the Fifth Microfinance Roundtable (2006). CDB included some private sector related conditions in its OCR-funded policy-based lending to Belize and to St. Kitts and Nevis and its reconstruction support to Grenada. However, the 2007 evaluation of CDB's TA operations¹¹⁵ noted a secular declining trend in CDB's involvement in TA for private sector development.¹¹⁶

5.8.2 At the end of SDF 5 (2004), CDB produced a Private Sector Strategy Paper.¹¹⁷ The strategy had three major elements: to support the private sector by providing finance and TA for development of new businesses and products (including finance for business-related infrastructure where appropriate); to catalyse larger investment flows to BMCs, and to help develop Caribbean capital markets; and to create an enabling policy environment for the private sector and to encourage private investment.

5.8.3 The SDF 6 Contributors' Report¹¹⁸ suggested that, to achieve poverty-sensitive private sector development, the focus for SDF 6 should be on improving the policy and institutional environment for SMEs. This includes expanding SDF-financed TA (including CTCS), strengthening organisations and institutions that work with the private sector, enhancing human resources, and supporting the development of financial intermediaries (see Contributors' Report Section 3.58). The Contributors' Report encouraged support for CTCS ("a key tool"), strengthening financing intermediaries (and especially women's access to them) and expanding CDB's outreach to microfinance institutions (3.63). A significant part of CDB's lending for private sector purposes has been to development finance institutions (national development banks); but CDB has had difficulty finding sound partners. CDB's 2005 rating of FI performance found only 10 out of 17 institutions had performed satisfactorily or better,¹¹⁹ with common problems of poor management and bad debts.

5.8.4 In addition, CDB has committed itself to broaden and strengthen relationships with microfinance institutions (including strengthening the regulatory framework in which they operate). This has also proved a challenging area. There have been no new loans for microfinance during SDF 6. One interesting development has been the SDF grant to a private sector institution (MICROFIN) to assist it to expand in several BMCs. The grant was used to train staff, improve information technology and fund consultancies. Implementation, however, has been slow. This project, if successful, could help bring commercial firms into a field hitherto dominated by the public sector.

5.8.5 Contributors welcomed CDB's intention to re-examine guidelines for the micro-finance guarantee programme. The Microfinance Guarantee Fund was created in 1999 to provide a guarantee for lines of credit to specialised microfinance institutions. The initial funding was \$5 mn. However, commercial banks have been reluctant to take on even the subsidised risk that is involved. This is explained in part at least by the poor financial performance of many financial intermediaries. The unused portion of the fund is now \$6.4 mn. CDB has scheduled a review of its private sector strategy for 2007 that will include a review of the guarantee programme.

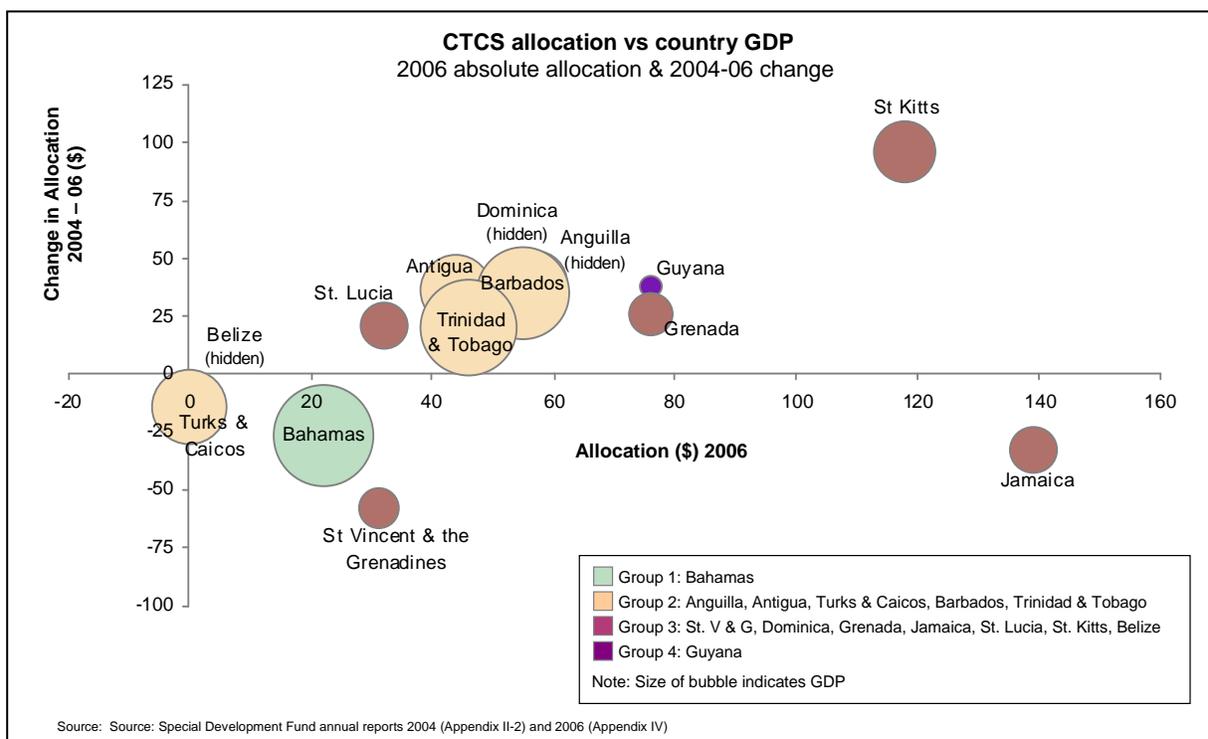
5.8.6 The CTCS Network is one of the main ways in which CDB has supported the private sector. CTCS provides subsidised consultant help to individuals and small companies that need advice in setting up or running a business, obtaining finance, skills training, finding markets or dealing with management or production problems. Workshop-based training complements individual advice. The service is managed by a unit in the Projects Department that works with local organisations in each BMC to take requests for assistance and match them to expertise.

TABLE 5.7: CTCS ALLOCATIONS (\$'000), BY BMC, 2004 AND 2006

Country	GDP per capita (\$)	2004 Allocation	2006 Allocation	2004-2006 Change
Group 4				
Guyana	1010	38	76	+38
Group 3				
St. Vincent and the Grenadines	3600	89	31	-58
Dominica	3800	15	54	+39
Grenada	3900	50	76	+26
Jamaica	4600	172	139	-33
St Lucia	4800	11	32	+21
St Kitts and Nevis	8200	22	118	+96
Belize	8400	13	0	-13
Group 2				
Anguilla	8800	18	57	+39
Antigua	10900	8	44	+36
Turks and Caicos	11500	14	0(1)	-14
Barbados	18400	20	55	+35
Trinidad and Tobago	19800	26	46	+20
Group 1				
Bahamas	21600	49	22	-27
Total		545	1236	

Source: SDF Annual Reports 2004 (Appendix II-2) and 2006 (Appendix IV)

Overall, CTCS allocations more than doubled between 2005 and 2006 and disbursements largely match allocations with the exception of Guyana (overspent) and St. Lucia (under spent) (Table 5.7).¹²⁰

FIGURE 3: CTCS ALLOCATIONS, BY BMC

Next Steps: Private Sector

5.8.7 *When CDB reviews of its Private Sector Development Strategy, it should focus on grants to improve the policy and institutional framework for small business, on the CTCS, and on grants and loans to facilitate small enterprise and microfinance.*

5.9 CDB AND AIDS

5.9.1 AIDS is such a humanitarian disaster and such a great generator of poverty that it is unbecoming for a leading development institution in the Caribbean to stand aside on the issue. CDB is challenged by HIV/AIDS even more now that Haiti has joined as a borrowing member. The Caribbean region has the second highest incidence in the world after sub-Saharan Africa (an estimated 1% of the population of the OECS 5,000\600,000). The OECS has identified HIV/AIDS as a serious threat to its long-term development. It has received assistance from the Global Fund to Fight AIDS, Tuberculosis and Malaria, under the Pan-Caribbean Partnership with other donors. Even more striking, there are approximately 300,000 sufferers in Haiti. Unless the Caribbean is able to control and eventually reverse the pandemic, the prospects for successful development will be seriously compromised.

5.9.2 CDB refers to HIV/AIDS in its strategic documents, including acknowledging the adopted Caribbean indicators for MDG #6 that addresses AIDS, malaria, tuberculosis and other communicable diseases. Both SDF 5 and SDF 6 Contributors' Reports called on CDB to support the Regional Plan of Action and help BMCs prepare proposals for accessing the Global Fund (SDF 5 set aside \$10 mn for this purpose). However, CDB has no current activity in regard to HIV/AIDS. A \$150,000 TA grant to Belize for control and prevention of HIV/AIDS, approved in 2003, was still not in full operation in 2007.

Next Steps: HIV/AIDS

5.9.3 *In the last years of SDF 6 and in SDF 7, CDB must act with clarity, determination and energy on the HIV/AIDS crisis. To prepare the way, CDB should review its strategy to respond to HIV/AIDS and should propose future programming options to the Board. In our opinion, it is not sufficient to leave this vital matter entirely to other specialised agencies.*

6. MANAGING FOR DEVELOPMENT RESULTS

6.01 There are several schools of management theory. Three of the main ones are the human relations school, which emphasises the primacy of people in organisations (Elton Mayo, Abraham Maslow); the pragmatic school of management (William James in the early 20th century and Jack Welch of General Electric in the late 20th century); and, third, scientific management (Adam Smith, F.W. Taylor, Peter Drucker on "management by objectives"). Management for Development Results (MfDR) is in the scientific management tradition that emphasises targets, measurement and strategic planning. For most of the past century, the centrally planned economies followed this model. It is worth spending at least these few sentences putting MfDR into context because, although it has much to offer CDB, it is not the only school of management theory nor is it the dominant one in advanced mixed market economies.¹²¹ It is, however, high profile among MDBs.

6.1 RESULTS-BASED FRAMEWORKS

6.1.1 All the MDBs have initiatives related to MfDR.¹²² The terminology was reflected in the Paris Declaration on Aid Effectiveness.¹²³ It was also one of the four main themes of the Report of Contributors to SDF 6. The SDF 6 Action Plan emphasised strengthening development effectiveness and MfDR. Specific commitments in that Plan included preparing a results-based Strategic Plan 2005-2009,

updating and preparing results-based country strategies, and developing joint approaches to MfDR in selected BMCs.

6.1.2 As well, the Action Plan envisaged that the “results” would be increasingly defined in terms of the Caribbean-specific targets for MDGs. It also envisaged that CDB would consider the principles and targets enunciated by the Paris Declaration on Aid Effectiveness (2005) and align its approach to MfDR with those principles and targets so far as the CDB Board adopts them. (Table 6.1)

TABLE 6.1: COMMITMENT TO MFDR

<p>Country and Regional MfDR</p> <p>1. Support for development of Caribbean-specific MDG targets and indicators.</p> <p>2. Capacity-building in BMCs for measuring, monitoring and assessing¹²⁴ MDG targets</p> <p>Institutional and Corporate MfDR</p> <p>7. Implementation of strengthened country strategy process, including development of increased-results orientation.</p> <p>8. (a) Completion of CDB Strategic Plan 2005-2009</p> <p>(b) Further development of Results Based Management (RBM) in CDB operations.</p> <p>MfDR through Partnerships and Harmonisation</p> <p>30. Development of joint approaches to MfDR in selected BMCs.</p> <p>33. Paris Declaration Indicators modified and adopted.</p>

Source: Resolution of Contributors to SDF 6, October 13, 2005, p.33

6.1.3 Multilateral organisations, donors and partner countries are focusing their efforts on achieving country-led development results – that is, outcomes that improve the lives of citizens, especially the poor, and that contribute to sustainable growth.¹²⁵ The genesis of “managing for development results” was in the renewal of public sector management in general in the past 20 years.¹²⁶ There has been worldwide public sector reform aimed at giving public sector managers the authority and responsibility to manage not only inputs and activities, but also meaningful outputs and outcomes.¹²⁷ It is a tool used by public sector senior management teams to signal the government’s priorities and to align the work of agencies to their strategic objectives.¹²⁸ MDBs have some experience in applying results frameworks to produce outcomes¹²⁹ by using results-based strategy and performance frameworks.¹³⁰ For example, AsDB Pacific Region has a working model for coding and analysing project results and aggregate results, and aggregate portfolio results (country, sector or thematic).

6.2 RBM

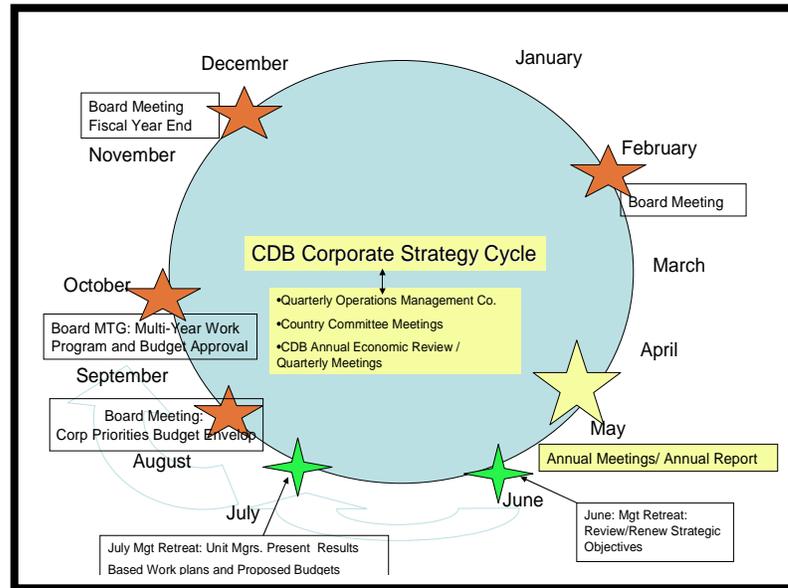
6.2.1 The SDF (U) Contributors signaled a strong commitment to managing for development results throughout their 2005 Report. A year later the CDB Strategy 2005-2009 followed suit. It reflected significant progress in institutionalising results management in the CDB’s strategy and corporate plan. CDB Strategy 2005-2009 committed CDB to use the Caribbean MDGs (CMDG) in evaluating its own work.¹³¹ Contributors expected CDB to build capacity and to help BMCs use a results-based approach to achieve CMDGs.

6.2.2 The Strategic Plan was followed in 2007 by the beginnings of a results-based performance framework, sometimes called the “Cascade”, which is a hierarchy of priorities. This framework has several strengths and has room for further development. One notable omission is that there is no measurable indicator for achievement of the CDB mission statement. The five strategic objectives are clear but measurable targets are not fully developed. They are supported by 11 expected outcomes with “indications”. These indicators are not yet fully Specific, Measurable, Achievable, Relevant and Time Targeted (SMART).¹³²

6.2.3 The CDB’s working document for the July 2007 retreat, entitled “CDB’s Corporate Priorities and Administrative Budget Envelopes for 2008-2009,” begins to align budgets with desired outcomes. For example, for the corporate priority to create “a modern effective public sector capable of delivering valuable public service”, it notes that this priority has “attracted \$60.5 mn or 20% of the value of the loans in 2005/07,” of which 60% goes into “strengthening and modernising public utilities and infrastructure”.

6.2.4 In June 2007, CDB instituted an ‘all management’ (as compared with executive managers only) meeting to discuss a strategic priorities paper. Staff will be guided by the priorities in their work plans for the next year. Division Heads will develop results-based and budgeted work plans, aggregating individual staff plans and presenting them at a management retreat, normally in July. After the retreat, the Finance and Corporate Planning Department will finalise the corporate priorities for discussion with the Board at the August meeting. It will then prepare the strategy and budget for Board approval in October. This is generally the cycle CDB plans to follow in the future. Each of the management steps seen in Figure 4 offers an opportunity to review progress markers towards desired outcome level results at the portfolio and country level.

FIGURE 4: OPPORTUNITIES TO REVIEW PROGRESS ON DEVELOPMENT RESULTS



Source: Author

CDB Project Results Frameworks

6.2.5 The essential elements of an MfDR system are: objectives that are both meaningful and measurable; a manageable number of key performance indicators (KPIs) that are SMART,¹³³ baselines and targets for the KPIs; and progress information at both project and portfolio levels.

6.2.6 A full portfolio analysis was outside the scope of this Mid-Term Review. However, review of a small sample of projects indicated that CDB’s project development objectives were not always clear about outcome commitments.¹³⁴ Baseline information seems relatively rare but it was not within the scope of this study to explore the degree to which such information exists for CDB projects. We found that the work that goes into developing the Logframes needs to be strengthened technically, or perhaps replaced by more robust results frameworks.¹³⁵

Gender and MfDR

6.2.7 CMDGs for gender include three targets and nine indicators that focus on equal education for males and females and the elimination of impediments to economic equality. The targets call for action to increase women's representation in local and national elected bodies and to reduce gender-based violence by 60%. The projects we examined suggest that these commitments need to be addressed more systematically in CDB's portfolio.¹³⁶

Next Steps: Results Frameworks

6.2.8 *The next generation of CDB strategic plans should include further analysis of relative priorities among CDB's poverty-reduction objectives, an analysis of whether the existing portfolio of loans and TA is a good fit with those relative priorities, and a measurement system for tracking both CDB's performance and overall Caribbean progress towards specific objectives. CDB should use the CMDGs and Targets as the framework against which to manage and measure its progress towards results.*¹³⁷

6.3 RESULTS-BASED COUNTRY STRATEGIES

6.3.1 The Contributors' Report called for better CSPs, with a timetable for producing them. In 2005, in response to the SDF (U) Contributors' Report, the first of a new generation of CSPs (the St. Lucia CSP) was completed. The international community is now experimenting with moving beyond individual donor country strategies to amalgamating donor strategies into one harmonised development strategy, plan, and results framework for each country and sector, used by all development partners alike, including non-government organisations.¹³⁸

6.3.2 CDB has made progress in developing country strategies, but slowly. Three country strategies have been approved by CDB since 2005. Several CSPs have been in draft for a considerable time. Seven are planned for 2007 and seven for 2008. The St. Lucia CSP will be revised in 2009. (Table 6.2)

TABLE 6.2: TIMING OF CSPS, BY BMC

BMC	Approved CSP	Most Recent CSP	Next Planned CSP
Anguilla		n.a.	2008
Antigua and Barbuda		n.a.	2007
Bahamas		n.a.	2008
Barbados		n.a.	2007
Belize	√	2007-09	2010
British Virgin Islands		n.a.	2008
Cayman Islands		n.a.	2008
Dominica		2001-03	2007
Grenada		2000-02	2007
Guyana		2002-05	2007
Haiti		n/a.	2009
Jamaica		1999-2001	2007
Montserrat		n.a.	2008
St. Kitts and Nevis	√	2007-09	2010
St. Vincent and the Grenadines		n.a.	2007
St. Lucia	√	2005-08	2009
Suriname		n/a	n/a
Trinidad and Tobago		n.a.	2008
Turks and Caicos		n.a.	2008
Prepared by Economics Department		n.a. = Not available	n/a = not applicable

6.3.3 It is unclear how much the CSP influences the pattern of lending. CSPs do not have a results framework that aligns the current and planned portfolio with CDB outcomes, although alignment is sometimes mentioned in the text. Commitments to targets are scarce.¹³⁹

6.3.4 Each CSP is the product of an Economist in the Economics Department. It is not yet the product of a fully engaged cross-CDB team, despite the fact that a focus on desired outcomes usually requires a multi-sector and multi-disciplinary approach. A joint regional strategy or joint country strategies with other Contributors and non-governmental entities for smaller countries may be worth pursuing. This mid-term review did not include country visits so it was not possible to explore the BMCs' perspectives.

