

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**SDF NINE REPLENISHMENT
STRATEGIC FOCUS PAPER**

FEBRUARY 2016

CURRENCY EQUIVALENT

Dollars (\$) throughout refer to United States Dollars (USD) unless otherwise specified.

ABBREVIATIONS

BMCs	-	Borrowing Member Countries
bn	-	billion
BNTF	-	Basis Needs Trust Fund
CARICOM	-	Caribbean Community
CCRIF	-	Caribbean Catastrophic Risk Insurance Facility
CDB	-	Caribbean Development Bank
CGA	-	Country Gender Assessment
CMDG	-	Caribbean-specific Millennium Development Goals
CSME	-	CARICOM Single Market and Economy
CSP	-	Country Strategy Paper
EE	-	Energy Efficiency
EPA	-	Economic Partnership Agreement
FAO	-	Food and Agriculture Organisation of the United Nations
GBV	-	Gender-Based Violence
GDP	-	Gross Domestic Product
GE	-	Gender Equality
GEPOS	-	Gender Equality Policy and Strategy
GIDPOS	-	Governance and Institutional Development Policy and Operational Strategy
mn	-	million
MSMEs	-	Micro, Small and Medium Enterprises
NGO	-	Non-Governmental Organisation
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
PBL	-	Policy-based Loan
RCI	-	Regional Cooperation and Integration
RE	-	Renewable Energy
RMF	-	Results Monitoring Framework
RPGs	-	Regional Public Goods
SDF (U)	-	Special Development Fund (Unified)
SDGs	-	Sustainable Development Goals
SE	-	Sustainable Energy
SEEC	-	Sustainable Energy for the Eastern Caribbean
SIDS	-	Small Island Developing States
SWP	-	Strategic Workforce Plan
TA	-	Technical Assistance
TVET	-	Technical and Vocational Education and Training
UWI	-	University of the West Indies
WB	-	World Bank

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STRATEGIC FOCUS PAPER - SDF NINE REPLENISHMENT

1. INTRODUCTION

1.01 The Unified Special Development Fund [SDF (U)] represents the principal pool of concessional resources available to the Bank and is usually replenished in four-year cycles. Contributors to the SDF (U) enter into negotiations with the Bank with the objective of agreeing on the priority areas and programmes which should be addressed and on the amount of SDF (U) resources which will be necessary to realise the agreed objectives. The first round of funding for the SDF (U) covered the four years ending in 1987, and subsequent replenishments were for 1988-91 (SDF II), 1992-1995 (SDF III), 1996-2000 (SDF IV), 2001-2004 (SDF V), 2005-2008 (SDF 6), 2009-2012 (SDF 7), and 2013-2016 (SDF 8). Negotiations for the replenishment of the SDF (U) for a ninth cycle, covering the period 2017 - 2020 (SDF 9) will commence in March 2016 with a further two meetings planned for May and July 2016.

1.02 Negotiations for the replenishment of the SDF (U) takes place at a time when the international development agenda has been significantly expanded by international consensus reached on:

- Sustainable Development Goals (SDGs);
- Financing for Development (Addis Abba Action Agenda); and
- Climate Change at the United Nations Conference of Parties (Paris).

1.03 SDF 9 will be the first full replenishment cycle that addresses these agreements and which is framed in the context of the Strategic Plan 2015 – 2019. In addition, several of the recommendations arising from the Mid-term Review (MTR) of SDF 8, which were considered at the Preparatory Meeting of Contributors in the December 2015, will be incorporated in the design of the proposed SDF 9 programmes.

1.04 This draft document sets out the principal strategic and operational directions to be pursued in the Borrowing Member Countries (BMCs) which are eligible for access to SDF (U) concessional loan and grant resources. The proposed strategic themes and cross-cutting areas will be strongly aligned with directions set out in the CDB's Strategic Plan 2015 – 2019¹. The SDF 9 strategic and operational thrusts will also be fully aligned with the expanded international development agenda and will support BMCs in achieving the Caribbean-specific SDG targets to be developed during this cycle.