Results Focus in the Country Strategies

6.3.5 The three CSPs approved since 2005 contain deeper analysis of country conditions and other donor programmes than previous CSPs. The Belize CSP, for example, provides a thorough analysis of the government's current economic and social challenges and an in-depth report on IDB, DFID, other donor and CDB's assistance relative to these challenges. It provides valuable information for development practitioners, as do the St. Lucia and the St. Kitts and Nevis CSPs. The Belize CSP sets forth a modus operandi for CDB's programming based on the Paris Declaration principles, and describes objectives in these terms. The CSPs for St. Lucia and St. Kitts and Nevis have strategic objectives that focus on development results. All three CSPs put considerable emphasis on explaining the government's direction and attempt to align the CDB pipeline to support the government's development objectives. Nevertheless, the results frameworks in all three recently-approved CSPs need rethinking to move from a project-by-project orientation to a more general framework of results targets.¹⁴⁰

Next Steps: Country Strategies

6.3.6 *CDB should give high priority to producing excellent country strategies by cross-department interdisciplinary teams, working within the framework of CDB's Strategic Plan, making clear commitments to specific results, clarifying accountability for country strategy implementation (country focus), and evaluating performance against those strategies and reporting to the Board on a regular basis. BMC perspectives on CDB country strategies need to be explored in the upcoming multi-cycle evaluation of SDF (U), and in preparing SDF 7.*

6.4 CMDGs

6.4.1 CDB has been a leader in the development of the CMDGs. In 2004, in partnership with UNDP, CDB invited BMC representatives from Finance, Planning and Statistics Ministries to a regional meeting to discuss adapting the MDGs to Caribbean circumstances. A follow-up 2005 meeting with CARICOM was attended by delegations from 17 BMCs and Suriname. Also attending were representatives of civil society, United Nation agencies and the President and senior staff of CDB. A paper presented by CDB, and a UNIFEM paper prepared for CARICOM suggesting gender indicators, were discussed in the 2005 workshop meetings.

6.4.2 The output of the two meetings was the Caribbean-specific MDGs. These were considered in June 2007 at CARICOM and sent to the high-level forum, the Council for Human and Social Development, in August 2007. Endorsement by the Council constitutes endorsement by BMCs. This is an example of significant leadership by CDB on MfDR.

6.5 MFDR AND PARIS DECLARATION INDICATORS

6.5.1 Improvements to managing individual projects against KPIs are important, but managing the portfolio against CDB's commitment to strategic results is crucial. The correct direction is to move beyond multiple projects with separate sets of indicators and targets to sets of interventions (portfolios) that share common results frameworks.

6.6 EVALUATIONS

6.6.1 Evaluation commitments had a prominent place in the SDF 6 Contributors' Report. CDB aspires to building a "knowledge bank" for itself and its member countries, and evaluation is a key part of this. One of the six themes for SDF 6 articulated by the Contributors' Report was "planning for a multi-phase evaluation of SDF (U)". In addition, several action items referred to strengthening, monitoring and evaluation or referred to specific evaluations (Table 6.3).

TABLE 6.3: EVALUATION COMMITMENTS, ACTIONS AND STATUS AT AUGUST 2007

Evaluation Commitment	Action and Status
Plan for a multi-cycle evaluation of SDF (U) (SDF 4 to SDF 6)	Done in part. Three component evaluations completed. Synthesis evaluation scheduled for 2007-08
Mid-Term Evaluation of BNTF	Evaluation underway. Will report in 2008.
Evaluate CDB's approach to environmental impact	Done. See Section 5.7.
Evaluate CDB project appraisal (EIA) requirements and procedures	Environmental Review Guidelines evaluated in 2006. (See Section 5.7)
Evaluate CDB's TA operations	Done. See Section 3.3.
Use the Project Performance Evaluation System (PPES) more fully in BNTF	Not done, but not clear to us that this is practical at the very small scale of BNTF projects. The current mid-term evaluation of BNTF may comment.
Use PPES to monitor TAs over a certain size and reporting the performance of TAs over a certain size along with the loan performance data in the annual report to the Board on portfolio performance	Not done.
Using MDGs (with Caribbean-specific targets) as a framework for monitoring and assessing SDF 6	Not done. Not clear that this is practical, given the methodological problems inherent in trying to attribute changes in MDGs to CDB interventions
Improve PPES	Done. See Section 6.7
Improve the Project Performance Monitoring System (PPMS)	Proposal for major overhaul is pending.

Source: EO, CDB, August 2007

6.6.2 During SDF 6, 2005-2008, the EO, Division expects to produce 71 products. It has three professional staff and an annual budget of approximately \$400,000. Major evaluations are normally contracted out to independent evaluators. The work programme is shown in Table 6.4. It includes four thematic evaluations (Environment Review Guidelines, 2006 described in Section 5.7; Natural Disaster Management, 2007, Human Resource Development, 2008 and Poverty Reduction, 2009).

6.6.3 EO, undertakes post-implementation project evaluations, programme evaluations and project performance audit reports (PPARs). Apart from the thematic evaluation listed above, EO, will complete eight programme evaluations during SDF 6 (Disaster Management Facility for the Caribbean, 2005; the Student Loan Scheme, 2006; TA and CTCS, 2007; Mortgage Finance, Agricultural and Industrial Lines of Credit, and the Canadian Technical Cooperation Fund, 2008; Development Finance Institutions, 2009; four sector evaluations (education, 2007; rural development, 2008, road transportation, and urban renewal/human settlements, 2009). EO, is working on a joint evaluation with the International Fund for

Agricultural Development in Belize, addressing the *Community Initiated Agriculture and Rural Development Project*.

6.6.4 EOJ will also undertake a special multi-cycle evaluation of the SDF 4 and 5 in 2008, and will complete its first Country Strategy Evaluation in 2009. In addition, it plans four methodological working papers and other oversight-related products as listed in Table 6.4.

TABLE 6.4: WORK PROGRAMME OF EOJ DIVISION BY YEAR

Report	2005	2006	2007 Planned	2008 Planned	2009 Planned	Total
PPARs	0	0	1	2	2	5
Post-Implementation Project Evaluations	1	1	2	2	2	8
Sector Evaluations	0	0	1	1	2	4
Thematic Evaluations	0	1	1	1	1	4
Programme Evaluations	2	1	2	2	1	8
Special Evaluation Study				1		1
Annual Portfolio Review	1	1	1	1	1	5
Verification Report of Project Supervision Reports (PSRs)	1	1	1	1		4
Validation Reports	1	1	1	1	1	5
Disbursement Reports	2	2	2	2	2	10
Quality at Entry				1	1	2
Quality of Supervision				1	1	2
Quality of Economic Sector Work				1	1	2
Management Action Reports			1	1	1	3
Country Strategy Evaluations	0	0	0	Paper	1	2
Oversight Reports (Internal Audit)	2	1	1	1	1	6
Total	10	9	14	20	18	71

Source: EOJ, CDB, August 2007

Joint Learning by CDB and Member Countries

6.6.5 CDB's EOJ Division has produced evaluation studies that should be useful to policy makers in BMCs as well as to the Bank. Therefore, in the spirit of joint accountability and learning embodied in the Paris Declaration on Aid Effectiveness (2005), we suggest that CDB's evaluation reports and management action plans arising from them be public documents.

Governance of Evaluation

6.6.6 The greater the independence of the EOJ Division, the more objective it can be and the more valuable to CDB will its findings be. To achieve independence, ideally, the Evaluation Division should stand outside the normal hierarchy of management responsibility and control.

6.6.7 Other MDBs, including WB and AsDB, have their evaluation divisions (called Independent Evaluation Divisions to emphasise the point) report to the Board through a "Committee for Development Effectiveness" (CODE). This Committee oversees evaluation (including staffing and budgets¹⁴¹) and approves the multi-year evaluation strategy (reviewing its integration with CDB operations strategy) and evaluation work plans. CODE approves the evaluation division's budget; and reviews the *Annual Report on Portfolio Performance* and all evaluation approach papers, final evaluation reports and management responses to the recommendations of evaluation studies. CDB does not have a resident Executive Board, so committee work is not easy to organise and may tend to fall on the shoulders of members who have representatives resident in Barbados. Nevertheless, the potential importance of a CODE would justify some investment and innovation, perhaps in a "virtual" CODE.

Evaluation Inputs from other CDB Departments

6.6.8 CDB's CPD is responsible for the Bank's overall "results framework"; the Projects Department is responsible for project performance monitoring and scoring; and the Economics Department is responsible for producing results-based country strategies.

6.6.9 Some aspects of this joint system need work. For example, CDB sector strategies papers need but sometimes do not have a "results architecture" against which to manage and measure the CDB sector portfolio. Each CSP should include a performance measurement system to provide clear linkages between project performance and country and sector objectives. Logframes need to be more results-oriented and the results commitments in those Logframes need to be better monitored.¹⁴² Project Completion Reports (PCRs) and PSRs are sometimes not available in a timely manner, with consequent delays in reporting to the Board.¹⁴³ PSRs are not always completed and signed off quickly after each milestone,¹⁴⁴ the Annual Report on Portfolio Performance being late. The shift of responsibility to EOV to produce this Report, while well intentioned to improve timeliness, was not well advised since EOV has no authority to command the necessary inputs. Responsibility is best left to the Projects Department since the performance data is generated in that Department. The responsibility of EOV should be an oversight responsibility (audit and testing of the performance scores assigned by the Projects Department), not producing the report itself.

Next Steps: Evaluation

6.6.10 CDB should consider improving the visible independence of the EOV Division by having it report directly to the Board, as is best practice in other MDBs, and instituting fixed term¹⁴⁵ non-renewable appointments for Directors of Evaluation.¹⁴⁶

6.6.11 CDB's EOV should prepare a multi-year Evaluation Strategy and Workplan as a working paper in support of the SDF 7 negotiations. In this regard, we have recommended, in other sections of this Review, that evaluations be conducted of: (a) regional programming; (b) CPAs and strategies; and (c) private sector development.

6.6.12 Evaluation should be a prominent feature of CDB's website homepage, and all evaluation products and their related management action plans should be posted to the site within six months of completion.

6.7 PORTFOLIO PERFORMANCE MONITORING

6.7.1 CDB monitors project performance, and portfolio performance, in its PPMS. Information on each project is entered into the system at each stage of the project cycle. Project performance scores are part of the information. CDB has a PPES that produces these scores. PPES contains six performance criteria: strategic relevance, poverty relevance, efficacy, cost efficiency, institutional development impact, and sustainability.

6.7.2 In principle, the performance scores (PPES) are updated when PSR is prepared; and PSR is, in theory, due within two weeks of the project supervisor returning from a field visit. In practice, many PSRs are done much less frequently. There is an automatic calculation based on the PPMS data that flags "projects at risk".

**TABLE 6.5: PORTFOLIO PERFORMANCE SCORES,
ALL ACTIVE LOANS, 2004 AND 2005**

Country	2004		2005	
	No. of Projects	Performance Score (0-10)	No. of Projects	Performance Score (0-10)
Countries with three or fewer projects				
Anguilla	02	6.4	03	6.7
Antigua and Barbuda	03	4.9	03	4.8
Bahamas	01	3.9	01	3.9
British Virgin Islands	03	5.8	02	6.1
Cayman Islands	01	5.7	01	5.7
Montserrat	02	1.5	0	0
Trinidad and Tobago	04	6.9	02	6.9
Turks and Caicos Islands	02	4.5	02	4.9
Regional	02	5.8	02	5.9
Countries with five or more projects				
Barbados	06	5.4	05	5.4
Belize	11	5.9	11	5.9
Dominica	10	6.2	10	6.1
Grenada	09	6.3	09	6.2
Guyana	08	6.6	10	6.6
Jamaica	10	5.9	11	6.2
St. Kitts and Nevis	09	5.8	10	6.0
St. Lucia	16	6.3	15	6.2
St. Vincent and the Grenadines	07	6.3	10	6.5
Total	106	6.0	107	6.1

Source: CDB EOv, July 2007

Findings on Portfolio Performance Monitoring

6.7.3 In mid-2007, the main problems with CDB's portfolio monitoring were:

- (a) project data was not being input into PPMS in a complete and timely fashion. At June 30, 2007, information on 62 of 103 active loans was complete. Of the 62, a Division Chief had signed off 19. Of the 41 projects with incomplete information, 16 had no information in PPMS related to performance monitoring at supervision. The others had various amounts of information but were not complete;
- (b) because the information in PPMS was not complete and up-to-date, Managers could not rely on the 'projects at risk' red flags to alert them to problems;
- (c) although required, few PCRs were completed. Several SDF (U) reviews over a long period of time have commented on the lack of PCRs;¹⁴⁷
- (d) the data in the *Annual Report on Portfolio Performance* to the Board was currently about a year in arrears. In July 2007, data for 2006 was not fully available. The 2006 Annual Report on Project And Portfolio Performance is likely to be presented to the Board in December 2007 or later;
- (e) the reasons for the lack of timely input to PPMS are beyond the scope of this general mid-term review of SDF (U). Some staff think that the computer system is not as user-friendly as it should be. However this does not seem to be the root cause of the non-completion problem. CDB has experience of tardy completion of supervision reports and PCRs that pre-dates the present system. EOv is not waiting for a sign-off by a Division

Chief before the data that is entered by a Portfolio Manager can be used for reporting purposes, while recognising that the later review and sign-off might affect the final PPES scores. The basic problem remains that a large percentage of active projects do not have a complete and up-to-date supervision record in PPMS (about 40% of active loan projects, and all TA projects, in July 2007, did not have complete supervision records in PPMS);

- (f) data for TA projects was not being input to the system after the initial input of project data that is necessary to obtain a project registration number (PRN). It has been suggested that only large TA projects (projects over \$100,000 that require a Logframe) should be monitored through the PPMS and Portfolio Performance Index (PPI) systems. However, this seems less than satisfactory because there are many important TA projects with smaller budgets than this;
- (g) PPI is unstable for countries that have a small portfolio, say three or fewer active projects. One additional good or bad project can change the country's average performance score radically. This has adverse implications for SDF (U) resource allocation by a formula that includes a portfolio performance variable. The Review of the Resource Allocation System (See Section 2.8) recommended using three-year rolling averages as input to the resource allocation formula; and
- (h) since PPI was designed, CDB has instituted a stronger focus on MfDR. The link between monitoring project performance in PPMS and managing for development results needs to be clarified. In principle, the "efficacy" criterion in PPI is based on results. However, the connection needs to be made explicit.

6.7.4 The Board should receive the Annual Review of Portfolio Performance at its May meeting (up-to-date to the end of the previous December). This was recommended in the 2004 Annual Portfolio Performance Review and noted as "outstanding" in the 2005 Review.¹⁴⁸ In our opinion, to enable this to happen, and to serve management needs, CDB needs to achieve up-to-date status on its current project records in PPMS every six months, i.e., data should be up-to-date at mid-year and end-of-year. Once this on-time standard is achieved for loan projects, CDB should begin requiring input of full supervision data (including PPES scores) for all TA projects over \$100,000. At a later date, data for all TAs over \$25,000 should be fully inputted. The Projects Department takes a risk-based approach to managing projects, whereby projects-at-risk receive more attention. To facilitate this, all projects must be processed within PPMS, performance data in PPMS has to be kept up-to-date, and the project-at-risk red flags need to be monitored.

Next Steps: Project Portfolio Monitoring

6.7.5 *The portfolio information available to management to guide decision making, and presented to the Board, must become timelier and more complete.*

6.7.6 *Project officers need to be supported and encouraged to keep the records for their projects up-to-date. To do this, some procedures may have to be simplified. It may be possible to provide more mobile technology to the operations officers so they can enter information in the field. Light notebook computers (or docking computers), web-based access to PPMS forms, and voice-recognition software for hand-held recorders are possibilities.*

6.7.7 *Since this work is all done in the Projects Department, CDB should consider whether responsibility for PPMS and for the Annual Report On Portfolio Performance should reside there rather than with EOv.*

6.8 CDB-BMC JOINT APPROACHES TO MfDR

6.8.1 It became clear to CDB representatives during the meetings on CMDGs that poor statistical data was an important constraint for most countries in making use of CMDGs. One response has been to reemphasise CPAs, ten of which are supported by CDB. Another response by CDB has been to fund training for demographers – a three-year programme starting with 100 participants at UWI in the summer of 2007 - in order to advance country capacity to gather statistical evidence for programme planning and performance measurement.

6.8.2 Nevertheless, CMDGs¹⁴⁹ expanded the MDG targets from 18 to 25 and the number of indicators from 48 to 90.¹⁵⁰ We wonder whether this was wise given the weak statistical capacity in the Caribbean. One of the basic tenants of MfDR is “keep it simple - use a few, but vital indicators”.

6.8.3 The SDF 6 Action Plan did not articulate explicit targets for progress on MDGs in 2005-2008. CDB has been an active member of the SPARC project as mentioned in Section 5.1.4. CDB is the executing agent for an IDB grant of \$350,000. It partnered with UNDP, UNIFEM and UNECLAC in Grenada in implementing a countrywide questionnaire that provided social data for the Poverty Reduction Support Programme. It supported the Barbados government in preparing its first Human Development Report (for 2009). CDB intends to work with UNDP to support IT capacity building, and to improve access to data.¹⁵¹ There have been two recent capacity-building projects, one in Jamaica for public sector reform and one in Barbados for financial sector reform, that are aimed at the governments’ capacity to manage performance. But overall, CDB has not emphasised MfDR as part of its public sector reform efforts.