1.05 Table 1 outlines the current country groups and eligible BMCs, and the corresponding terms of SDF lending. A review of the country groups and the terms of lending will be presented for consideration by Contributors during these negotiations.

¹ The Strategic Plan commits the Bank to assisting BMCs to reduce inequality and halve the incidence of extreme poverty by the end of 2019. It also calls for supporting inclusive and sustainable economic growth; promoting good governance; and mainstreaming the cross-cutting areas of regional cooperation and integration (RCI), gender equality (GE) and energy security.

TABLE 1: COUNTRY GROUPS AND TERMS OF LENDING FOR SDF

Country Group	Country	Terms of Lending
Group 1 <i>(Mainly OCR)</i>	Anguilla Antigua and Barbuda Bahamas, The Barbados British Virgin Islands Cayman Islands Trinidad and Tobago Turks and Caicos Islands	Interest rate – 2.5% Maximum Grace Period – 5 years Maximum Overall Maturity – 20 years
Group2 <i>(Blend of SDF and OCR)</i>	Belize Dominica Grenada Guyana Jamaica Montserrat St. Kitts and Nevis St. Lucia St. Vincent and the Grenadines	Interest rate – 2.5% Maximum Grace Period – 5 years Maximum Overall Maturity – 25 years
Group3 <i>(Mainly SDF)</i>	Haiti	Interest rate – 2.0% Maximum Grace Period – 10 years Maximum Overall Maturity – 30 years

1.06 At the Preparatory Meeting of Contributors held on December 11, 2015, Contributors agreed that the following themes would guide the development of the programme for SDF 9:

- (a) Supporting the achievement of SDG targets relevant to the Caribbean and specific to SDGs 1, 2, 4, 5, 6, 7, 8, 9, 11, 13, 16 and 17 (Refer to Appendix 1 – Selected SDGs, Targets and Means of Achievement);
- (b) Building resilience and promoting environmental sustainability; and
- (c) Promoting regional cooperation and support for regional public goods (RPGs).

These themes will be supported by the cross-cutting areas of GE and Good Governance.

1.07 **Section 2** of this document describes the current and medium-term development challenges and vulnerabilities faced by BMCs. The strategic approach to programming in SDF 9 is outlined in **Section 3**, including rationale for extending further financial and technical support for developing and pursuing Caribbean-specific SDG targets, and SDF 9 themes and cross-cutting areas. **Section 4** describes the financing for development framework to support the 2030 Development Agenda and SDF 9 programmes in BMCs, as well as, CDB/SDF (U) role in financing these programmes. A Results Monitoring Framework (RMF) for SDF 9 will be discussed in **Section 5**.

2. REGIONAL DEVELOPMENT LANDSCAPE AND CHALLENGES

2.01 High and persistent poverty and inequality, and vulnerabilities from the effects of climate change weather phenomena² and natural disaster events, remain the leading challenges to BMCs' inclusive and sustainable growth and development ambitions. In addition, pressures emanating from low and variable economic growth; unsustainable debt and poor fiscal management; capacity limitations in key areas of evidence-based policy formulation, economic governance, legislative and regulatory frameworks, statistics and capacity development; high unemployment (particularly among youths); high energy costs; environmental degradation; persistent gender inequalities; crime and increasing threats to citizen security; and unfinished important work associated with the regional cooperation and integration (RCI) project relentlessly contribute to these unacceptable conditions.

2.02 The proposed objectives for SDF 9 - SDGs 1, 2, 4, 5, 6, 7, 8, 9, 11, 13, 16 and 17; building resilience and promoting environmental sustainability; and promoting regional cooperation and support for RPGs in BMCs - will require a comprehensive, and transformative approach with respect to the means of implementation, which integrates the economic, social and environmental dimensions of inclusive and sustainable development, and is underpinned by effective, and accountable institutions, sound policies and good governance at all levels. Furthermore, the continuing and substantial support of CDB/SDF (U) and other development partners is an imperative for BMCs to successfully address these issues and to substantially reduce poverty and inequality.

High and Persistent Poverty and Inequality

2.03 Poverty is caused and sustained by multiple cross-cutting deprivations and vulnerabilities. It retards capacity for the full development of personal assets and sustainable livelihoods. Aggregated Caribbean data for the period 2006 to 2014 show a decline in the proportion of the population in poverty from 54% to 44.1% (including Haiti) and from 24% to 21.1% (excluding Haiti) (Refer to Table 2). For the same period, there was also a decline in the proportion of the Caribbean population below the indigence line (food poverty from 41% to 22.4% (including Haiti) compared with 12% to 11.1% (excluding Haiti). The movement from 24% to 21% for overall poverty and from 12% to 11% for indigence (excluding Haiti) reveal little change in close to a decade, and the Caribbean-specific Millennium Development Goal (CMDG) target for income poverty reduction by 2015 has not been met.

2.04 The situation is more positive for non-income human development poverty reduction indicators. Enrolment and retention rates at the primary school level continue to improve although they are still below target values¹⁷. The indicators for enrolment in secondary school are currently above the targets set for both male and female enrolment. However, while net enrollment at primary and secondary levels are good, the quality of education remains below expectations with gross enrollment rate at post-secondary level estimated at only 15%³.








2.05 With respect to access to basic services, in particular water and improved sanitation, relatively modest gains have been made since 2009. Approximately 96.2% of the urban population and 92.1% of the rural population had access to potable water in 2014. Many BMCs are classified as water-scarce or water-stressed, and face a number of significant challenges. These include high levels of water losses, inadequate tariffs, aging infrastructure and insufficient capital investment, poor regulatory and institutional arrangements for effective integrated water resource management. These challenges are exacerbated by risks associated with climate change and variability and impacts most severely on the poorest and most

² The substantial economic losses and fatalities associated with the weather event in Dominica, in August 2015, is a stark reminder of the Regions acute environmental vulnerabilities.

³ In 2014, Caribbean Community (CARICOM) Heads of Government appointed a Commission to develop a Regional Education and Human Resource Development 2030 Strategy. CDB is represented on this commission which is expected to complete its work by February 2016.

vulnerable citizens, whose livelihoods are critically linked to access to water resources. In addition, the sustainability of existing water supplies is uncertain in light of climate change and increasing urban demand. In 2014, CDB convened a workshop to discuss the state of the water sector in the Caribbean and to develop appropriate strategies to ensure sustainability.

**TABLE 2: STATUS OF SELECTED CMDG INDICATORS –
BASELINES, TARGETS AND LATEST DATA**

Indicators	Baseline		Target (2015)	Latest		Indicator Status	Summary Rating
	Year	Value		Year	Value		
POVERTY AND HUMAN DEVELOPMENT IN CDB's BMCs							
1. Proportion of population below the poverty line (%):	2006	54.0	27.0	2014	44.1		
- including Haiti	2006	24.0	19.0	2014	21.1		
- excluding Haiti							
2. Proportion of population below the indigence line (%): ²	2006	41.0	20.5	2014	22.4		
- including Haiti	2006	12.0	6.0	2014	11.1		
- excluding Haiti							
3. Net enrolment in primary education (%):							
- Female	2006	94.0	95.0	2013	89.1		
- Male	2006	94.0	95.0	2013	90.1		
4. Net enrolment in secondary education (%):							
- Female	2006	73.0	80.0	2013	88.3		
- Male	2006	68.0	77.0	2013	84.0		
5. Proportion of population with access to an improved water source (%):							
- Urban	2009	96.0	94.0	2014	96.2		
- Rural	2009	87.0	92.5	2014	92.1		
6. Proportion of population with access to improved sanitation (%):							
- Urban	2009	86.0	88.0	2014	86.0		
- Rural	2009	84.0	86.5	2014	84.5		

2.06 The Gini Coefficients⁴ further indicate significant disparities in the distribution of consumption or wealth in the Region with only marginal changes between the survey periods (Refer to Table 3 – Major Poverty Indicators). Comparative data shows that inequality decreased for three countries: Grenada, St. Lucia and St. Vincent and the Grenadines. Conversely, inequality increased for five countries: Anguilla, Barbados, Belize, Dominica, and Jamaica. Such findings unveil the structural nature of poverty in the Region and related vulnerability to the impact of global financial crises and natural hazards.