Next Steps: MfDR

6.8.4 *CDB should be an active participant in the worldwide Managing for Development Results Community of Practice sponsored by DAC and other MDBs; and should be the lynchpin for the extension of this community of practice to its BMCs in the Caribbean. CDB should create links with current international work on MfDR, and should be represented at international forums on MfDR; and active within the communities of MfDR practice. In substance, CDB’s challenge is to conceptualise and implement a seamless “results architecture” for achieving CMDGs. To assist with this, CDB should form a network of MfDR managers across its departments. This MfDR Network could concentrate on sharing lessons, identifying resources, and customising learning strategies for managers. It could also work with key partners including BMC governments on MfDR.*

7. MEMBERSHIP

7.01 Contributors emphasised the importance of expanding CDB’s membership during SDF 6. There are many good reasons for this, including reaching the scale of operations needed to achieve CDB’s mission of being the premier development organisation in the Caribbean. However, one must keep in mind that CDB is, in fact, a small organisation that has taken on significant responsibilities with Haiti as a borrowing member, and may need time to digest those responsibilities.

7.1 MEMBERSHIP EXPANSION

7.1.1 The *Resolution and Report of the Contributors to SDF 6* established four broad themes for the Sixth Cycle, one of which was the planning for, and implementation of, the expansion of BMC membership. On this basis, the TOR for this mid-term review of SDF 6 require that the Consultants “report on the progress of efforts to expand CDB’s borrowing and non-borrowing membership of CDB and to ensure additional contributions to SDF (U).”

7.1.2 Membership expansion is an important matter for the Bank because its mission and strategy is to be the premier multilateral development institution in the Caribbean. This requires an expansion of its membership, and expansion of SDF (U) in order to have the resources to work with a broader borrowing membership (staff resources, capital resources, and an AAA credit rating).

7.1.3 The context, on the positive side, is that China joined CDB in 1998. Haiti became a CDB member in 2007. Several countries have indicated an interest in membership, including Suriname and the Dominican Republic. On the negative side, France withdrew from membership of CDB in October 2000 and the Netherlands, which had been a significant contributor to SDF (U), ceased to contribute after SDF 4. The Bank has undertaken a major commitment in accepting Haiti as a borrowing member, while, at the same time; its SDF (U) contributor base has significantly eroded with the loss of France as a member and with the inactivity of past SDF (U) contributors including the Netherlands and the United States. The shortfall in expected contributions was covered in SDF 5 and SDF 6 by expanded contributions by the UK and Canada. This provided CDB with a breathing space in which to take the initiative to invite new membership applications.

7.1.4 CDB developed a membership expansion strategy in 2006. The implementation of the strategy has emphasised high-level contacts with prospective members. This is appropriate, but such contacts need to be supported by detailed written staff analysis of each case for accession.

7.2 NEW BORROWING MEMBERS

7.2.1 In the past two years, CDB has approved membership of two new BMCs, both full members of CARICOM - Haiti and Suriname. Haiti’s membership is discussed in Section 3.5. Suriname has not completed the membership requirements.¹⁵² There were two points in the SDF 6 Action Plan that assumed a successful conclusion to Suriname’s membership application as a Category 4 country: (a) CDB should prepare an indicative programme, including considerations of delivery capacity, and (b) CDB should conclude an agreement with the Government of Suriname on an initial programme. However, this work cannot proceed without closure on Suriname’s membership application.

7.2.2 The Dominican Republic has indicated an interest in becoming a member of CDB. The Dominican Republic is a member of the regional system governing EU-Caribbean relations under CARIFORUM. It is not a member of CARICOM although it has had observer status for two decades, at one point asking unsuccessfully to join, and has a free trade arrangement with CARICOM. The Bank included the Dominican Republic in a list of potential members in its 2006 membership strategy document, notwithstanding the country’s decision to give first priority to its membership in Central American trade and development institutions under the Central American Integration System (SICA) rather than those of CARICOM. In the trade area, there is the US-Central American Free Agreement known as CAFTA-DR. In the development area, there is the Central American Bank for Economic Integration known as CABEL, where the Dominican Republic has been a paid-in non-regional member eligible for (non-concessionary) borrowing since late 2006 (along with Panama).

7.2.3 If the Dominican Republic were to join CDB, it would be the first Spanish-speaking borrowing member. This would be a major step towards CDB becoming a truly pan-Caribbean institution. At the same time, there would be challenges in programming for a borrowing member whose linguistic, cultural and historical traditions are largely outside CDB's past experience. There could be major benefits for both CDB and the Dominican Republic but success would require intense preparation by the Bank, changes within the Bank and appropriate resources. (See Section 4.2 Country Focus).

7.2.4 Finally, mention was made in the Bank's membership strategy document (2006) of the Netherlands Antilles as a possible regional borrowing member. The Netherlands Antilles is a five-member independent entity (dominion) of the Kingdom of the Netherlands, which controls foreign policy and defence. The Netherlands Antilles is active with CARICOM Secretariat in regard to trade matters.

7.3 REGIONAL NON-BORROWING MEMBERS

7.3.1 The three regional non-borrowing members of CDB are Colombia (accession 1974), Mexico (1984) and Venezuela (1973). The rationale for their membership is their position as Caribbean nations. All contributed to each replenishment of SDF (U). (Mexico contributed to "SDF Other" in SDF 1 and SDF 2). In addition, Mexico and Venezuela, have contributed to CDB's other concessionary funds from time to time.

7.3.2 Their SDF (U) contributions were \$3 mn each for the past three replenishments, with the exception of Venezuela's contribution of \$3.6 mn in SDF 6. This means that the real (after inflation) contributions have been declining. Their SDF contributions total 11% of SDF (U) resources over the six cycles and 6.5% in SDF 6. This is considerably more than their 2.89% share of OCR capital. All three countries are classified as emerging donors.

7.3.3 The Mexican, Columbian and Venezuelan Directors on the CDB Board have often interested themselves in CDB administrative and transaction costs. It may be that expansion of CDB's borrowing membership in the Spanish-speaking Caribbean islands might naturally kindle increased interest in SDF programming.

7.3.4 Mexico has generally preferred to contribute to earmarked funds in OSFR. Whether this would change if CDB established Strategic Thematic Funds (See IDB, Section 3.3) is impossible to say in advance.

7.3.5 Venezuela has expressed a preference that its National Development Bank be the agent for its fast-expanding oil revenue-based foreign assistance, which is part of President Chavez's challenge to the Bretton Woods multilateral system. CDB could perhaps expand its role as a development partner to Venezuela but Venezuela appears to be emphasising other channels of development financing at present.

7.3.6 Costa Rica and Brazil are also potential CDB members. Both countries are emerging donors. Costa Rica has extended its bilateral technical cooperation programme and diplomatic presence in the CARICOM region during the present decade and sees itself as a linchpin nation between the two sides of the Caribbean Sea. It enjoys good relations with CARICOM. It has progressive development policies (these are best known in the sustainable environment area) and has a strong multilateral tradition looking outward from the Central American region.

7.3.7 Brazil has geo-political interests in the Caribbean as part of its general position in the Americas. It has indicated an interest in CDB membership and may formally present an application. If so, the application would likely to be accepted. However, Brazil's substantial participation in the Bank has still to be negotiated.

7.4 NON-REGIONAL NON-BORROWING MEMBERS

7.4.1 CDB has had non-borrowing members since its inception in 1969. UK and Canada were the two founding non-borrowing members from outside the Region. Of course both have strong historical links with the Caribbean and current interests as well.

7.4.2 Now that CDB intends to expand its borrowing membership, particularly in the Spanish-speaking Caribbean, it makes sense to think of complementary expansion of the non-borrowing membership as well. That is, a strong part of the case for new non-borrowers is that they have economic, linguistic and cultural links with CDB's expanded regional borrowing membership. Thus Spain, India, and the Netherlands are potential non-regional members. Nigeria, with its strong historical connections with Caribbean people, could conceivably be another, if its economy continues to grow rapidly.

7.4.3 Another important motive for CDB is to attract new non-borrowing members to maintain its Triple-A credit rating, France's resignation lowered the ratio of Triple-A callable capital to total callable capital, and this needs to be repaired.

7.4.4 CDB faces the task of balancing new non-regional membership with the desire to retain voting majority of regional members. There was a proposal to enshrine this principle in the CDB Charter but it seems likely to remain informal but generally agreed. The principle brings with it the requirement that BMCs maintain their capital contributions in line with their voting rights. Given their budgetary constraints, changes may have to be phased in gradually. The balance could possibly be maintained by expanding regional and non-regional membership at the same time, but it is unlikely that the accession timing could be controlled that finely.

7.5 NON-TRADITIONAL MEMBERS

7.5.1 In 2007, CDB amended its charter to allow non-state members. The context was the possible accession of the European Bank for Investment (EIB), which did not come to fruition.¹⁵³ However, the change in the Charter opens up possibilities for innovation. The international development community has changed since the formation of CDB. In particular, private foundations have become important and the number and size of multilateral financial institutions, including special purpose funds, have greatly increased. Private foundations are major donors to development organisations and they bring new ideas as well as new resources.

Next Steps: Membership Expansion

7.5.2 *The efforts of the past five years have not yet succeeded in expanding CDB's membership, which seems to call either for a change in strategy or approach, or for a reassessment of the objective. If the intention remains to expand membership substantially, it may be that more structure and more resources would help. CDB should consider establishing a Membership Task Force supported by a secretariat headed by a Vice-President or the President and staffed by perhaps two professional analysts. To assist with such an effort, Contributors to SDF 7 should consider special funding to cover the significant temporary costs of implementation of the CDB expansion strategy. CDB needs to prepare intensively for proactive approaches to prospective new members. Each accession case should focus on the benefits to the prospective member, but should also include a "change management" process for the Bank itself if linguistic and cultural changes are needed to accommodate the new member country. The new approach might involve an integrated strategy for expanding CDB membership based on clusters of related regional and non-regional countries – i.e., for example, simultaneous accession of Spain and one or more Spanish-speaking BMCs, with changes in CDB to accommodate the new members' needs.*

8. PARTNERSHIPS

8.1 HARMONISATION AND ALIGNMENT

8.1.1 The alignment and harmonisation agenda arises from the concern that multiple donors in many poor aid recipient countries, each seeking their own priorities, carrying out their own analyses and requiring separate reporting for their money, imposes an excessive burden on the limited government capacity of recipient countries. Furthermore, it reduces government's initiative in management and policy. The Rome Declaration 2003 and the Paris Declaration 2005 emphasise alignment and set out principles and targets to be achieved in reducing the transaction costs of aid for recipient countries. The Organisation for Economic Cooperation and Development DAC has carried out annual surveys of progress in implementing the alignment and harmonisation agenda, generally finding small improvements in using simplified procedures and practices, joint analytical work, focus on delivery of development results, delegated cooperation, common procurement and financial management procedures, and common arrangements for sector wide approaches and budget support.¹⁵⁴ However, integrated strategy and programming seems a long way off.¹⁵⁵

Relying on Government Systems

8.1.2 Progress in reliance on BMC institutions and systems has been slow. This is partly from ingrained habit and partly because many BMC systems (for example in managing environmental risks, see above) remain unreliable.

8.1.3 Participants at a recent IDB workshop on harmonisation and alignment in the Caribbean (and Latin America):

"...discussed in depth the need to identify the criteria used by donors to assess national country procedures. They enquired if there are country strategies and donor agency action plans that would guarantee the use of national procedures, and questioned what could be done to understand the evaluation criteria for the use of country systems. In addition, they highlighted the importance of defining the mechanisms and minimal requirements for the use of national procedures. (Section 2.2)"¹⁵⁶

8.1.4 To achieve more use of country systems, in close consultation with partner countries, donors need to agree on standards, changes in policies and legislation needed on both sides (mutual accountability), how to monitor progress, and a capacity development plan of:

"specialised institutional development and training support, benchmarking of countries against agreed standards, and positive recognition—even certification— of the countries that comply with and apply the standards. Such...standard-setting and rating functions should be in large part independent of donors."¹⁵⁷

CDB Work on Alignment and Harmonisation

8.1.5 The SDF 6 Contributors' Report stated its intention "to strengthen CDB's participation and, as appropriate, leadership in partnerships, harmonisation and alignment". Table 8.1 summarised progress to mid-2007.

TABLE 8.1: HARMONISATION AND ALIGNMENT TARGETS AND ACHIEVEMENTS

Target	Achievement
Milestone 26. Development with other donors of joint approaches to social protection in CDB's BMCs.	Collaborative research and reporting on social protection has progressed. See Section 5.3 Social Protection.
Milestone 27. Implementation of cooperative approaches to CPA updates and NPRS development.	CDB-supported CPAs are presently underway in collaborative fashion in several BMCs. See Section 5.1.
Milestone 28. Further development of joint approaches to disaster mitigation and disaster risk management.	See Section 5.5 on Natural Disaster Mitigation and Response
Milestone 29. Development of joint approaches to support for economic adjustment under CSME and Doha Round.	See Section 3.4 Policy-Based Lending.
Milestone 30. Development of joint approaches to MfDR in selected BMCs.	No "community of practice" has evolved.
Milestone 31. Caribbean Forum for Development (CFD) first major meetings under CDB coordination and management.	Status remains undecided.
Milestone 32. Progress on harmonisation and alignment agenda, e.g., in environmental protection and other RPGs, public sector procurement policies, Caribbean Regional Negotiating Machinery, and other pilots.	No significant changes in approaches to regional public goods in 2005 or 2006.
Milestone 33. Paris Declaration Indicators modified and adopted.	Some Paris Declaration indicators have been adopted in the CDB Strategic Plan, with targets to be achieved by 2010.

8.1.6 The Paris Declaration on Aid Effectiveness provides certain consensus targets for harmonisation and alignment.¹⁵⁸ For example, the Paris Declaration targeted for 2010 that at least 25% of all aid would be provided as general budget support (programme-based approaches, including SwAps).¹⁵⁹ The Paris Declaration target for general budgetary support (to which CDB does not subscribe) is 25% of aid to BMCs by 2010. The intention of the Paris Declaration is that budgetary support would be provided through programme-based approaches, including SwAps? CDB has limited its PBL to 20% of its whole outstanding portfolio. This seems at first glance to be less than the Paris Declaration target, but the 25% target is of flows (new approvals) while the 20% target is of stock (whole existing portfolio). Therefore, the Paris Declaration targets can be easily accommodated within the CDB constraints.

8.1.7 CDB conducted a review of its progress on partnership, harmonisation and alignment in December 2006.¹⁶⁰ It lists the relevant CDB actions, but does not assess progress against targets.

8.1.8 The recent "Costs of Doing Business with CDB" study notes the higher transaction costs involved in activities funded by multiple donors. CDB relies upon BMC government systems in some cases but in general, conducts extensive due diligence itself. The "Costs of Doing Business Study with CDB" notes complaints about CDB procedures and consequent delays, but it is difficult to say the degree to which these are objective.

8.1.9 A way forward to achieving greater reliance on government systems without sacrificing fiduciary confidence is suggested by OECD DAC. It involves independent verification of the standard of BMC government management systems. On the basis of which CDB would undertake to use government systems once those systems reach an acceptable standard. A concerted (harmonised) undertaking¹⁶¹ by donors to do this increases demand for acceptable standards to be maintained in government financial management.

Next Steps: Alignment and Harmonisation

8.1.10 *CDB should consider how its due diligence procedures might be simplified, particularly by relying more on BMC government systems when these are adequate.*

8.2 JOINT INITIATIVES

8.2.1 The SDF 6 Contributors' Report and Action Plan deals with joint initiatives as part of its discussion of MfDR. (See Chapter 6). It notes that the "Results Agenda" calls for action at three levels, including partnerships, harmonisation and alignment. CDB has objectives in each area.¹⁶² Progress has been made in a number of areas.¹⁶³ CDB joint initiatives have been concentrated in the two areas of poverty reduction and operationalisation of MDG goals. For example, CDB participated in the UNDP led multi-donor SPARC. CDB has also promoted participatory approaches with other stakeholders to its PRSs and assessments. The Bank has also mobilised support for strengthening national statistical collection and reporting capacity related to MDGs. CDB's main publication product in the initial SDF 6 timeframe was in this area: *A New Perspective on Poverty in the Caribbean: Strength of a Participatory Approach*.

8.2.2 There has been modest new SDF (U) funding for regional harmonisation initiatives, with respect to CSME or with respect to the environment/disaster reduction mitigation area. One exception was the November 2006 *Regional Conference on Research Support for Caribbean Integration/CSME* organised by CDB, which was successful in obtaining consensus on research agenda priorities at a critical turning point in the CSME process.

8.2.3 In general, the Bank's promotion of strategic partnerships with other MDBs and bilateral donors has been confined to the specific projects. The Haiti education project being co-financed with WB, and the coordinated approach between CDB and EU for policy-based support for St. Kitts and Nevis for the post-sugar economy, are the clearest examples of recent partnerships.

8.2.4 CDB relations with IDB are good and there is a commitment to co-financing strategies in the disaster mitigation area. As well, SDF funds have contributed to joint financing of a forum for consultation with Caribbean civil society. At the same time, IDB is setting up a separate Caribbean Division as a new geographic branch, perhaps with implications for CDB. In 2006, CARICOM in concert with the US Government, and with the logistical and financial support of WB together with IDB and the Organisation of American States, held a major international dialogue on the future of the Caribbean: *The Caribbean - a 2020 Vision* (Washington, June 2007). The topics covered (the impact on the region of the evolving global trade environment, the social agenda, financing needs in infrastructure, the private sector and the diaspora's role in long-term development and stability) are all relevant to the CDB Strategic Plan. At the 2007 CARICOM Summit, the Heads of Government adopted a Declaration on Functional Cooperation, which foresees a review of the role of all Caribbean regional institutions.

The EC as a Partner

8.2.5 Neither the EU nor the EC is a member of CDB (CARIFORUM is the EC's main institutional affiliation in the Caribbean). However, the EC, although not a contributor to SDF (U), does contribute to a CDB special fund. If the Dominican Republic becomes a member of CDB that will simplify matters from the EC point of view because it will mean that all the members of CARIFORUM are then members of CDB. There may be opportunity for closer collaboration between CDB and the EC given their common interests. For example, the EC provided a grant, under the Cotonou Protocol, to St. Kitts and Nevis that was related to adjustment to a poor fiscal situation and CDB is providing a PBL for reform in public finances related to the same adjustment.

8.3 COORDINATION

8.3.1 The SDF 6 Action Plan called on CDB to organise the first meeting of CFD in 2005. The first meeting took place in Barbados in 2005 under the title *Managing Caribbean Transformation for Competitiveness*, but no report has been published and no programme for ongoing activity has been prepared by the Bank and adopted by its members. CDF replaced the longstanding Consultative Group (CGCED) forum. This group was coordinated and facilitated by WB until 2003. The idea of CDB assuming coordination leadership was to transfer ownership for donor coordination to the Caribbean and to emphasise strategic thinking among BMCs and ownership of coordinated initiatives. The Forum's preferred instrument for doing so was to be a regularly organised Forum Dialogue to be held every two years.