2.07 The lack of progress in the areas of poverty and inequality means that significant work remains to be done and CDB and SDF are compelled to offer leadership in the task ahead. In this regard, the Bank is already undertaking an evaluation of poverty reduction measures in the Caribbean with the aim of identifying the causal factors for the lack of progress over the past decade and producing a new collective strategy that would provide directions for pursuing SDG 1. The results of the study⁵ will be presented for consideration by Contributors during these negotiations.

⁴ The Gini Coefficient is a measure of inequality and ranges from 0 (perfect equality) to 1 (perfect inequality).

⁵ Entitled “The Changing Nature of Poverty and Inequality in the Caribbean: New Issues, New Solutions”

TABLE 3: MAJOR POVERTY INDICATORS

Country	Survey Year	Below the Poverty Line ¹	Below the Indigence Line	Additional Vulnerable	Poverty Gap ²	Poverty Severity ³	Gini Coefficient
		(% of Population)					
Anguilla	2002	23.0	2.0	n.a.	6.9	3.2	0.31
	2009	5.8	0.0	17.7	1.1	0.2	0.39
Antigua and Barbuda	2006	18.0	3.7	10.0	6.6	3.8	0.48
Bahamas, The	2001	9.3	n.a.	n.a.	n.a.	n.a.	n.a.
Barbados	1997	13.9	n.a.	n.a.	2.3	n.a.	0.39
	2010	19.3	9.1	10.4	6.4	3.2	0.47
Belize	2002	33.5	10.8	n.a.	11.2	6.1	0.40
	2009	41.3	15.8	n.a.	10.8	5.0	0.42
British Virgin Islands	2002	22.0	0.5	n.a.	4.1	1.7	0.23
Cayman Islands	2008	1.9	0.0	1.8	0.4	0.2	0.40
Dominica	2002	39.0	10.0	n.a.	10.2	4.8	0.35
	2009	28.8	3.1	11.5	8.9	4.0	0.44
Grenada	1999	32.1	12.9	n.a.	15.3	9.9	0.45
	2008	37.7	2.4	14.6	10.1	4.0	0.37
Guyana	1993	43.0	29.0	n.a.	n.a.	n.a.	n.a.
	1999	35.0	19.0	n.a.	12.4	n.a.	n.a.
	2006	36.1	18.6	n.a.	n.a.	n.a.	0.35
Haiti	1999	65.0	n.a.	n.a.	n.a.	n.a.	n.a.
	2001	78.0	54.0	n.a.	n.a.	n.a.	n.a.
	2012	58.6	23.8	n.a.	n.a.	n.a.	n.a.
Jamaica	2002	19.7	n.a.	n.a.	n.a.	n.a.	0.40
	2009	16.3	n.a.	n.a.	n.a.	n.a.	0.59
	2010	17.6	n.a.	n.a.	n.a.	n.a.	n.a.
	2012	19.9	7.5	n.a.	5.8	n.a.	n/a
Montserrat	2009	36.0	3.0	20.0	10.2	4.8	0.39
St. Kitts and Nevis	2008	21.8	1.0	13.8	2.7	0.8	0.40
St. Kitts	2000	30.5	11.0	n.a.	2.5	0.9	0.39
	2008	23.7	1.4	n.a.	6.4	2.6	0.38
Nevis	2000	32.0	17.0	n.a.	2.8	1.0	0.37
	2008	15.9	0.0	n.a.	2.7	0.8	0.38
St. Lucia	1996	25.1	7.1	n.a.	8.6	4.4	0.50
	2006	29.0	1.6	11.5	n.a.	n.a.	0.42
St. Vincent and the Grenadines	1996	37.5	25.7	n.a.	12.6	6.9	0.56
	2008	30.2	2.9	18.0	7.5	3.0	0.40
Suriname	2000	63.1	20.0	n.a.	n.a.	n.a.	n.a.
	2002	70	n.a.	n.a.	n.a.	n.a.	n.a.
Trinidad and Tobago	1997	24.0	8.3	n.a.	n.a.	n.a.	0.39
	2007	17.0	n.a.	n.a.	n.a.	n.a.	n.a.
Turks and Caicos Islands	1999	26.0	3.2	n.a.	5.7	2.6	0.37
	2012	21.6	0.0	11.4	4.0	1.4	0.36