Next Steps: Harmonisation and Alignment

8.3.2 *CDB has opportunities to harmonise and align with BMC governments and its partner development agencies, and as well to contribute to the development of CSME. As the main development bank resident in the Caribbean, it could assume a central role in harmonisation and coordination discussions. The emphasis that the Paris Declaration on Aid Effectiveness placed on harmonisation and coordination adds some urgency. CDB's policy-based lending also offers an opportunity to promote harmonised and coordinated approaches to development. In its own activities, CDB should study how to achieve greater reliance on BMC government systems without sacrificing its due diligence responsibilities. We also recommend that CDB should establish a secretariat for the CFD and prepare a five or six year agenda for meetings of the Forum. Activities of the secretariat and the Forum should be an eligible use of SDF (U) funds.*

9. CONCLUSION

9.01 In summing up progress against SDF (U) commitments, it is good to remind ourselves that CDB is a very small organisation. There is a natural tendency to forget this and to assess progress as if CDB were another MDB comparable with institutions many times its size. Our general assessment is that CDB does need to be larger (to scale up) and that, at the same time, it needs to focus on doable objectives within its principal priorities. Contributors should resist, as far as possible, the tendency to require commitments in too many areas at once.

9.1 PROGRESS ON SDF 6 COMMITMENTS

9.1.1 Our TOR requires a review of CDB progress against 23 action items as follows:

1. Support for development of Caribbean-specific MDG targets and indicators and capacity building in BMCs for measuring, monitoring and assessing progress towards MDG targets.
 - Progress has been good on developing Caribbean-specific MDG targets. CDB has shown leadership in this. There has also been progress in poverty assessments supported by CDB. However, CDB's contribution to capacity building in its BMCs to measure and monitor progress against MDGs has been limited. See Chapter 6 Section 6.4 Defining Results in Terms of Caribbean MDGs.
2. Strengthening results-based poverty reduction programming by updating CPA. This may involve implementing cooperative approaches to CPA updates for all BMCs, and developing NPRSs, according to a timetable.

- Progress on updating CPAs has been slower than anticipated but nevertheless substantial. CDB needs to accelerate its efforts, to be more focused on strategy and action and less on poverty assessments alone. See Section 5.1 Poverty Reduction.
- 3. Launch of reformulated and strengthened project formulation and project management training for CDB's BMCs.
 - Done. See Section 5.4 Regional Initiatives.
- 4. Identification through CSPs of capacity building requirements to strengthen CSME implementation, economic management, policy development in regard to RPGs, and public sector reform. Identification of carefully selected priority programmes for supporting regional and sub-regional integration. Establishment of an operational policy and programme planning capability for regional programming and RPGs.
 - Modest progress. An operational policy and programme for regional cooperation and integration, focused on RPGs, has not yet been produced. See Section 6.3 Results-Based Country Strategies and Section 5.4 Regional Initiatives.
- 5. Implementation of strengthened country strategy process according to timetable, including development of increased results orientation.
 - Some examples of strengthened process and improved results orientation, but country strategy process needs major improvements. See Section 6.3 Results-Based Country Strategies.
- 6. Completion of CDB Strategic Plan 2005-2009, and further development of RBM in CDB operations.
 - Achieved. See Chapter 6 Managing for Development Results.
- 7. Operationalisation of CDB's PRS
 - Commitment to targets needs improvement. See Section 5.1 Poverty Reduction.
- 8. Operationalisation of CDB's governance strategy
 - Operational guidelines for programming in the various areas of governance have not yet been produced. See Section 5.2 Governance.
 - Programme development and delivery capacity for Haiti, and agreement with Haiti on an initial operational programme.
 - Good progress in CDB's initial approach to programming in Haiti. The capacities that CDB needs to work successfully with Haiti are still to be mobilised. See Section 3.5 Programming in Haiti.

- Assuming that Suriname completed membership formalities, develop an appropriate programme and delivery capacity for Suriname, and reach agreement with Suriname on an initial operational programme.
 - Suriname has not completed its membership of CDB. See Section 7.2 Borrowing Members.
9. Review of environmental policy and strategy, and strengthening of environmental programming and integration of natural hazard risk reduction into project design.
- CDB has completed an evaluation of environmental policy and strategy. An Action Plan will be formulated based on the evaluation. The Environmental Policy has been revised and the Guidelines updated. See Section 5.7 Environment and Section 6.6 Evaluations. Integration of the disaster mitigation function into CDB's permanent establishment.
 - No action after termination of the USAID DRM programme. See Section 5.5 Natural Disaster Mitigation and Response.
10. Comprehensive gender assessment for ten BMCs and integration of gender into CDB social and operational guidelines.
- Slow progress. See Section 5.6 Gender.
11. Strengthened operational policy capability for poverty reduction, governance, environmental and natural hazard reduction.
- CDB needs to develop operational strategies and pro-active approaches to programming in governance, the environment, natural disaster mitigation and response and gender. All need considerable work to reach targets by the end of SDF (U) 6. See Section 5.7 Environment, Section 5.5 Natural Disaster Mitigation and Response, Section 5.6 Gender.
12. Policy-based Lending.
- CDB has undertaken two PBLs. It is too early to assess progress on the related governance reforms but these should be evaluated before the end of SDF 6. See Section 3.4 Policy-Based Lending.
13. Review of lending policies and project modalities.
- No formal written review is available. See Section 3.4 Policy-Based Lending. Procurement procedures have been addressed and harmonised in the new procurement guidelines.
14. Mid-term evaluation of BNTF 5 and preparation of BNTF 6.
- This evaluation was underway at the time of this Mid-Term Review. See Section 3.2 Basic Needs Trust Fund.
15. Strengthening monitoring and evaluation. Key milestones: (a) Evaluation of CDB's Environmental Guidelines (b) Evaluation of the Assessment (EIA) requirements and procedures, (c) Evaluation of CDB's TA operations, (d) Extension of PPES to BNTF

and selected TAs, and (e) Integration of MDGs and Caribbean-specific targets as a framework for monitoring and assessment of SDF 6.

- The EOV Division has made good progress over the past two years, with a productive programme of evaluation products. Some changes in governance are needed. See Section 6.6 Evaluations.
16. Development with other donors of joint approaches to social protection in CDB's BMCs.
 - Very slow progress on joint approaches to social protection. See Section 5.3 Social Protection.
 17. Further development of joint approaches to disaster mitigation and disaster risk management.
 - In the first two years of SDF (U) 6, only \$160,000 of the \$8 mn grant set aside for disaster response has been used. See Section 5.5 Natural Disaster Mitigation and Response.
 18. Development of joint approaches to support for economic adjustment under CSME and Doha Round.
 - Initiatives in policy-based lending. (See Section 8.2 Joint Initiatives).
 19. Development of joint approaches to MfDR in selected BMCs.
 - No progress has been made on joint approaches to MfDR. See Chapter 6 Managing for Development Results.
 20. CFD first major meetings under CDB coordination and management.
 - CDB needs to fulfill its mandate for coordination in the Caribbean. See Section 5.4 Regional Initiatives.
 21. Progress on the harmonisation and alignment agenda, e.g., in environmental protection and other RPGs, public sector procurement policies, CRNM, and other pilots.
 - CDB has partially adopted the harmonisation and alignment objectives articulated by the Paris Declaration on Aid Effectiveness. See Section 8.1 Harmonisation and Alignment.
 22. Paris Declaration Indicators modified and adopted.
 - CDB has modified and adopted some Paris Declaration Indicators but not others. See Section 6.5 MfDR and Paris Declaration Indicators and Section 8.1 Harmonisation and Alignment.
 23. Review of SDF (U) Resource Allocation.
 - Complete. See Section 2.8 SDF (U) Resource Allocations.

9.2 RECOMMENDATIONS AND NEXT STEPS

General Recommendations

9.2.1 The SDF 6 Contributors' Report and the consequent Action Plan contained a long list of commitments. We have described progress against these commitments in this report. The next steps that we recommend are stated in the main text above and, for convenient reference, are listed below in the order in which they occur in the main text. The recommendations are detailed and could be summed up in various ways. However, we believe that five themes are prominent.

- (1) CDB needs to find new ways of **working with BMCs that rely more on the country's own systems of management and accountability**, while not losing the key aspects of the Bank's due diligence systems. At the same time, CDB needs to be active in harmonising its objectives, strategies and systems with its partners, to work together within a single coherent strategic framework in each country.
- (2) CDB should **sharpen its focus on its poverty reduction mission**, by adopting MfDR, and other management improvement initiatives where appropriate, and also by paying greater attention to some key factors in development in the Caribbean, including gender, the environment and the HIV/AIDS disaster. CDB should shift its focus from poverty assessments more to PRSs, and should work increasingly jointly with partners in poverty reduction efforts.
- (3) CDB needs to **increase the scope and scale of SDF operations**. We believe that formulating a long-term strategic plan (2020) would provide a useful roadmap for scaling up. It would also clarify the resources needed to achieve CDB's strategic goals. We believe that some important efforts, including the effort to attract new members, need more resources allocated to them. We also suggest that CDB consider an "integrated" approach to expansion that targets clusters of related regional and non-regional countries (that is, related by language, culture and history). CDB needs to produce a customised "prospectus" for each potential member containing in-depth analysis of the specific advantages that could accrue from membership. Lastly, we think that TA could be substantially expanded. Commitments and disbursements, for both loans and TA, are lagging in some areas and need to be accelerated to achieve CDB's objectives within SDF 6.
- (4) CDB has reorganised its Projects Department in 2007. The new organisation seems to have many strengths but will need time to prove itself. In the medium term, as CDB diversifies its borrowing membership, country focus should become a more important dimension of the CDB organization, i.e., CDB activities may need to be **organised increasingly by country** to be effective in a variety of contexts with differences in language, culture, legal and political systems, and type of economy.
- (5) CDB is in the midst of renewing its staff, filling a large number of vacancies and diversifying its professional skills and experiences. This is important to the Bank's effectiveness during the remainder of SDF 6 and in SDF 7. We have made a number of suggestions. In summary, CDB needs to **recruit the best qualified development professionals available from anywhere in the world**, and to develop a way to bring young professionals, men and women, into the Bank and the Caribbean.

Specific Recommendations on Next Steps

BNTF

9.2.2 In the remainder of the BNTF 5 cycle, something needs to be done about slow utilisation of funds in some key countries, including Dominica, Montserrat, St. Kitts and Nevis, St. Vincent and the Grenadines and the Turks and Caicos Islands. Reallocation of funds to other countries, while necessary in some circumstances of underutilisation, is not a satisfactory solution because poverty in these islands is a severe problem.

9.2.3 CDB can perhaps improve utilisation by assigning additional staff resources to BNTF and by simplifying BNTF approval and reporting procedures. CDB can also encourage the formation of a more active Project Steering Committee in the lagging countries and/or engaging a more resourceful local project manager. However, BMC initiative is also extremely important.

TA

9.2.4 CDB's evaluation of TA operations 2000-2004, which was completed in 2006-07, was favourable to CDB's performance but identified opportunities to expand and renew the TA efforts. The consultant team took the view that TA is both central to CDB's development mandate and a useful instrument to support efforts to expand CDB's loan portfolio.

9.2.5 In that spirit, we observe that in SDF 7, CDB needs to scale up its TA operations. It is not easy to see how to do this with TA "mainstreamed" throughout the Bank. It may require greater focus and dedicated resources.

9.2.6 We suggest that CDB develop a TA Action Plan based on the best practices identified in the 2006 evaluation of its TA operations.

Policy-Based Lending

9.2.7 It is essential to the success of CDB's recent PBLs to Belize and St. Kitts Nevis, and to the maintenance of trust, that reform implementation momentum is maintained. Policy-based lending is appropriate only if there is strong political will to implement reforms; but CDB can contribute by providing high quality TA in support of the PBL. Because CDB is learning from these first loans, we recommend a quick evaluation. CDB's EOV should schedule an evaluation of policy-based lending, especially an evaluation of the implementation of related governance reforms, as early as reasonable, perhaps for late 2008.

Haiti

9.2.8 CDB seems to have made a good start in Haiti. The Bank will need to invest in its capabilities to understand development challenges in Haiti and, eventually, to administer a full programme of activities in Haiti. To assist this process, CDB's internal Task Force on Haiti set up to manage the initial stage of programming should probably be recast into a more permanent structure. (See Section 4.2 "Country Focus").

Organisation

9.2.9 CDB has reorganised its Projects Department. This is a major undertaking and will take time to settle. We have two relatively minor suggestions. First, more benchmarking of appropriate time-and-cost standards for project identification, appraisal and approval, for loans and TA would be useful. Second, the Bank needs to encourage a proactive approach by staff to growing the portfolio of loans and TA. In that regard, fairly frequent market studies are justified to identify likely demand and to assess the competitive factors (price factors and quality factors) in project lending in the Caribbean (both private and multilateral).

Country Focus

9.2.10 Improving CDB's "country focus" will be increasingly important in a more diverse Bank. This has many aspects. It may include strengthening the geographic dimension of the Bank's internal organisation, and improving its physical presence in BMCs, from pied-à-terre offices without full-time residents to full-service local offices. There are implications for CDB's long-term strategy, which may need an internal "transformation" plan to work effectively with a diverse set of borrowing members.

Staff Resources

9.2.9 The CDB commitments to SDF (U) Contributors require increasingly diverse staff capabilities as well as expanding staff resources. CDB should therefore recruit young officers, seeking the best from anywhere in the world. In the context of its strategy to expand in non-English-speaking areas of the Caribbean, CDB needs to increase its working capabilities in languages other than English and in the legal and political systems of the non-Commonwealth Caribbean.

PRSS

9.2.10 CDB has taken the lead in poverty assessment among its BMCs. There has been some delay but the programme of poverty assessments and PRSSs can still be completed on time.

9.2.11 CDB encourages each BMC to prepare a new or revised PRS immediately following CPA. This is essential to a results-based approach. We suggest, therefore, that there should be greater investment in PRSSs. Poverty is a complex phenomenon and a CPA, while essential, does not automatically lead to an obvious PRS.

9.2.12 We recommend that CDB's EOV Division should commission an evaluation of CDB's programme of poverty assessments and poverty reduction strategy papers, which, among other things, would assess progress against the points raised in the "lessons learned" section of the 2006 Board paper on poverty assessments. Such an evaluation should also review the CPA methodology. Most importantly, an evaluation could assess the degree to which the PRSSs that do exist have been implemented.

9.2.13 Within the coordination provided by the Inter-Agency Committee, CDB has taken the lead in supporting poverty assessments and strategies in certain countries, and other development agencies have led in other countries. In the spirit of the Paris Declaration on Aid Effectiveness, CDB should consider undertaking CPAs fully jointly with other multilateral development agencies.

9.2.14 We suggest that CDB consider declaring a "standard poverty assessment year" and a regular cycle of assessments for the whole Caribbean. For example, if 2010 were a standard poverty assessment year then CDB would plan to undertake updates of its poverty assessments for all its BMCs in that year.

This would be preferable to the present ad hoc timing. Having all of the assessments done in a single year would have major advantages in terms of the relevance of the data, the ability to compare progress among countries, and the level of public attention that could be generated. The years 2010 and 2015 have the advantage of fitting with the 2015 target year for the achievement of MDGs. The year 2010 also has the advantage of being a census year in several BMCs, which would enable census data and CPA data to be complementary. A bold approach would be to plan and cost the proposed exercise and, assuming it proves viable, seek special funding from major donors for the effort that would be required. The product (a full poverty map of the Caribbean and comparative analysis, for example) could enhance CDB's contribution and reputation significantly. To complete all CPA updates in a single year would require advance planning, cooperation by several development agencies, and prior building up of consulting capability to conduct assessments. It would be an ambitious undertaking but, with two or three years lead time for planning and resourcing, not impossible in our opinion.

Governance

9.2.15 In preparation for SDF 7 negotiations, we suggest that CDB prepare a paper setting out a clear strategy on programming in the area of governance, building on the guidelines already prepared. The Governance Programming Paper should contain critical analysis of the aspects of governance in which it is realistic for CDB to be involved, and should set out corresponding commitments to consistent programming in these areas. If CDB were to institute one or more Strategic Thematic Funds (STF), "good governance" might be a candidate topic. (See Section 3.3 Technical Assistance, STFs).

Social Protection

9.2.16 In SDF 7, CDB should work towards social protection in the Caribbean at two levels. With individual BMCs, CDB can draw upon its traditional strengths to link social, economic and environmental analysis into physical investment so the investments are better designed to consider livelihoods of vulnerable groups and risk reduction for those groups. At the regional level, CDB could measure and compare BMC status and progress in providing social protection to vulnerable populations – the contribution to transparency and visibility would be valuable. CDB should consider a comparative approach to this topic as part of its Annual Economic Review of the Caribbean. Finally, CDB should consider whether it is giving sufficient weight to BMC performance in social protection in its assessment of country performance for SDF (U) resource allocation purposes.

Regional Initiatives

9.2.17 Three years after the production of its policy paper on regional programming (May 2008) would be an appropriate milestone to evaluate the effects of that Policy. We suggest that the EOVS Division should produce an evaluation of regional programming under SDF 5 and SDF 6, building on the findings of the 2007 evaluation of CDB's TA operations.

Natural Disaster Mitigation and Response

9.2.18 There should be a clear set aside of SDF (U) funds for environmental protection and natural resources management separate from funds to help BMCs in fiscal trouble.

9.2.19 CDB's PRSD needs to have sufficient expertise in natural disaster mitigation, which we suggest is three professional staff. Expertise is key to being pro-active with BMCs, preparing the relevant sections in CSPs and mainstreaming natural hazard risk impact assessment in CDB's project work.

Gender

9.2.20 CDB needs to meet its commitment to producing a Gender Strategy and conducting gender-and-development assessments in ten BMCs before the end of SDF 6, and to report the results during negotiations for SDF 7.

9.2.21 In completing its Gender Strategy, CDB should follow the example of other MDBs in formulating its internal gender policy at the same time as its external gender strategy.

9.2.22 A gender analysis should be a mandatory part of each future CSP, PBL design and CPA.

9.2.23 We suggest that CDB, while it is Chair of the Interagency Taskforce on Gender, might initiate a significant regional TA project on gender and development in the Caribbean.

9.2.24 CDB has two staff experts in gender, one in BNTF and one in PRSD. This is an allocation of resources equal to that in larger MDBs. However, given the importance of gender problems for both females and males in the Caribbean at present, and their likely impact on development, we believe that CDB needs additionally to designate a “champion” for gender in the senior ranks of management.

9.2.25 Given the importance of gender in the SDF 6 Contributors’ Report, we suggest that a special report on CDB’s work in gender be prepared prior to the SDF 7 negotiations.

Environment

9.2.26 CDB should complete and implement a new policy on the environment. Its activities should include the environmental impacts of natural disasters but should not be limited to them. There are many other important man-made environmental problems in the Caribbean. In our opinion, the environmental criterion in the SDF (U) performance-based resource allocation formula should be given more weight and set-asides for environmental grants, separate from disaster mitigation, should be established. CDB should consider providing more grant funds to expand environmental management training in the Caribbean.

Private Sector

9.2.27 In our opinion, CDB needs to conduct a review of its strategy in the small business sector. When CDB reviews its private sector development strategy it should focus on grants to improve the policy and institutional framework for small business, on CTCS, and on grants and loans to facilitate small enterprise and microfinance.

HIV/AIDS

9.2.28 In the last years of SDF 6 and in SDF 7, CDB must act with clarity, determination and energy on the HIV/AIDS crisis. To prepare the way, CDB should review its strategy to respond to HIV/AIDS and should propose future programming options to the Board. In our opinion, it is not sufficient to leave this vital matter entirely to other specialised agencies.

Results Frameworks

9.2.29 The next generation of CDB strategic plans should include further analysis of relative priorities among CDB’s poverty-reduction objectives, an analysis of whether the existing portfolio of loans and TA is a good fit with those relative priorities, and a measurement system for tracking both CDB performance

and overall Caribbean progress towards specific objectives. CDB should use the CMDGs and targets as the framework against which to manage and measure its progress towards results.

Country Strategies

9.2.30 CDB should give high priority to producing excellent country strategies by cross-department interdisciplinary teams, working within the framework of CDB's strategic plan, making clear commitments to specific results, clarifying accountability for country strategy implementation (country focus), and evaluating performance against those strategies and reporting to the Board on a regular basis. BMC perspectives on CDB country strategies need to be explored in the upcoming multi-cycle evaluation of SDF (U), and in preparing SDF 7.

Evaluation

9.2.31 CDB should consider improving the visible independence of the EOVS Division by having it report directly to the Board, as is best practice in other MDBs, and instituting fixed term non-renewable appointments for Directors of Evaluation.

9.2.32 CDB's EOVS should prepare a Multi-year Evaluation Strategy and Workplan as a working paper in support of the SDF 7 negotiations. In this regard, we have recommended, in other sections of this Review, that evaluations be conducted of: (a) regional programming; (b) CPAs and strategies; and (c) private sector development.

9.2.33 Evaluation should be a prominent feature of CDB's website home page, and all evaluation products and their related management action plans should be posted to the site within six months of completion.

Project Portfolio Monitoring

9.2.34 The portfolio information available to management to guide decision making, and presented to the Board, must become timelier and more complete.

9.2.35 Project officers need to be supported and encouraged to keep the records for their projects up to date. To do this, some procedures may have to be simplified. It may be possible to provide more mobile technology to the operations officers so they can enter information in the field. Light notebook computers (or docking computers), web-based access to PPMS forms, and voice-recognition software for hand-held recorders are possibilities.

9.2.36 Since this work is all done in the Projects Department, CDB should consider whether responsibility for PPMS and for the Annual Report On Portfolio Performance should reside there rather than with EOVS.

MfDR

9.2.37 CDB should be an active participant in the worldwide Managing for Development Results Community of Practice sponsored by DAC and other MDBs; and should be the lynchpin for the extension of this community of practice to its BMCs in the Caribbean. CDB should create links with current international work on MfDR, and should be represented at international forums on MfDR, and active within the communities of MfDR practice. In substance, CDB's challenge is to conceptualise and implement a seamless "results architecture" for achieving CMDGs. To assist with this, CDB should form a network of MfDR managers across its departments. This MfDR Network could concentrate on sharing

lessons, identifying resources, and customising learning strategies for managers. It could also work with key partners including BMC governments on MfDR.

Membership Expansion

9.2.38 The efforts of the past five years have not yet succeeded in expanding CDB's membership, which seems to call either for a change in strategy or approach, or for a reassessment of the objective. If the intention remains to expand membership substantially, it may be that more structure and more resources would help. CDB should consider establishing a Membership Task Force supported by a secretariat headed by a Vice-President or the President and staffed by perhaps two professional analysts. To assist with such an effort, Contributors to SDF 7 should consider special funding to cover the significant temporary costs of implementation of the CDB expansion strategy. CDB needs to prepare intensively for proactive approaches to prospective new members. Each accession case should focus on the benefits to the prospective member, but should also include a "change management" process for the Bank itself if linguistic and cultural changes are needed to accommodate the new member country. The new approach might involve an integrated strategy for expanding CDB membership based on clusters of related regional and non-regional countries – i.e., for example, simultaneous accession of Spain and one or more Spanish-speaking BMCs, with changes in CDB to accommodate the new members' needs.

Alignment and Harmonisation

9.2.39 CDB should consider how its due diligence procedures might be simplified, particularly by relying more on BMC government systems when these are adequate.

Endnotes:

¹ The SDF 6 Annual Report for 2006 notes that at December 31, 2006, notes receivable from Contributors totaled \$129.1 mn, an increase of \$8.9 mn, when compared with the notes receivable figure of \$120.2 mn recorded at the end of 2005. The current value of total agreed contribution to the SDF (U) at the end of 2006 was \$767.8 mn. Of this figure, \$89.5 mn represented contributions for which demand notes had not yet been issued and \$16.2 mn represented pledged amounts for which instruments of contribution were still outstanding at December 31, 2006. A number of SDF contributors have agreed to the accelerated encashment of promissory notes issued for SDF 6 and notes outstanding from earlier cycles. As a result the demand notes encashed, and payments made in cash, during the year amounted to the equivalent of \$58.9 mn, which brought the cumulative sum received from Contributors to \$533.1 mn as at December 31, 2006.

² Commitment authorities are listed by year on the assumption that BNTF grants are simultaneously approved and commitment en bloc to beneficiary countries for the whole of SDF 6, while other grants and loan approvals take place each programme year.

³ CDB, EOY, Evaluation of the Technical Assistance Programme, 2000-2004, Dated 2006.

⁴ All member countries may receive an SDF (U) allocation although Group 1 countries' use of SDF (U) funds is limited to their own contribution to the Fund, and the purposes for which they can borrow are more narrowly defined as targeted poverty reduction and RPGs. The six largest country allocations of SDF (U) funds have generally totaled about 70% of the Fund resources that are dedicated to loans to member countries. The largest allocations have gone to Guyana, Jamaica, St. Lucia, Belize, Grenada and St. Vincent and the Grenadines. (Table 2.16) Other countries, mainly because of their small size, have been allocated small percentages of the Fund.

⁵ For loans approved during the period January 2005 to July 2007, excluding loans that were entirely SDF financed, the blend of ordinary capital and SDF monies, on average, was 61% to 39%; and the percentage of loans approved that had blended financing was 32% by number and 34% by dollar amount.

⁶ In a Briefing Note on the Special Development Fund Unified (2007). CDB explains the benefits of blending as follows: ... resources of the SDF (U) have been used to fund a substantial proportion of CDB's overall programming even as the relative scarcity of concessionary resources has increased... The blending of SDF and OCR resources on both a country and project basis has been a characteristic of CDB's operations since its establishment. Blending at the project level reflects specific project considerations as particular components may be more suitable for SDF (U) financing (such as with institutional strengthening), the availability of SDF (U) resources, and the desire to spread limited concessionary resources over a number of projects (in some cases to broaden CDB's influence on institutional or policy issues). It also reflects the desire to leverage OCR for purposes that might otherwise be entirely eligible for SDF (U) funding." Used in this way "SDF (U) resources have ... allowed CDB to undertake a range of lending and non-reimbursable activities in all BMCs and in sectors where socio-economic returns are assessed to be high, but where direct financial returns are low or difficult to capture and which may require long gestation periods".

⁷ CDB "Establishment of Interest Subsidisation Fund", Paper BD 75/06 Rev. 1. Add. 1, May 28, 2007.

⁸ This assumes that BMCs will not borrow more because the funds are cheaper and that they will not feel "rewarded" by cheaper loans in response to their fiscal indiscipline.

⁹ The World Bank says about this type of blending mechanism in general: "... problems would be avoided in a single donor debt service trust fund arrangement. As in the case of IBRD's tuberculosis projects in China, the donor (DFID) contributed to a World Bank administered dedicated trust fund from which a part of the debt service was made as agreed between CDB and DFID. While the financial impact is the same as in a direct buy-down, multiple financing streams are replaced by a prepayment mechanism (a trust fund) which allows the borrower to deal with the financial flows of only one agency, the MDB, and spares the borrower the uncertainty over future payments from the donor as well as lowering the cost of funds."⁹ (World Bank, 2007, "Levering Development Finance for Middle Income Countries through Blending Mechanisms". p.25)

¹⁰ World Bank, 2005, "Towards a New Agenda for Growth: Organisation of Eastern Caribbean States", Caribbean Country Management Unit, Washington, DC.

¹¹ Board Paper BD 75/06 Rev. 1 "Establishment of Interest Subsidisation Fund".

¹² See "Guidelines for Operation of the Interest Subsidisation Fund", CDB, 2007

SDF(U) Net Loan and Grant Approvals by Sector, 1970-2006 (USD '000)

Sector	Loans	Grants	Total	% Loans	% Grants
Multi-Sector and Other	199,416	104,897	304,313	30.4	82.3
Housing, Health and Education	132,507	14,904	147,411	20.2	11.7
Transportation and Communication	123,926	1,801	125,727	18.9	1.4
Agriculture, Forestry and Fishing	74,826	2,840	77,666	11.4	2.2
Manufacturing	54,473	480	54,953	8.3	0.4
Mining and Quarrying	3,380	190	3,570	0.5	0.1
Power, Energy and Water	53,923	986	54,909	8.2	0.8
Tourism	7,756	1,401	9,157	1.2	1.1
Micro- and Small-Scale Enterprises	6,204	0	6,204	0.9	0.0
Total	656,411	127,449	783,910	100.0	100.0

Source: CDB CPD, 2007. Table 5 in Briefing Note on the Special Development Fund Unified (2007). CDB

¹⁴ See Appendix 4, SDF (U) Annual Report 2006.

15 SDF (U) Loan and Grant Commitments, by Priority Area, 2005-2006 (\$'000)

Priority Area	Loan		Grant		Loans plus grants	
	SDF (U)	Total CDB	SDF (U)	Total CDB	SDF(U)	Total CDB
Capacity enhancement	42,290	88,400	5,631	5,691	47,921	94,091
Reduction of vulnerability	11,913	14,788	3,889	4,478	1,582	19,266
Good governance	1,760	1,760	2,855	2,855	4,615	4,615
Totals	55,963	104,948	12,375	13,024	68,338	117,972

Source: SDF (U) Annual Report 2006, Appendix 4

16 Some of the outstanding issues that CDB needs to consider include: Mission and Scope: How well have BNTF projects been aligned with national development strategies and with CDB's results-based country strategies? Should BNTF further stress "social infrastructure" and development in regard to vulnerable communities and families, perhaps reinforced by a change of programme name to emphasise ownership of projects at the local level? Local decision-making. Do the independence and staff resources of the Project Steering Committees need to be enhanced? Should the Project Screening Committee have more discretion in regard to small projects (perhaps with a \$100,000 limit rather than a \$35,000 limit as is presently the case)? Should BNTF provide small loans as well as grants? Is there scope for the Project Steering Committees to play a wider role in regard to SDF, including some aspects of TAe presently outside BNTF? Administrative efficiency. Why has disbursement been slow? Should funds not being utilised by one country be more quickly reallocated to another? Should consultancies related to the project be handled more directly by BMC, where capacity exists, perhaps facilitated by including a standard allowance for consultancy (mostly engineering) fees along with the project budget at approval? Should advances be allowed in some cases to alleviate cash-flow bottlenecks? Should there be a standard maintenance allowance for the upkeep of past BNTF projects to prolong their useful life? The current evaluation of BNTF 5 will make recommendations to CDB in regard to these issues, *inter alia*, and will be the basis of a proposal for the design of BNTF 6.

17 To give a sense of scale, IDB has a current non-reimbursable TA portfolio that totals about \$313 mn and is proposing to triple this to \$USD1 bn by 2011.

18 Mr. Allan Barry, IDMAG, Canada, Dr. Ken Watson, Rideau Strategy Consultants Ltd., Mr. John Wood and Ms Elizabeth McAllister.

19 IDB, Proposal for a New Approach to the Technical Assistance Programme of IDB, July 3, 2007.

20 IDB staff has proposed seven such funds: (1) environmental and natural resource management; (2) trade and regional integration; (3) social investment and poverty reduction; (4) private sector development; (5) infrastructure; (6) modernisation of the state; and (7) a Fund for Special Operations which is the only Fund proposed that would be allocated by country. IDB, *Ibid*, p.6

21 In December 2005, the BOD considered and approved Paper BD 72/05 Add. 1 'Policy Paper: A Framework for Policy-Based Lending (the Framework)' and approved, *inter alia*, the making of PBLs to CDB's BMCs in accordance with this framework.

22 The CDB 2006 Annual Report notes: "CDB approved three policy-based interventions for two of its BMCs in 2006. These interventions are part of a broader assistance strategy that seeks to improve the country's debt dynamics and facilitate sustainable growth and development." (AR 2006: 15): (A) St. Kitts and Nevis: Policy-Based Guarantee: This involved the provision of a guarantee of up to \$8.2 mn to facilitate the issuing of a bond of up to \$35 mn on the regional capital market. The guarantee was structured as "rolling and reinstatable", and covered two semi-annual debt service payments. PBL: The PBL amounted to \$20 mn, comprising \$12 mn from OCR and \$8 mn from SDF resources. The loan is intended to support policy and institutional reforms while helping the government to improve its debt service position. "Specifically, the reforms focus on enhancing revenue systems, budget management systems and the governance of public sector enterprises", and are expected to lead to an improvement in fiscal performance and GDP growth, and consequently, a reduction in the debt-to-GDP ratio and the debt burden. Parallel TA is also proposed to strengthen the fiscal and economic management capacity...The PBL will not add to the stock of debt in St. Kitts and Nevis; it will be used to replace some high-cost debt." It will be disbursed in two tranches, and disbursements will be based on the implementation of an agreed set of policy reforms. The reforms are aimed at improving public finance management, particularly budget management and revenue systems and public sector enterprise governance structures, to achieve fiscal and debt sustainability. CDB's CSP for SKN notes: "The central focus of CDB's strategy in SKN during the period will be to improve the institutional and policy framework to achieve macroeconomic stability (fiscal and debt sustainability) and sustainable development through: (a) developing capacity for improved macroeconomic policy formulation for improved fiscal and debt management; (b) strengthening policy management and implementation; and (c) improving management and accountability in the public sector. In addition to the traditional intervention mechanisms of project financing and TA, policy-based lending will be a new lending instrument." (Para. 20)

23 Belize: PBL: "CDB approved \$25 mn as a PBL to Belize, with \$10 mn from SDF. The most critical challenge being faced by Belize at this time is the need to correct fiscal and external imbalances. Continuation of these imbalances will affect Belize's ability to undertake critical investments in social and economic infrastructure, and places severe constraints on its ability to implement poverty reduction and social development programmes. The imbalances also foster an environment of uncertainty, which is adversely impacting business and investor confidence. The PBL is intended to help the Government close the fiscal gap over the short to medium term while it continues to implement corrective measures, including the restructuring of its debt, the reform of its tax regime and the control of expenditure. IDB is also providing a PBL of \$25 mn with similar objectives". (AR 2006:15). CDB's CSP for Belize notes: "Given that Belize is currently effectively unable to access long-term capital markets except through costly special private placements, multilateral and bilateral financing will take on increased importance. Belize has received significant critical financing and budget support from Taiwan and from the Government of Venezuela, among other sources, through loans and grants during the first seven months of 2006, and further assistance is expected from these sources during the remainder of 2006 and the early part of 2007. This assistance has been critical in enabling the Government of Belize to close the fiscal financing gap during 2006. Total assistance from Venezuela and Taiwan during 2006 and 2007 is expected to amount to about USD95 mn. To further support attempts to restructure its debt and close the financing gap, IDB and CDB are considering extending PBLs to Belize. IDB proposed a PBL of USD25 mn, which is likely to be disbursed during 2007. IDB is also contemplating the providing TA to Belize valued at close to USD0.5 mn aimed at improving the quality of public sector investment through better planning and implementation of a medium-term performance budgeting system, improving the quality of statistical information, strengthening financial controls and the development of an integrated strategy for advancing a results-based management agenda. DFID has also provided assistance to Belize through debt relief since 2005 under the Commonwealth Debt Initiative (CDI). DFID's assistance to Belize allowed the use of the debt service resources to undertake poverty reduction activities and economic management. The amount of debt due to be forgiven as at October 2006 was approximately £1 mn." (Para 3.6.1)

24 The rationale for policy-based lending is that it is easier (it is often called quick disbursing finance), is country led, is aligned with country plans and systems, and can be supplied by multiple donors without imposing additional transaction costs on the recipient government, since there is a common performance matrix for monitoring progress, and since funds are paid directly into the recipient Governments' Treasury. Risks for lenders are that promised reforms might not be carried out and that lenders might lose their money if the borrower is unable to repay and/or debts are cancelled.

25 "One of the principal roles of CDB in relation to its borrowers is that of mobilising financial resources on the most reasonable rates and terms. In this regard, the changing macroeconomic climate and diverse needs of BMCs has compelled a rethinking of CDB's approach to this function in order to remain useful and relevant. CDB is embarking on a comprehensive review of its lending products and related policies so as to improve the fit between the capital demands from its clients and its range of financial products. It will explore the needs of BMCs for policy-based lending and a broader range of products suited to different country needs, and priced accordingly. The further imperative to consider providing resources to help BMCs facing financial difficulties also drives CDB to explore new forms of mobilising financial resources and to give more attention to minimising non-interest costs which are passed on to BMCs. "The implementation plan for PBL sets out in the Strategy Plan projects Annual OCR PBL approvals of \$22 mn, \$30 mn, \$33 mn, and \$36 mn for the years 2006–2009, respectively. The disbursement profile for the PBLs over the disbursement period is projected at 25%, 30%, 40% and 5%."