Sources (most recent data): Country Poverty Assessments (CPAs); Bahamas Survey of Living Conditions; Guyana Household Income and Expenditure Survey; Haiti Household Income and Expenditure Survey; Jamaica Survey of Living Conditions; Trinidad and Tobago Household Budget Survey. Comparable sources for earlier data cited in CDB 2013, except for Jamaica 2012 (PIOJ 2014), Haiti 2012 (World Bank) and Suriname 2002 est. (CIA World Fact Book).

^{1/} Based on national poverty lines, except for Haiti, which is on the basis of the international poverty lines of USD2 and USD1/person/day. Survey dates are as shown in the table.

^{2/} The poverty gap is based on the aggregate poverty deficit of the poor relative to the poverty line. It indicates the depth of poverty, which is the extent to which the incomes of poor households fall below the poverty line. The poverty gap can be used to estimate the minimum cost of eliminating absolute poverty, if transfers were perfectly targeted.

^{3/} Poverty severity or intensity of poverty is provided by the Foster-Greer-Thorbecke P2, which assesses aggregate poverty. The measure is usually considered as the sum of an amount due to the poverty gap, and an amount due to inequality among the poor. It is similar to the poverty gap but gives greater emphasis to the poorest households.

Vulnerability to Climate Change, Natural Hazards and Environmental Degradation

2.08 Climate change and natural hazard events threaten to unravel much of the development gains of the Caribbean region. In any one year, at least one BMC will experience a major hurricane or flood event and several others might experience less severe impacts. As a result of their vulnerability to frequent natural hazard events, Caribbean countries have been incurring very high economic costs to replace damaged or destroyed infrastructure.

2.09 The World Bank (WB) estimates that between 2001- 2010, economic losses due to natural hazards in the Organisation of Eastern Caribbean States (OECS) countries were \$870 million (mn) in 2000 Real USD terms⁶. Regional losses from Hurricane Ivan in 2004 totaled over \$6 billion (bn). In Grenada and Cayman Islands, losses were close to 200% of the national annual GDP⁷. More recently, in August 2015, Dominica suffered the effects of Tropical Storm Erika which caused severe infrastructural damage, estimated at \$483 mn, equivalent to approximately 90% of Dominica's GDP. Global records indicate that climate-related disaster risk is increasing. The Caribbean region will continue to be among those most adversely affected and greatly challenged to cope with the anticipated shocks to the social, economic and natural environmental systems due to the impacts of climate change.

Box 1: Natural Disaster Impact – The Case of Dominica

The social and economic impacts of natural hazard and disaster events can have significant long-term consequences. In the case of Dominica, for example, the ravages of Tropical Storm Erika which struck the country in late August 2015 is instructive. The Rapid Damage and Impact Assessment undertaken post disaster estimated total damage and loss of XCD1.3 bn (USD483 mn), equivalent to approximately 90% of Dominica's GDP. The majority of damage was sustained in the transport sector (60%), followed by the housing sector (11%) and agriculture sector (10%). Out of a total population of 72,240 persons, 11 persons were confirmed dead, 22 missing, 574 homeless and 713 evacuated with approximately 7,229 impacted by the event in disaster-declared areas.

The cumulative impacts of this and similar events have destroyed or damaged critical infrastructure and reversed hard-earned development gains. Disaster recovery and reconstruction continue to absorb an increasingly large share of countries' annual budgets imposing substantial costs on their economy. This is further compounded by the infliction of unquantifiable psychological and psycho-social costs and gender impacts to the population.