26 CDB Staff Report, Policy-Based Loan, St. Kitts Nevis, December 2006.

27 See particularly the Joint Evaluation of General Budget Support http://www.oecd.org/site/0,2865,en_21571361_34047972_1_1_1_1_00.html

28 See M Hubbard (2007) 'Entitlement, Rules, Coordination, Club, Market & Hierarchy: General budget support practice and theory'. United Nations University World Institute of Development Economics Research (UNU-WIDER) Research Paper No. 2007/39 <http://www.wider.unu.edu/publications/publications.htm>

29 POLICY-BASED LOAN TO ST KITTS AND NEVIS—POLICY MATRIX

Area	Objective	Actions taken	Actions to be taken before disbursement of first tranche	Actions to be taken before disbursement of Second tranche
Revenue Policy and Administration Systems.	Reform of revenue systems in relation to revenue sufficiency, economic efficiency, equity and simplicity; and improvement in revenue administration.	<ul style="list-style-type: none"> Administrative reforms at Customs Department and IRD. Introduction of an electricity surcharge. Market-based approach to assessing property tax has been implemented. 	<ul style="list-style-type: none"> Valuation of at least 17% of the total registered properties for the purpose of assessing property tax completed. Enactment and bringing into force of the new Corporation Income Tax Act. 	Submission to CDB of a schedule, acceptable to CDB, for the implementation of a transactions-based tax.
Budget Management Systems.	Improve expenditure control systems; and improve budget procedures to make outcomes more consistent with strategic objectives and resource constraints.	<ul style="list-style-type: none"> Commitment control system has been introduced in all ministries. New Finance Administration Act has been drafted. Tighter controls have been introduced to contain the growth of expenditure, including greater scrutiny of recruitment in the civil service and new procedures for approval of travel allowances. Increased emphasis on justifying new capital projects on the basis of overall strategy. 	Enactment and bringing into force of the new Finance Administration Act.	Commencement of the training for the introduction of multiyear budgeting.
Public Debt Management.	Improve debt management systems and capacity to contribute towards the minimisation of the debt burden.	Single unit has been created to oversee the recording of debt.	<p>Consultants engaged to review the public debt in order to determine size, composition and characteristics, to recommend arrangements for the comprehensive management of the public debt.</p> <p>Development of programme and implementation plan, acceptable to CDB, with respect to the orderly disposition of the 1,200 acres of land earmarked by GOSKN for sale, the proceeds of which will be used for debt reduction.</p>	Commencement of implementation of recommendations, acceptable to CDB, arising out of the consultancy to review the public debt.

	Appropriate commercialisation of Government-provided services and improvement in public sector enterprise management systems to ensure greater transparency and improved financial performance.	A Privatisation and Commercialisation Unit has been established to develop and oversee the implementation of the Government of St. Kitts and Nevis's privatisation and commercialisation policy.	Consultants engaged to complete the framework for the management and operations of the electric utility in preparation for its corporatisation.	Establish and have a fully functional, unit within MFSD that monitors the performance of PSEs. Corporatisation of electric utility and framework for its management and operation completed. Amalgamation of the several statutory enterprises that engage in land development activities into a single entity, with an appropriate governance structure and development of programme and implementation plan, acceptable to CDB, to effect the sale of lands, part of the proceeds of which will be used for debt reduction.
--	---	--	---	---

Source: Reproduced from CDB Staff Report – Policy Based Loan, St. Kitts and Nevis. For consideration at the 224th Meeting of the BOD on December 14, 2006, Para 5.3.

30 Funding for Haiti would not be part of the performance-based allocation system with other members during SDFU 6. Rather there would be a set aside of a fixed amount of \$19M in grants (at the time labeled as “BNTF-type programming”) and the related administrative costs provided from within this earmarking. The Board agreed that some SDF funds could be should for the unusual administrative expenses that would be incurred in Haiti in the early programming years. \$4M was set aside for such things as translation of all Bank documents in French, language training for Bank staff, ensuring CDB presence at all international meetings on Haiti and Haitian representation at various events sponsored by CDB, employment of professional and administrative staff at CDB and in Haiti. There would be some form of CDB resident presence in Port au Prince during SDFU 6. A further \$2M was identified under the SDFU 6 set aside for Technical Assistance for capacity building in Haiti and \$6M for financial intermediary lending in Haiti within the country loan allocation. Because of CDB’s lack of knowledge and experience in Haiti, programming would give special attention to working with other development organizations and would involve some continuing resident presence in Port au Prince, at least in the initial stages. An important dimension in this regard was Haiti’s “fragile state” status, in which other development partners had more extensive experience than that of CDB. The SDFU 6 Contributors’ Report and Action Plan called for the earliest possible adoption of CDB’s program development and delivery capacity in Haiti (#10) and agreement with that Government on an initial operational programme (#11). Haiti is a member of SDF Country Group 4, along with Guyana.

31 The three lines of programming in Haiti were to be (a) Improve poor communities’ access to basic social services and infrastructure, particularly in the education and health sectors and using BNTF delivery grants. (An indicative 60% Bank resources would go to this area); (b) Promote economic recovery through access to micro-credit and the strengthening of chosen financial intermediaries in Haiti. (25% of resources to this area); and (c) Support economic governance within Haiti and its economic integration in CARICOM initiatives. (15% of resources to this area).

32 Education for All, Haiti, BD 21-07.

33 Universalial ‘Independent Assessment of the Reorganisation of the Projects Department of the Caribbean Development Bank’. Final Report, Volume 1. July 2006.

34 IDA, Proposal for a New Approach to the Technical Assistance Programme of the Inter-American Development Bank, July 3, 2007.

³⁵CDB subscribes to some benchmark data from American Pre Quality Centre based in Texas.

36 CDB has commissioned a similar study in the past from Commonwealth Crown Agents.

37 Based upon CDB statistics for capital projects under implementation 2005 and organization and staff list 2007

38 See Australia and the Asian Development Bank 1997-1998, unnumbered section on Management Efficiency

39 Although it should be pointed out that the African Development Bank recorded a higher vacancy rate of about 10% for 2002 in its Strategic Plan 2002-2007

40 A Systematic Assessment of Borrowing Member Countries doing business with the Caribbean Development Bank (Vogel and Tagud, no date)

41 BNTF AND CTCS STAFF QUALIFICATIONS

BNTF staff	
1	1st degree civil engineering and PG qualification in project and construction management
2	1 st degree civil engineering and PG qualification foundation engineering
3	MSc civil engineering
4	M.A. Development Studies, specialisation Women in Development.
CTCS staff	
1	Engineering diploma
2	1 st degree chemical engineering and PG diploma food technology and management

Source: CDB, Human Resources, July 2007.

42 Australia and the Asian Development Bank 1997-1998 section on Management Efficiency

43 Director Economics Department, Operations Officer (Education) Projects Department, Operations Officer (Civil Engineer) Projects Department, Operations Officer (Governance) Projects Department, Investment Officer (Financial Intermediaries) Projects Department, Gender and Development Specialist, Project Department.

44 Draft Human Resources Strategy 2005-2009

45 Universalia, Montreal Canada.

46 Draft CDB Human resources Strategy.

47 Director Economics Department, Operations Officer (Education) Projects Department, Operations Officer (Civil Engineer) Projects Department, Operations Officer (Governance) Projects Department, Investment Officer (Financial Intermediaries) Projects Department, Gender and Development Specialist, Project Department

48 See draft Human resource strategy, table 5

49 ibid para 3.14

50 This includes helping BMCs restructure their economies, supporting small and medium enterprises, funding social and physical infrastructure especially in rural communities, and human resource development.

51 This includes natural hazard risk management, improving the delivery of public services, formulating health policy and health systems reform, shelter development and special mortgage interventions for low-income households, and rural development to improve the conditions of small farmers and indigenous people.

52 This includes capacity building in BMCs to strengthen the public sector and to support the establishment of strong regulatory systems, encouraging wider participation in national consensus building, strengthening regional governance mechanisms and mainstreaming governance in CDB's operations.

53 Each CPA is led by a broad-based National Assessment Team (NAT) appointed by the government of the participating country, led by a coordinator, responsible for managing the CPA process. The NAT is responsible for undertaking the CPA, monitoring poverty indicators and executing future CPAs with the support of consultants. CDB provides a technical assistance grant to defray the costs of the consultants and other expenses related to the poverty assessment. The consultants normally provide training, advice and technical support to the NAT; and are responsible for ensuring consistency across countries. CDB is the Executing Agency for poverty assessments and engages consultants directly. The NAT operates from a lead Ministry, generally either the Ministry of Finance and Planning or Ministry of Social Development. The draft CPA report is the subject of broad consultations in country. It is also reviewed by an inter-agency group of development partners based in Barbados, and by regional and sub-regional institutions including: the Organisation of Eastern Caribbean States (OECS) Secretariat; and the Eastern Caribbean Central Bank. CDB also commissions a peer review involving a critique of the draft report by two experts, one local and one regional to provide independent views on the findings and on technical aspects of the report.

54 CDB's support of CPAs is long standing. In 1994 CDB developed a multi-dimensional approach that involves four components: a historical and socio-economic analysis of the social and economic policy environment; an institutional analysis, which examines the effectiveness of social development programmes and projects; a National Survey of Living Conditions. (SLC) or Household Budget Survey; and a Participatory Poverty Assessment (PPA).

55 This initiative has been supported by financial assistance from the Canadian International Development Agency (CIDA), the Department for International Development of the United Kingdom (DFID) and the United Nations Development Programme (UNDP). The World Bank and the Inter-American Development Bank (IDB) have provided similar assistance to some countries.

56 See CDB Paper BD 13/06 "Country Poverty Assessments and Poverty Reduction Strategies Programme in Borrowing Member Countries", May 15, 2006.

57 SPARC comprises: building national capacity for CPAs; monitoring and evaluation for policy and implementation; dissemination of data; and regional coordination; and operates concurrently in a regional programme and in bilateral or parallel projects.

58 The SPARC Regional Programme overall is managed by the United Nations Development Programme (UNDP) and comprises pooled resources contributed by UNDP, other agencies in the United Nations system and other development partners. It is governed by a Steering Committee (SC) made up of high-level representation from countries, donors and regional organizations; and a Management Sub-Committee (MSC) comprising representatives from the Caribbean Community (CARICOM), the Organisation of Eastern Caribbean States (OECS), CDB, UNDP and a Country Representative (PSC Chair). A Project Coordinating Unit, housed at the Barbados and OECS offices of UNDP, is responsible for the day-to-day administration of the programme. One important initiative under the SPARC is the implementation of the "Core Welfare Indicators Questionnaire" (CWIQ) by the UNDP. The World Bank in conjunction with UNDP and UNICEF developed this questionnaire. The questionnaire survey is designed to produce indicators of social welfare more cheaply and more regularly than CPA consumer expenditure surveys. More frequent data collection will contribute to monitoring the implementation of poverty reduction strategies.

59 Including the use of full-time CPA coordinators, the improvement of the function of the NATs, encouraging governments to resource the effort adequately, including gender analysis and producing sex-disaggregated data, and optimising skills transfer to BMC agencies that can progressively assume the responsibility for updates and renewed strategies.

60 The CDB strategy on governance and institutional development was part of CDB's new 'modern image building' in its 2000-2004 Strategic Plan and was an important addition to its Poverty Reduction Strategy, which was first introduced in 2001. The SDF5 Contributors' Report and its programming framework had identified the primary areas for interventions to reduce poverty under the headings of capability enhancement, reduction of vulnerability and "good governance, institutional development and regional action". Examples of the latter were cited: - public

sector modernisation, strategic policy and program management, social partnerships and participation, law justice and security and regional cooperation and governance.

61 Good governance (defined as “the processes by which power and authority are shared in society and influence exerted over policies and decisions concerning human development and well-being”) would be incorporated in project and program design by such things as participation of all stakeholders, promoting free flow of information, holding people and institutions accountable, and being rules based. Good governance would become one of the tools to help identify certain types of programming action for promoting poverty reduction. Important themes included identifying the proper role of the state, establishing an enabling environment for private sector led growth and contributing to new opportunities at the regional level to advance globalisation in a positive manner.

62 The six elements of the governance strategy were (1) building modern, effective and accountable public sectors; (2) meeting the challenges of globalization and integrating market oriented economic policies with poverty reduction; (3) social partnerships and wider participation in national consensus building and provision of local services; (4) establishing and strengthening regulatory systems for environmental and social protection private sector development and improved justice systems; (5) regional cooperation through stronger regional governance and national capacity to implement regional commitments; and (6) mainstreaming governance in CDB’s operations.

63 An example of a useful but ad hoc intervention is the CDB support to the Caribbean Court of Justice. CDB was able to play a role because it had the right financial instrument (a guarantee of national loans that fed the Court’s reserve fund), not because of it was pursuing a pro-active policy in strengthening Caribbean courts.

64 Country projects in “governance” included supporting a development planning framework in Jamaica \$1.7M loan and \$500K grant; privatisation of the St Kitts and Nevis Electricity Department \$600,000 loan and \$60,000 grant; supporting local government reform in Dominica grant \$148,000; and strengthening of the national environmental planning agency in Jamaica 60K grant.

65 Regional projects in governance included preparation of Caribbean building standards \$1.39 million grant; evaluation of CDB Technical Assistance Programs \$191,000, update of CDB’s environmental policy and review guidelines \$148,000, and eight other small regional T/A grants totaling \$322,000.

66 For example, the two policy-based loans (to St. Kitts and Nevis and Belize) are listed under “capacity enhancement” even though in the former case the loan object talks of “improvement of governance and institutions”. Similarly, a joint CDB-IADB seminar for dialogue with Caribbean civil society was also labeled capacity enhancement.

67 An example of post-factor labeling is shown in the 2006 Evaluation of 2000-2004 CDB Technical Assistance, sample projects were variously labeled “governance/public sector reform, governance/ economic management, governance/justice and security, or governance”. Such post facto labeling is more likely to arise in the case of technical assistance than investment projects. A number of what are called governance projects have been “use of funds” rather than grants because CDB is the executing agency/beneficiary.

68 ‘Social Protection and Poverty Reduction in the Caribbean.’ Regional report: synthesis of main findings of studies for Belize, Grenada and St Lucia with supplementary information for Dominica and Jamaica’. Social and Economic Research Unit, Caribbean Development Bank. Prepared by Dr A. Barientos. Page v.

69 Recommendations included (a) Garnering political will: Advocacy for buy-in at the highest decision-making levels: (i) Rationalise/Consolidate mechanism for SP. (ii) Strengthen public sector capacity. (iii) Promote efficient/effective targeting. (iv) Systematising SP interventions through the labour market: social safety nets, pensions. (b) Accelerated coordination of social statistical capability to support data analysis and evidence-based policy. (c) Putting SP on the agenda. (d) Moving from advocacy to action through convening of a regional policy level/high level dialogue involving the Heads of Line ministries and relevant officials to promote a regional approach in support of a national SP sustainability. (e) Facilitate the involvement of NGOs and community -based Organisations through the institutionalised Council on Civil Society in effect.

70 The meeting’s findings are summarized in: ‘PROMOTING AN INTEGRATED SOCIAL PROTECTION FRAMEWORK FOR THE CARIBBEAN’ Paper prepared by the Caribbean Development Bank in conjunction with the Department for International Development; the European Commission for Barbados and the Eastern Caribbean; the United Nation Development Programme; and World Bank For the Twelfth Meeting of the Council for Human and Social Development (Gender) April 7, 2005, available at [http://www.caribank.org/Staff_Pa.nsf/COSHOD/\\$File/COSHOD_SP2_April27-29.pdf?OpenElement](http://www.caribank.org/Staff_Pa.nsf/COSHOD/$File/COSHOD_SP2_April27-29.pdf?OpenElement)

71 DFID’s policy paper on social protection states: “In most low income countries, some combination of strengthened safety nets, conditional transfers to support human capital development, and basic social assistance measures will be the most effective, given the poverty reduction objectives of government policies and donor support. Countries develop unique social protection ‘trajectories’ over time, reflecting the risk and vulnerability context and socio-political and economic history. The institutionalization of social protection does not happen automatically” www.odi.org.uk/Africa_Portal/pdf/Social_Protection_1309.pdf

72 Agreement was reached on the following broad principles that should underlie cooperation on social protection: (1) Preference for dealing with the Region as a whole or at the sub-regional level rather than at the country level in advancing the social protection reform agenda given the common issues involved and the efficiency gains expected from addressing these regionally or sub-regionally. (2) Modification of donors’ behaviour to stem the wasteful duplication of programmes. (3) Direct financial support for social protection reform will be limited given scarcity of grant resources and countries’ restricted capacity to borrow. Emphasis will be on technical assistance for capacity building and institutional strengthening. In many cases, action will be mainly concerned with improving processes to bring a greater sense of coherence to various overlapping and poorly targeted programmes rather than new projects requiring additional funding. (4) The need to emphasize to partner countries that firstly there are incremental gains to be had from doing things better to secure cost savings in the delivery of social assistance; and secondly that countries need to strengthen and enhance social insurance schemes now because postponing the necessary reforms will lead to dramatic increases in costs.

73 The seven priority areas for joint work on social protection were: (a) Improved planning on social protection issues to: establish mechanisms in each OECS country for sector-wide planning for social protection and to link social protection planning to country poverty reduction strategy. (b) Reform social insurance to achieve long-term financial sustainability; and expand coverage to the excluded where feasible, including informal and poor workers. (c) Rationalise and strengthen social assistance to improve delivery of benefits to poor (through better targeting and delivery mechanisms); reduce programme overlaps and administrative costs; reorient social assistance programmes to promote human capital development - “a hand-up rather than hand-out”; and ensure that programmes exist that can respond to immediate needs as well as to crises (including programmes that can be rapidly implemented/scaled-up in response to natural disaster and economic shocks to which the Region is so prone). This will require a move to counter-cyclical social spending patterns. (d) Improve ex-ante disaster management through development of a regional disaster management fund; strengthening building codes, etc. (e) Ensure labour market policies support competitiveness and reduce

poverty and social exclusion by revising labour market regulations; and reforming active labour market programmes to meet the development needs of the country and international best practice standards. (f) Facilitate informal risk management strategies, for example, the flow of remittances. (g) Better data collection and improved monitoring and evaluation of poverty and social protection programmes, i.e., MIS systems, impact evaluation.

74 Other than the proposed regional disaster management fund, plus opportunities for regional advocacy (e.g. for better building regulations, labour laws, remittance channels), the social protection agenda agreed among donors (February 2005 donor meeting) is at country level.

75 SDF5 had had a similar “set aside” of \$5M which was easily expended in addition to the \$18M set aside for T/A, a good portion of which was recognised as likely to be oriented to regional activity.

76 The projects included as recipients/partners the CARICOM and OECS Secretariats, UWI, UNDP, ACS, CRNM, and CARTAC among others. 77 Funding of a study for regional health insurance, a forum on early childhood, a forum with IDB for dialogue with civil society, and support to UWI’s Business Plan by helping it set up a consultancy firm may all have justification on their merits, they do not constitute a coherent and proactive regional programme. This is also true of CDB’s ongoing support of regional policy and practices with CDB’s own staff resources and ordinary capital resources – for example, support to the proposed Regional Development Fund; advising on the integration of Caribbean equity markets, and integration of individual OECS fiscal systems into a single sub-regional system; strengthening of national monitoring and reporting systems for MDG performance targets under the SPARC program, and coordinating the region’s participation in the policy oriented Caribbean Development Forum (CDF), among other initiatives.

78 Male and female equality, in addition to being a goal in itself, is important to economic development. “Forget China, India and the Internet: economic growth is driven by women.” The Economist, April 2006. “Gender equality is an important goal in itself (MDG 3) and it also contributes to the achievement of other objectives: stimulate growth and reduce poverty; reduce inequities; contribute to child development. “ OECD Development Centre, May 2007. The Asian Development Bank has said that research and experience over the last 10 years have confirmed the importance of gender equality, not only as a fundamental human right, but also as essential to poverty reduction and improved living standards, sustainable economic growth, and effective and accountable governance. To pursue gender equality in the region requires coherent, gender-responsive policymaking at all levels, and strong partnerships involving governments, development institutions such as ADB, and civil society groups.

79 The economic and productive role of women in development was recognized as a key ingredient of successful development policies in the 1970s. In the early 1980s, the DAC issued guidelines on “women in development” which expressed the donor community’s agreement that factoring women’s role in development was a matter of development effectiveness and, as such, a professional responsibility of development officers and a matter of accountability for development agencies. The drive to mainstream analysis of women’s access to and control over resources before and after development interventions resulted from research in the 1970s which documented their leverage in the powerful combination of both their role in the informal productive sector and their expenditure pattern, which lifted nutrition, health and education investments by family. On the institutional side, donor action was propelled by Harvard Business School research, by the Harvard Institute for International Development research on USAID, and by World Bank project cases studies. These cases were used to train senior executives and staff at CIDA, USAID, and international development organizations and, over time, politicians and non-government organizations in developing countries. Each case, in sectors as different as infrastructure and agriculture, documented the loss of women’s access to and control over resources as a result of well-intentioned and seemingly neutral development interventions. With the loss of women’s assets came a concomitant loss in family expenditure on children’s nutrition, health and education. Misunderstanding the role of women often leads to project failure: the key lessons learned were that no project can be considered automatically devoid of differential impact, and no intervention could claim no adverse impact on women. Throughout the ‘80s and ‘90s, research and experience deepened. The focus on women transformed into a focus on “gender” -- recognizing that the barriers to women and the progress of girls depended on the relationship between the societal roles of men and women and boys and girls. To reach equity goals both roles and the differing interests and needs of both sexes needed to be considered in development programming. Wide-ranging research indicated an often hidden yet frequently pivotal role for women in peacemaking and peacekeeping and in environmental sustainability. Even major corporations began supporting women’s programs in hopes of contributing to a more stable and prosperous world. Hasbro Toys funding of a Women’s Resource Centre in Kabul, Afghanistan is an example of corporate recognition (at the CEO level) of women’s role in creating peaceful societies. As the development industry became more attuned to gender issues, it moved into more complex arenas such as women’s rights as human rights, women’s political leadership, and most importantly, addressing the growing feminization of poverty and the HIV AIDS epidemic.

80 The Caribbean MDGs contain gender targets as follows. Goal 3: Promote gender equality and empower women. 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.

81 The bar for achievement is somewhat lower for the social goals, with the exception of education. “To promote” precedes three of the four social goals and “to strengthen, support, or modernize” provides direction to staff for work on the eight other priorities. This signals, perhaps unintentionally, a certain hesitation.

82 Situating gender in the social sector may signal an understanding that the inequality of women and men in the Caribbean is largely a social rather than an economic and governance issue, which is not entirely correct. We noted earlier that the economic empowerment of women was the starting point for addressing their role in development effectiveness.

83 Despite the success of the project, there was no money available for a final workshop to collate lessons learned or to take the project forward. The opportunity to scale up success on one of the key CMDG 3 targets was lost.

84 Her position has two main functions: (a) support the management implementation and monitoring of BNTFOs, at the project and subproject level, in terms of ensuring that gender issues are adequately addressed; and (b) support the planning, design, and monitoring needs of the CDB with respect to the gender considerations of the BNTF.

85 She is also expected to provide a report on social issues to the CIDA Caribbean Program and to hire Canadian consultants. This does not seem to fit the spirit of the Paris Declaration on untying aid, especially given the presence of gender experts in the Caribbean.

86 In cases where the gender responsibility has been put into professional services or experts departments, as CIDA did in 1986, the gender role tends to move from managing institutional results to advocacy on a project-by-project level, with a decline in effectiveness. This shift suggests that gender needs only be “opportunistic” – implement gender analysis and strategies where there is a willing counterpart. The implication of a supply-driven advocacy role is that staff attitudes need changing. The advocacy role, then, detracts from the early recognition that addressing women’s role in development was a professional responsibility for all development practitioners, and that adverse impact for the most part is not

a matter of intention but rather a result of systemic biases. It also puts the gender specialist in an impossible high transactions role that cannot do justice to the wide variety of development instruments that require rethinking. She or he is also put in the unenviable position of having to sell personal value shifts rather than creating a demand through corporate incentives and supports for officers to achieve gender outcomes in the investments they monitor. CIDA returned the Gender Director to its corporate role in Policy Branch in the early 1990s, and in the late '90s the World Bank moved its new Gender Director into the powerful Poverty Reduction and Economics Management Network (PREM) reporting to the Chief Economist.

87 Recent evaluations indicate that the IDB and the ADB have made gains in the social sectors and in integrating gender into CSPs, but more needs to be done. The IDB's gender office was situated in the social programs division, but the organization has lost ground in non-social sectors. The IDB says it needs to see the country strategy gender analysis and dialogue translated into "expanding gender mainstreaming at the design stage in operations in the non-social areas (state modernization, growth and competitiveness); strengthening the implementation of gender features throughout the project cycle; and expanding evaluation to generate information about gender results; reinforcing knowledge management." Promoting Gender Equality through Gender Mainstreaming and Investing in Women's Empowerment. A Report to the Board of Executive Directors on the Implementation of CDB's Women in Development Policy 2002-2005, DRAFT March 2007. The ADB has done good work on integrating gender into infrastructure, ensuring in a number of projects that public infrastructure meets the needs of females and creates work for women in the construction and maintenance phase. It has seen greater gains in countries where full-time gender specialists have been designated. The ADB has concluded, however, that more needs to be done to make gender a matter of managerial responsibility, and plans to "strengthen its gender mainstreaming approach to better ensure success in reducing poverty and achieving the MDGs. Given ADB's commitments to development effectiveness and managing for development results, future implementation of the GAD policy will also focus more strongly on identifying and monitoring gender-related results. An ADB-wide GAP will be prepared with concrete and monitorable departmental commitments to guide policy implementation."

88 African Development Bank. Accountability and responsibility: At the institutional level, accountability and responsibility for gender mainstreaming are vested with senior management. Experience has shown that given the nature and sensitivity of the subject, the commitment of management is an important ingredient in the successful operationalization of gender strategies. Indeed, staff respond to signals both implicit and explicit given by the organisation's leadership. Further actions to be taken at senior level are:

Senior Management:

- (a) Allocate the requisite human and financial resources;
- (b) Require periodical report on gender mainstreaming (once a year); and
- (c) Hold Directors accountable for incorporation of gender issues in the CSPs and sector project

Operational Management:

- (a) Provide leadership on mainstreaming gender in all departmental activities;
- (b) Include gender issues in policy dialogue with BMCs;
- (c) Ensure adequate budget for the development of gender Profiles;
- (d) Ensure high quality of gender analysis of CSPs and that CSPs include GEM and GDI information.;
- (e) Ensure that women in BMCs constitute a significant proportion of all stakeholders for the CSP and project development process;
- (f) Ensure the incorporation of gender mainstreaming objectives and activities into log frames, work plans and budgets and allocate the necessary human and financial resources; and
- (g) Require annual reports on progress in gender mainstreaming.

89 It works to align itself with equally strong gender policy of the New Economic Partnership for African Development (NEPAD) and with country members. Specific indicators are set out for each management profile and for each sector. An evaluation of progress on the Action Plan is not available and thus it is somewhat unfair to compare a plan with evaluations above. But what is clear is that unlike the World Bank, the IFC, and the IDB, the African Development Bank has set expectations for full coverage – not isolating the resources available to women through the social sector interventions but rather expecting its senior staff to ensure equity throughout CDB's policy coverage, its country strategies, operational investments and partnerships in Africa. One of its four Guiding Principles – "women's economic empowerment will be considered as key to sustainable development" – states that "women are active in a variety of economic sectors and they often shoulder the primary responsibility for the well-being of the family. In addition, relative to men, women who possess economic means invest more in education and health of their children."

90 The recruitment of the gender expert in the Project Services Division was delayed until July 2007. The reorganization of the Project Department may account for the fact that the appointment was delayed and the third action item under the SDFU 6 action plan has not been completed although terms of reference are currently being vetted for a "comprehensive gender assessment of ten BMCs and integration of gender into CDB social and operational guidelines.

91 **Male and Female Representation: Numbers and Levels of Staff, by Department**

	Executives and Managers		Non-manager Professional Staff		Admin. Staff		Other Staff		Total
	Male	Female	Male	Female	Male	Female	Male	Female	
President's Office	1	1	1	0	1	1	0	0	5
Evaluation and Oversight	0	1	1	0	1	3	0	0	6
Projects Department	7	4	18	7	0	23	0	0	59
Corporate Planning	1	1	0	0	0	2	0	0	4
Economics Department	2	1	7	4	1	4	0	0	19
Finance Department	3	1	1	2	4	13	0	0	24
Legal Department	1	1	2	2	0	3	0	0	9
Information and Technology	2	2	13	4	0	12	0	0	33

Human Resources	1	1	0	2	0	5	0	0	9
Administration	1	0	0	0	7	6	9	6	29
Vice-President (Finance) Bank Secretariat	2	0	0	1	1	3	0	0	7
Total	21	13	43	22	15	75	9	6	204
Source: CDB, Corporate Planning, May 2007									

92 Active programmes to address inequity within systems and culture is important not only for the ability of the institution to attract from both halves of the labor force, but also for its impact on gender goals of the development program. A number of evaluations of gender have found that where gender strategies are incorporated into country strategies, for example, the country directors have tended to be female. (World Bank, Gender Evaluation, 2001).

93 Some senior staff expresses a concern that women in senior positions have been handicapped financially by entry salary offers that were less than for equally qualified men, and this has carried through their careers. Compensation may also be skewed by how women's performance is evaluated relative to that of men. This has been the case in a number of institutions that have undertaken a gender analysis of personal performance evaluations.

94 Caribbean Development Bank (2005) Resolution and Report of Contributors to SDFU 6(2005), section 3.3

95 Fitzgerald, A.D. (2006) Avativut, "Evaluation of the Efficiency and Effectiveness of the Environmental Review Guidelines".

96 *ibid*, p.17

97 Recommendations made during the review of CDB's environmental guidelines included: (1) Operationalise mainstreaming of environmental practices throughout Bank operations. (2) Establish an additional environmental expert position at CDB. (3) Include assessments of natural hazards in environmental reviews. (4) Combine environmental and social project preparation and analysis in a single environmentally and socially sustainable development division reporting to the Director of the Projects Department. (5) Help strengthen environmental policy and operational capacity in BMCs, especially among OECS countries. (6) Include reference to the World Bank Safeguard Policies and the Pollution Prevention and Abatement Handbook. (7) Place the Environmental Review Guidelines on the CDB website in an easy-to-locate position and include links to information such as World Bank Safeguard Policies and the Pollution Prevention and Abatement Handbook. (8) Distribute the Common Framework for Environmental Assessment – A Good Practice Note.

98 Environmental Solutions, a Jamaica based firm.

99 Reference not available but contents summarised during interview

100 *Op.cit* Executive Summary para 18

101 Caribbean Development Bank (2007). Corporate priorities and administrative budget envelopes for 2008-2009.

102 Loans purely for disaster relief without a mitigation component or a contribution to sustainability are dealt with elsewhere in this Review

103 Capacity Enhancement Grants to BMCs¹ (1) Training programme for organic fertiliser production (2005); (2) Workshop on water and wastewater sectors (2005). Vulnerability Reduction Grants to BMCs¹ (1) Jamaica natural hazard impact assessment training programme (2006); (2) Institutional strengthening Caribbean Climate Change Centre (2006); (3) Preparation of Caribbean building standards (2006); (4) Institutional strengthening - National Environment Planning Agency Jamaica (2006); (5) Update of CDB's environmental policy and environmental review guidelines (2006). Although this is a review internal to CDB, it is treated as a general measure to improve capacity within the Caribbean region. Grants that may indirectly contribute to an expansion of environmental management capacity (1) Reintroduction of project management training for BMCs (2005); (2) Establishment of Caribbean Technical Assistance Centre (2005); (3) Jamaica Development Planning Framework (2006); (4) Strategic planning workshop for national development foundations Eastern Caribbean (2005); (5) Sustainable framework for monitoring MDGs in the Caribbean (2005)

104 Caribbean Development Bank (2007) Approvals and cancellations January-June 2007

105 Barbados coastal erosion control (part mitigation, part reconstruction) 2006; and Grenada disaster mitigation and restoration (part mitigation) 2005. In addition, it is arguable that the Grenville market square development project has environmental benefits. However, in terms of the priorities discussed above, they are not large enough to include it the list.

106 Caribbean Development Bank (2007) Approvals and cancellations January-June 2007

107 Caribbean Development Bank (2007) Projects under consideration as at April 23 2007

108 Barbados coastal erosion control (part mitigation, part reconstruction) 2006; and Grenada disaster mitigation and restoration (part mitigation) 2005. In addition, it is arguable that the Grenville market square development project has environmental benefits. However, in terms of the priorities discussed above, they are not large enough to include it the list.

109 *Op.cit*. p.17

110 One respondent suggested that the demand for projects is also politically driven with electoral results in mind and hence tangible returns. This is a process that may also explain reported instances of Governments overriding existing environmental legislation in favour of economic development interests.

111 The World Bank entered the field of carbon emission reduction in 2000 with its Prototype Carbon Fund and now is deeply involved in carbon finance. The Asian Development Bank's Asia Pacific Carbon Fund became operational in May this year with significant bilateral involvement

112 It needs to consider how it might contribute to awareness of, and planning for, a response from BMCs, how it can contribute to the work of other regional institutions in this area and whether it could have a role in facilitating the Clean Development Mechanism and more specifically the brokerage of carbon emission reductions.

113 In 2005-2006 a significant portion of CDB "private sector" lending has been for infrastructure. Projects that involve the private sector include road up grading (\$121.4 million), airport expansion (Jamaica \$11 million) and investments in public utilities (\$22.6 million). Economic infrastructure investment comprises 59% of the total loan flow from 2005 to the present. Several loans have been partly or wholly funded by SDF U resources (principally the Grenada second road project and bridge improvement project, and the St Kitts/Nevis electricity power project).

114 *ibid* paragraphs 4.08 and 4.09

115 IDMAG and Rideau Strategy Consultants (2007) Evaluation of CDB Technical Assistance Operations, CDB, Evaluation and Oversight.

116 "Technical assistance for private sector development, which showed a decline in 1996-1999, particularly for CTCS, continued at the same level (in annual terms) in 2000-2004, as a result of an increase in CTCS programming⁹ that offset a decline in other TA support for the private

sector. As a proportion of total TA operations, however, the category has shown a decline over the three time periods.” (3.01) “(However) the Private Sector Summit on competitive private sector development⁹ scored well on strategic relevance as it was undertaken just after completion of CDB’s 2000-2004 Strategic Plan, under which CDB was to adopt new approaches to working with the private sector, and while work on CDB’s private sector development strategy was underway. It also coincided with an active stage of planning for the Caribbean Single Market and Economy.” (7.01) “The Private Sector Summit in 2002⁹ was well managed by CDB, from initiation and design through implementation, and was used to provide validation for CDB’s new private sector development strategy, which was then under consideration.” CDB’s involvement has been small to generate any momentum. “Private sector development represented 2.6% of CDB technical assistance overall and 0.3% of the core TA programme.” (4.01)

Private-Sector-Related Technical Assistance, 1992-2004

Period	Number of TA Projects	Approved Budgets
1992-95	23	\$2,137,000
1996-99	20	\$1,904,000
2000-04	15	\$2,402,000

117 Caribbean Development Bank. (2004). Private Sector Development Strategy

118 Caribbean Development Bank (2005) Resolution and Report of Contributors on SDF 6

119 See, for example, Henry Mintzberg of McGill University, “Death of Strategic Planning” or William Duggan, The Art Of What Works, McGraw Hill, 2003.

120 MfDR is management strategy focused on development performance and sustainable improvements in country outcomes. It provides a coherent framework for development effectiveness in which performance information is used to improve decision making, and it includes practical tools for strategic planning, risk management, progress monitoring and outcome evaluation. OECD/World Bank Source Book, Emerging Good Practice in MfDR

121 “Managing for Development Results” replaced Managing for Results after Paris to reflect the concerted effort in development cooperation to bring public sector and development cooperation reform together in order to build stronger receiving country institutions and to give rightful place to their leaders as the drivers of their own countries development. The Contributors’ Report (October 2005) that launched SDFU 6 came just after the Paris Declaration on Aid Effectiveness (March 2005). It reflected the international agreement among more than 100 countries and international institutions including the MDBs and most regional MDBs to move towards partner country-based strategy, results oriented management as the drivers for: Alignment (donor and country resources aligned with national goals); Harmonization (donor systems aligned to reduce transactions costs); Selectivity (allocations made on priorities and effectiveness); Scaling up; Performance management; Reporting and Mutual accountability.

122 Managing for Results has two critical components: (1) Performance Measurement is concerned with the production and supply of performance data. (2) Performance Management is concerned with the creation of incentives for citizen level effects and the generation of demand for performance data to be used for learning and decision-making, resource allocation and accountability.

123 The international community has developed a shared understanding of the power of focusing on results rather than on inputs and process. It redirects institutional energy to the needs of the poor. It motivates commitment and joint action among many partners to achieve shared goals. When country results frameworks are country-owned and used, they empower government leaders. Having clear strategic goals with measurable objectives (the hallmark of country results frameworks), government ministers are positioned to direct allocations to country priorities. They can more easily set a consistent set of targets and indicators to achieve national goals. Progress reports assist leaders to build public support by communicating progress and help manage competing interests. Governments become managers of aid instead of recipients of aid once they have met their side of the bargain, which is to create accountable and transparent government management and expenditure systems.

124 Development institutions are discovering that managing for results facilitates a more dynamic approach to project portfolio management and to overall country strategies. It enables development organizations to move from having multiple, idiosyncratic project “results frameworks” to using the common currency of results indicators among projects linked to higher-level sector, cross-sector and country strategic objectives. This opens opportunities for better coordination among sectors and with other development partners. This in turn reduces the costs of reporting. (See Appendix G: Good Practice - MfDR). It is, however, still early in the international community’s experience with using results-based performance management and measurement techniques. The five-year project horizon and the single project Logical Framework Analysis (LogFrame or LFA) are deeply entrenched in the psyche of development professionals. Our institutions are designed to deliver individualized initiatives that operate as stand-alones – even within articulated country strategies. Not unlike other development institutions, CDB seems to have interpreted managing for results as (1) an accountability tool for its project management; and (2) a monitoring tool for measuring a country’s overall progress towards the MDGs. This may be a function of messages from the Board: the amplified pressure in the Contributors’ political environment for taxpayer accountability, and the fact that many development agencies have been on the sidelines of their own government’s MfDR reinvention.