Dominica, in common with many other BMCs, continues to work towards improving the social conditions of its citizens through infrastructure investment, economic diversification and employment generation, yet its population and economy remains highly exposed to natural hazard and disaster events and catastrophic risk.

2.10 Climate variability and climate change are more likely to affect climate sensitive sectors and key drivers of economic growth and development such as agriculture, tourism, fisheries, forestry and water resources. Poor planning and laxity in the enforcement of regulations for land development, and inadequate pollution control are contributing to increased land degradation. Lagging investments in infrastructure and poor maintenance are impacting critical natural resources and ecosystems and impairing important ecosystem services in both terrestrial and marine environments. Levels of physical vulnerability to natural hazards have continued to increase, and will be further exacerbated by climate change and associated sea level rise with the increasing concentration of settlements in the coastal zones.

⁶ Strengthening Public Investment in Disaster Risk Reduction and Climate Change Adaptation in Eastern Caribbean, 2014 – WB

⁷ Caribbean Catastrophic Risk Insurance Facility Strategic Plan 2015 - 2018

2.11 The persistence of large pockets of poverty in both urban and rural areas contribute to the cycle of environmental degradation and has significantly increased the absolute numbers of the population in BMCs now vulnerable to natural hazards. Disaster impacts are often not distributed uniformly within a population. Poor and vulnerable citizens suffer most from natural disasters and climate-induced events. In addition, due to existing socio-economic conditions, cultural beliefs and traditional practices, women face disproportionate risks. In many cases, the mortality rates for women in the aftermath of a disaster are much higher than those of men. Ending poverty and inequality will therefore require building resilience to climate change and associated events.

2.12 Progress in mainstreaming environmental sustainability, climate and disaster risk reduction (DRR) measures has been slow, and outdated policies, inadequate legislative/regulatory frameworks, and fragmented institutional arrangements remain the norm for most BMCs. Improvements in the coverage of environment and climate monitoring networks are critical for the provision of robust environment and climate data sets to support effective policy development and decision-making. There is an urgent need for institutional, legislative and regulatory reform of technical institutions responsible for environmental governance and the management and dissemination of knowledge on climate and disaster risks and environmental performance. Implementation of these reforms are crucial for the attainment of SDG 13.

Capacity Limitations and Weaknesses in Governance Arrangements

2.13 Critical to the success of measures to reduce poverty and inequality, and to building resilience to economic and environmental shocks is the closing of the capacity gap in the areas of institutional reform, evidence-based policy formulation, data collection and statistics, economic management, judicial and public service delivery, legislative and regulatory frameworks, and capacity development. Weak planning capacity in line ministries of several BMCs has limited the development of well-formulated sector analyses and strategies, and contribute to the lack of a conducive environment for economic transformation, business growth and competitiveness, and enhanced capability to attract foreign direct investment.

2.14 Regulatory quality for both local business and foreign investment represents a key governance challenge that countries need to urgently address. According to the 2015 *Doing Business* indicators, while 6 of 12 economies in the Caribbean implemented at least one regulatory reform making it easier to do business,⁸ Caribbean economies still tend to lag Latin American counterparts in Doing Business indicators and the average Caribbean ranking of 103, greatly lags the Region's highest performer, Jamaica (58), which implemented a regional high of 16 reforms since 2005.⁹ The *Worldwide Governance Indicator* on Regulatory Quality also ranks a number of BMCs significantly below the average for Latin America and the Caribbean. Issues of public sector management and service delivery; transparency and participation; regional cooperation and public goods; and data monitoring and accountability in a post-2015 framework have also emerged as governance challenges and opportunities that particularly align with SDG 16, and which must be urgently addressed by BMCs. During the SDF 9 cycle, the Bank proposes to enhance its programme of assistance to BMCs in these areas.

⁸ These were The Bahamas, Dominican Republic, Jamaica, St. Kitts and Nevis, St. Lucia, and Trinidad and Tobago during the year June 1, 2013, to June 1, 2014.