125 For example, not just building roads, but being responsible for safer roads and faster transport, which in turn, for example, can lead to enhanced trade competitiveness. And not just graduating students but seeing whether graduates get jobs they are qualified for, and whether employers are satisfied with the quality of recruits.

126 If CDB understands MfDR solely as an accountability tool to assess progress against the CMDGs, disconnected from the responsibilities of individual governments, or if it is seen as a communications tool for its own strategy, disconnected from its own portfolio, it could miss the motivational, learning, alignment, enlistment, co-ordination and communications power of the tool. Using MfDR as an accountability tool in the sense of reward and punishment to measure staff or government performance is dangerous. This has been shown to create incentives for the gaming of data, robbing institutions of valuable learning.

127 For further information on progress in the donor community and by developing countries see www.mfrd.org. This site gives country, sector, and project examples of progress on Managing for Development Results.

128 John F. Kennedy School of Government, Harvard University (2001) Get Results Through Performance Management: An Open Memorandum to Government Executives www.ksg.harvard.edu/visions

129 “CDB has committed itself to the MDGs as an integral part of the policy framework and to their use as strategic benchmarks...[as articulated in the Caribbean specific targets and Indicators] against which CDB plans its operations and measures and manages its performance.” (Strategic Plan 2005-2009:para.4.03)

130 Peter Drucker coined the SMART acronym in the 1950s.

131 REVIEW OF A SAMPLE OF KEY PROJECT INDICATORS

Project	Key Performance Indicators	Rating
1. Trinidad and Tobago Third Consolidated Line of Credit: Republic Finance and Merchant Bank 2007 (To be approved) PDO Indicators:	Sustained real growth in agriculture, industry, tourism and related services. At least 20 AIC sub loans financed by 2010 for a total of \$25 million.	S: one indicator is specific M: one indicator is measurable A: No judgment made R: No clear measure of poverty reduction or economic growth. T: Indication of timeframe is found - 3 out of 5 principles are generally met. - Informs output achievements, rather than outcome achievements
3. Grenada Second Bridge and Road Improvement Project 2005	After project implementation improvement in social indicators including household incomes and poverty levels. Increase average annual economic growth No accidents attributable to inadequacy of bridge infrastructure No structural failure of bridges Savings in VOC and travel time translating to an ERR of 13%.	S: one of four indicators is specific M: one indicator is measurable A: No judgment made R: No clear measure of poverty reduction or economic growth. T: No indication of timeframe is found. - 0 out of 5 principles met. - Informs output achievements, rather than outcome achievements

Source: Author

132 REVIEW OF PROJECT OUTCOMES

Active Project	Development Objective	Rating (Does not meet, somewhat meets, meets)
1. St Kitts/ Nevis West Basseterre Bypass Road 2005	To contribute to economic efficiency by increasing productive time, reducing vehicle operating costs and facilitating the development of new development within the project areas.	Does Not Meet SMART criteria. Who the beneficiaries are is not clear especially regarding land development. Target behavior is not clear. The objective does not specify how people targeted will change behavior to become less poor. (CMDGs)
2. Haiti Education for All Project 2007	A better educated population with the requisite knowledge and competencies to contribute more effectively to the social and economic development of Haiti.	Somewhat meets SMART Criteria The target audience is mentioned but remains vague (In which regions? What age groups?) Target behavior is not clear. The objective does not specify how people targeted will contribute to social and economic development of Haiti...or behave differently to become less poor.

133 CDB's approach to MfDR needs improvement in several ways; including (1) Project development objectives need improvement. There is a need to present a consistent set of objectives in projects of the same type, defined at the same strategic level. There is a need to focus project objectives on poverty reduction outcomes. (2) Project Key performance indicators need improvement. (3) Stronger results linkages are needed between cross-sector themes, sector objectives and projects objectives and indicators. This can be done by developing thematic or sector results frameworks and agreeing on a "few, but vital" Key Performance Indicators to inform strategic management decisions. (4) This should supply strategic information necessary to inform progress in measurable terms at the level of the eleven CDB outcomes and the CMDGs.

134 In both the road and the education sector examples in, it is notable that there were no gender objectives relative to the CMDG goals of increasing education equality between the sexes and increasing the range of employment for women. Until the projects have results frameworks that are used to measure their effects at the strategic level, the CDB cannot know whether or not its work is aligned with its strategy.

CMDG GENDER RESULTS COMMITMENTS	
CARIBBEAN MDGs, TARGETS AND INDICATORS: AN INDICATIVE FRAMEWORK	
Goal 3. Promote gender equality and empower women	Indicators: Goal 3
Target 4. Eliminate gender disparity in primary and secondary education, preferably by 2005, and to all levels of education no later than 2015	13. Ratio of girls to boys in primary, secondary and tertiary education.
Target 5. Eliminate gender disparities in income and occupational opportunities at all levels and in all sectors, no later than 2015	14. Proportion of students by sex who take Mathematics and Science examinations at 5th Form.
Target 6. Reduce by 60%, the incidence of physical acts of gender based violence	15. Ratio of literate females to males of 15 to 24-year-olds.
	16. Share of women in wage employment in the non-agricultural sector.
	17. Average national income of men and women by sector of employment.
	18. Employed persons by occupational status by sex.
	19. Proportion of seats held by women in national parliament.
	20. Proportion of women holding office in local government.
	21. Incidence of reported physical abuse by sex of the abused

135 For instance, CMDG targets “ensure that by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary and secondary schooling up to Grade 12” was not reflected in the results frameworks of the sample of education projects in the table below. Each of these projects aims to keep children in school. It says that it intends to measure the goal three ways: by increase in completion rates, increase in retention rates, and decrease in dropout rates. If the education projects used the same target across primary and across secondary school education projects, project officers could use alignment with the CMDGs as a motivating factor in policy dialogue, and they could begin to use differential rates of progress across the portfolio as triggers for investigating underlying causes and for using comparison to reinforce progress. Such use would also reinforce the government’s focus on the CMDGs. The road sector example also in the table below illustrates the opportunity to report on economic contribution consistently, but each states vehicle operating costs and reduced travel time differently, thereby inhibiting comparison and aggregation. The results frameworks should also go further - to outcomes. How will poverty be reduced through the use by beneficiaries of these projects?

Same Sector, Similar Outcomes, Different Indicators	
Project Development Objectives	Selected Key Performance Indicators
CDB Strategy 2005- 2009 Desired Outcomes:	
<ul style="list-style-type: none"> • Improve quality of and opportunities for access to Education and Training • Promote Gender Equity 	
Haiti Education for All	Increase in completion rates at the primary level from 66% to 90% by 2015.
A better educated population with the requisite knowledge and competencies to contribute more effectively to the social and economic development of Haiti.	80% of the target group retained by 2010.
Grenada Schools Rehabilitation and Reconstruction	Decrease in the drop out rate and repetition rates by 10% by 2012.
An increased number of graduates capable of contributing more significantly to the social and economic development of Grenada.	5% increase in secondary school graduates entering the labour force by 2015.
No gender targets (CMDG#3, Target 4 Education representation and achievement).	
CDB Strategic Outcomes	
<ul style="list-style-type: none"> • Strengthen and Modernise Public Utilities and Infrastructure • Promote Gender Equity 	
Infrastructure Section	
Grenada Second Bridge and Road Improvement	Savings in Vehicle Operating Costs (VOC) and travel time translating into an ERR of 13%.
To contribute to the social and economic development of Grenada through improved road and transport infrastructure.	No gender targets (CMDG#3 Target 5: employment opportunities).
St. Kitts and Nevis West Basseterre Bypass Road Project	Savings in travel time of at least 41.8 million by 2008
PDO: To contribute to economic efficiency by increasing productive time, reducing vehicle operating costs and facilitating the development of new development within the project areas.	Savings in VOC of at least \$2.1 mn by 2008
No gender targets (CMDG#3 Target 5: employment opportunities.)	

Source: Author

136 The recent Joint Assistance Strategy for Tanzania (2007-2010) is perhaps the most advanced results-and-partnership-based country strategy. The Mozambique government's approach is the most advanced in using measures to manage mutual accountability. In Afghanistan, there has been an intense effort by the donor community to align with the Afghanistan National Development Strategy and to use results to motivate and measure progress through a Joint Coordination Monitoring Board.

137 Evaluation and Oversight Division has the following responsibilities noted in the latest CSP: "CDB's Evaluation and Oversight Division will engage in formal oversight of the strategy and its implementation, both to assist the Operations area of CDB in improving the development effectiveness of its activities on an informal, ongoing basis, and through a formal review of the interventions and process to inform a more structured approach to improving Bank operations." (Belize CSP p. 41) Program oversight is primarily a management responsibility, as is continuous improvement. The St. Kitts/Nevis CSP sets out a more appropriate role for Division: "The EOVS division of the Office of the President will do the second level of the monitoring and evaluation process. This division will evaluate projects, programmes and TA financed by the CDB to assess the development impact of the CDB's intervention. The evaluation also assesses the sustainability, the institutional development impact and CDB and the country performance in determining the overall development effectiveness of projects financed by CDB. The evaluation by the EOVS division will be done in terms of relevance, efficacy, and efficiency. (St Kitts and Nevis CSP, p. 64)" The St. Lucia CSP notes that in the "the preparation of a new CSP for St. Lucia, the implementation of the last CSP will be reviewed and a report will be prepared by CDB's Economics Department." A review of progress on previous CSP in preparation for the next CSP by the Economics Department is good practice.

138 The Belize CSP does not set out a results framework. The other two CSPs do have a CDB results table that describes sector interventions, CDB planned projects and some ongoing projects, and a few indicators. These indicators are simple statements of undifferentiated benefits, such as "improved school environment" or "improved coastal water quality", rather than measurable and monitorable indicators of progress. They are not SMART, no baselines are provided, and neither are clear links to the next level up: sector or country measurable targets. Some CDB priorities, such as gender improvements, are missing in the action plan and recommendations.

139 One aspect of such an independent arrangement that should be kept in mind is that the position of head of evaluation is normally filled by an external appointment or given as a terminal assignment by a CDB executive. The key thing is that the Board via the CODE makes the appointment and is responsible for the EOVS director's personnel transactions (recruiting, hiring, and annual appraisal) The position reports to the Chair of CODE to avoid conflict of interest with the President's over-riding management function. The position must be "seen" to be completely independent and as free as institutionally possible to have one sole purpose, which is to work on behalf of the institution to ensure the best use of development funds for poverty reduction.

140 In LogFrames there is little evidence of baselines being established against which to measure progress and reveal lessons of implementation.

141 Annual Review of the Performance of the Project/Loan portfolio Under Implementation for the Year Ended December 31, 2005, Paper BD 67/06, December 2006. p. vi

142 As a result, the 2005 Annual Review of the Performance of the Project/Loan Portfolio was not completed by EOVS until October of 2006.

143 Some MDBs have three-year terms for Directors of Evaluation, renewable once. Best practice, however, is the IMF six-year non-renewable term for the Director of Evaluation.

144 A more direct relationship between EOVS and the Board might imply: (1) The Deputy Director, EOVS report to the Chair of a Committee on Development Effectiveness. If not a "CODE" then report to the Dean of the Board. (2) The head of EOVS might more appropriately be a Director rather than a Deputy Director; (3) the incumbent head of EOVS should not return to another staff position in CDB. The position would either be filled by an outside term appointee or be a pre-retirement position. The Board should make the appointment the incumbent. (4) The Board would approve an evaluation and audit strategy for a full cycle, perhaps the four-year SDFU cycle. (5) The Board would approve the yearly work plan and budget. (6) EOVS would be responsible for evaluations that are results-based, joint with other donors whenever possible, include external voices. The evaluation department would perform a limited number of project audits and impact evaluations. Each project level study done would be chosen as a building block for an evaluation work plan that is scaled up to report on thematic, sector, country and regional evaluations. (7) The EOVS would establish standards for excellence in evaluation and would be reviewed periodically against those standards by an external review team. (8) EOVS would be funded to shorten the feedback loop to projects management through provision of funds for workshops and publications on its reports.

145 CDB, BD 67/06, "Annual Review of the Performance of the Project/Loan Portfolio Under Implementation for the year ended December 31, 2005". Table 9, Page 31 Para 3.12.

146 CDB, BD 67/06, "Annual Review of the Performance of the Project/Loan Portfolio under Implementation for the year ended December 31, 2005". Table 9, Page 5.

147 The CMDGs are consistent with the MDGs. The Caribbean specific targets and indicators reflect regional conditions, although under gender one might expect a target reflecting gender equity goals addressing the particular situation of young males.

148 CDB and UNDP: "Millennium Development Goals Regional Workshop", Nov 17 and 18, 2005. p. 6-7.

149 PowerPoint Presentation on SPARC by UNDP Barbados and the OECS by Amory Hamilton-Henry and Leisa Perch. June 07, 2007

150 The Bank's position is that the long delay has been due to Surinam being unable to complete the financial requirements of membership. Among other ways to deal with this issue, CDB has proposed a credit to a Surinamese private entity that would be advanced to the Treasury so as to allow the Government to pay in its capital requirement, but this has not been taken up. There is also said to be a division of opinion within Suriname's political leadership about CDB membership. CDB has tried to persuade the country's private sector to push for membership. From time to time, CARICOM and OAS have attempted to act as facilitators. Currently, relations between CDB BMCs and Surinam are at a low point following the latter's decision in May 2007, without consultation inside CARICOM, to invest in a nuclear power program in contravention of regional policy on nuclear energy.

151 Whether CDB will be successful in bringing multilateral development banks into membership is uncertain. The MDB membership may feel it is inappropriate for multilateral development banks to take membership in each other (as emerged in the recent EIB discussions). Some might see the collaborative logic of, for example, World Bank taking a membership share in regional banks in order to achieve the closer collaboration called for by the Meltzer Commission.

152 Harmonization, alignment, results: report on progress, challenges and opportunities (OECD DAC 2005, p 15), p 15.

153 Where countries have developed PRSPs (originally to benefit from HIPC debt relief) there has been support by donors in their country assistance strategies for the development priorities set. But this is alignment mainly at headline level; often donors don't use the PRS to guide their country assistance allocations. Since PRSPs often do not clearly prioritise among sectors or reforms in need of support, they offer little guidance for programming purposes. Doing so requires a robust medium-term framework that links country priorities to budget decisions and timetables. But partner countries rarely have a modern functional budget classification, laws that establish a disciplined budget preparation

calendar, and budget controls that provide some assurance of plans being executed. “As donors move toward better coordinated support for country-owned reform of public expenditure management combined with a performance assessment framework to guide reform efforts, the prospects for pragmatic MTEF reforms are good” Harmonisation, alignment, results: report on progress, challenges and opportunities (OECD DAC 2005).

154 From IDB workshop ‘Report on the regional workshop on harmonization and alignment for Latin America and the Caribbean: exercising leadership to accelerate change’. Dec 11 2006

155 Harmonisation, alignment, results: report on progress, challenges and opportunities (OECD DAC 2005), pp 31-32.

156 The Paris Declaration declared a target, for 2010, that 75% of developing countries would have clear strategic priorities (including PRSs) linked to a medium-term expenditure framework and reflected in annual budgets. (Paris Declaration indicator 1) The Paris Declaration targeted for 2010 that at least 50% of capacity development support would be provided through coordinated (joint) programmes consistent with partners’ national development strategies. (Paris Declaration Indicator 4). The Paris Declaration targeted for 2010 that at least 50% of (a) field missions, and/or (b) country analytic work, including diagnostic reviews, would be joint with other donors. (Paris Declaration Indicator 10). The Paris Declaration set a target, for 2009, that development agencies would be working directly with 75% of its BMCs in a participatory approach to strengthen results based management by the BMC government.

157 Programme aid includes general budget support (finance into government’s budget, usually with a variety of agreed policy targets), sector budget support (SwAps, i.e. finance into government’s budget, usually with a variety of agreed policy targets for a particular sector), and sector baskets (donors put money into an account managed by one or more of them, to be used as for a SwAp, except money is sometimes paid directly to sector ministries/departments rather than into government’s central budget). Characteristics of programme aid are usually some dialogue regarding policy and policy targets agreed to be achieved with help of the programme aid; and paying of funds into a government account, not against specific purchases.

158 ‘Progress report on the implementation of the partnership, harmonisation and alignment agenda’. Paper BD 83/06 presented to 224th meeting of the Board of Directors of CBD, 14 December 2006

159 The undertaking would: 1. Identify the present level of performance in specific finance management services in government (including procurement, auditing, reporting, analytic work for project identification, statistics, budgeting). Means of measuring performance standards are now available, including assessment of public procurement standards and PEFA that assesses the standard of separate components of public finance management; 2. Indicate which specific government services are of adequate standard and will be used immediately, and which are not. 3. Indicate the support to be given to government plans in raising the standard of inadequate services to acceptable levels; 4. Indicate a date for review. 5. Include the undertaking as a statement in the donor’s country assistance plan.

160 The Contributors’ Report/Action Plan addresses several general headings that deal with questions of joint initiatives and coordination: 1) Aid effectiveness, as outlined in the Rome and Paris Declarations, with special emphasis on improved harmonisation of practices, over the SDF period. The Contributors’ Report coincided with the adoption, shortly thereafter, of the CDB Strategic Plan 2005-2010 which, inter alia, set out Paris Declaration-related performance indicators for the Bank along with tentative targets under the four topics: ownership (by the BMCs), coordinated support for capacity building (i.e. alignment), harmonisation of common practices and procedures, and results based management. The Contributors Action Plan calls for CDB to take the lead in promoting harmonised approaches in the areas of procurement and environmental assessment, and to seek common donor approaches in assisting the Caribbean Regional Negotiating Machinery (CRNM), economic adjustment measures that will be required under the CSME and WTO Doha Rounds, and the area of disaster mitigation and risk management. 2) The challenge of integrating MDGs into the Bank’s work at all levels and the Bank’s work in the poverty reduction strategy area with Caribbean donors groups. The Contributors Action Plan calls on CDB to use SDF resources as leverage in promoting common donor approaches to support for social protection for the poor in BMCs and to emphasize inter-donor participatory approaches to its Country Poverty Assessment updates. 3) The role of SDF resources in promoting the Bank’s support to regional cooperation and integration in the context of global change and the creation of the CSME. 4) Support to increased membership in the Bank through the accession of new non-borrowing countries, both from the Americas region and Europe/Asia.

161 A full discussion of Bank activity in individual areas during the first half of SDF 6 is to be found in other Sections of the Report (particularly 5.1, 5.3.5.4.5.5.6.6.1. and 8.1).