⁹ World Bank Doing Business Factsheet for the Caribbean, 2015.

Slow and Variable Growth

2.15 The percentage of populations living in absolute poverty in CDB’s BMCs ranges from single digits in the Cayman Islands and The Bahamas to more than 60 percent (%) in Haiti, but is largely clustered between 20% and 40%. There are a multiplicity of reasons for these high poverty rates, but it is widely acknowledged that the most effective way of reducing absolute poverty is through economic growth. Indeed, Bourignon argues that:

“First, the rapid elimination of absolute poverty, under all forms, is a meaningful goal for development. Second, to achieve the goal of rapidly reducing absolute poverty requires strong, country-specific combinations of growth and distribution policies.”

2.16 CDB’s BMCs have experienced low and volatile growth over the last decade, and as shown in Table 4, this growth has lagged other country groups, including other small states. Indeed, the average growth rate of BMCs during the period was less than half that of other small states, and just over a quarter of that of emerging market and developing countries. What is more, the volatility of that growth was about twice that of other small states and emerging market, and developing economies. A large part of the reason for this performance is the high export concentration among BMCs. In the case of Guyana, Suriname and Trinidad and Tobago, these natural endowments are commodities, while in the case of most of the other countries, the endowments relate to tourism assets. This has created a situation where these countries are highly susceptible to shocks that affect these respective industries, rendering growth rates that are very volatile, and on average, relatively low.

TABLE 4: SELECTED COUNTRY- GROUP GDP GROWTH, 2005-14

Country Group	Average GDP Growth Rate (%)	Volatility (standard deviation of growth rates)
World	3.7	1.7
Emerging Market and Developing Economies	6.1	1.8
Non-BMC Small States (WB definition)	3.4	1.7
BMCs	1.6	3.0

Lack of Competitiveness

2.17 The failure of BMCs to move beyond the exploitation of their natural endowments reflects a lack of competitiveness. Essentially, the delivery of goods and services produced in the Region to export markets can hardly be done at prices, quantity and reliability that compares with competitors. Even the exploitation of tourism assets cannot be profitably undertaken without special regimes that include tax holidays and other concessions.

2.18 Generating high and sustained growth will require the development of competitiveness that can foster greater diversification. There are a number of indices that are used to assess competitiveness or specific aspects of it. Perhaps the most comprehensive is the World Economic Forum’s Global Competitiveness Index, which is used to compare performance across 140 countries¹⁰. Its most recent edition indicates that the Region is well below the middle of the pack in relation to competitiveness and

¹⁰ The latest version of this index includes only four BMCs – Guyana, Haiti, Jamaica and Trinidad and Tobago. Jamaica has the highest ranking at 86, followed by Trinidad and Tobago at 89.

that there is need for significant improvement in the areas of macroeconomic stability, and infrastructure quality.

2.19 The WB produces the Doing Business Index, which assesses the regulatory environment affecting small and medium-sized enterprises throughout their life cycle¹¹. Recent scoring indicates that the advancement of institutional reforms which impact on competitiveness in BMCs has lagged that of other emerging market and developing economies¹².

Box 2: The Continuing Impact of the Global Financial Crisis on the Region – The Case of St. Lucia

Although there has been some improvement of economic conditions following the 2008 global financial crisis, progress was sluggish and very limited in the OECS economies. Evidence from St. Lucia indicates that the crisis did significant, long-lasting harm to St. Lucians' wellbeing. Although the Government of St. Lucia used fiscal policy to boost growth and enhance labour market opportunities in the country, unemployed and underemployed St. Lucians together accounted for over 40% of the working-age employable population. They suffered a significant decline in welfare and lost not only income but also the collateral benefits that are often associated with being fully employed in good quality jobs and under formal contracts. The negative impact of the crisis on employment prospects was particularly severe among the young (those between 15 and 24 years of age) – and by the end of 2013, nearly half of all young adults were unemployed.

These findings are not surprising given the nature of vulnerability and risk facing St. Lucia and other OECS BMCs. These island states rely heavily on industries such as tourism, construction, agriculture and financial services. Those in turn, depend greatly on external demand from the wealthier economies that were also impacted by the crisis. Moreover, like most of the OECS economies, St. Lucia has a high level of national debt which limits the ability of the government to invest in social programmes and human capital. Debt also compromises the government's capacity to assist the poor and vulnerable in times of crisis.

Infrastructure Deficit

2.20 The Bank's current Strategic Plan identifies BMCs' infrastructure deficit as an issue that must be remedied if the countries are to improve the prospects for increasing inclusive, sustainable growth, expand employment and reduce poverty. CDB must continue to provide support for investment to improve transportation (road, marine and air); enhance water resource development to support agriculture, energy and industry; improve energy security through promoting the use of RE and EE as means of reducing energy costs in BMCs and to spur economic growth, and to build resilience to natural hazard events in the context of environmental sustainability and climate change. Initiatives for closing the infrastructure gap must pay due regard to integrating climate change into the planning, designing and building of resilient infrastructure

¹¹ The areas covered include time taken and cost to start a business, obtain planning and construction permission, get electricity, pay taxes, trade across borders, enforce contracts and close a business, as well as the extent of protection of minority shareholders and the ease of obtaining credit.

¹² The index is used to rank 189 countries, with the 14 independent BMCs being among these. The average ranking of the ranked BMCs is 115, with the highest ranked country being Jamaica at 64, and the lowest ranked being Suriname at 156. Of the 14 ranked BMCs, only Jamaica, St. Lucia (77), Trinidad and Tobago (88) and Dominica (91) are in the first half of the rankings. There are a number of areas where performance across most BMCs surveyed is way below global averages. These areas are registering property, getting credit and resolving insolvency, suggesting the need for significant reforms. Members of the OECS perform respectably in relation to enforcing contracts, but in other countries, the performance is way below the global average.

as advocated in SDG 9 – Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation.

Citizen Insecurity and Crime

2.21 Crime has been increasing across the Region and some of our BMCs are now ranked among the most violent in the world. The rise in sexual violence, domestic violence and trafficking in persons, affecting particularly women and girls, has given cause for concern and even alarm. As a consequence, citizen security continues to be a central public policy issue and is receiving greater attention of BMC governments and development agencies. This focus is now further heightened by the adoption of SDG 11- Make cities and human settlements inclusive, safe, resilient and sustainable; and SDG 16 – Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

2.22 Tourism is now a major pillar of the economic structure of most BMCs and a significant source of employment. The heavy and growing reliance on this sector has led to vulnerabilities due to periodic external economic shocks and the effects of climate change and environmental degradations. Tourism is also vulnerable to the effects of high rates of violence in the Region. Hence, citizen security must also be treated as a regional issue and a regional vulnerability.

Slow Progress of RCI

2.23 The complexity of the global economic environment and the major transformations underway in the world economy continue to impact the development prospects of the Region. The post-crisis weak economic recovery in the developed countries when juxtaposed with the slowdown in economic growth, signal a less favourable international context for small developing countries like BMCs.

2.24 The evolution of the OECS Economic Union and the CARICOM Single Market and Economy (CSME) are motivated by the imperative to remove diseconomies of scale and to create complementarities, as a means of building economic resilience and responding to the threats posed by the global environment. Equally, the 2030 development agenda embodied in the SDGs, requires sustained, regionally coordinated and complementary support if targets are to be reached.

2.25 Strengthening the OECS Economic Union, for example, will improve the competitiveness of the sub-region. Unifying factor markets will allow for more efficient allocation of capital, labour and entrepreneurship in order to achieve success in more competitive product markets. Furthermore, closer collaboration between governments on regulation, trade negotiations, and the provision of public services can help to conserve limited fiscal resources and capacity, while improving the effectiveness of the public sector. In this regard, it is imperative that BMCs with the support of regional and international development partners consolidate and accelerate regional approaches to formulating and implementing solutions to the many economic, social and environmental challenges confronting the Region.

Gender Inequality

2.26 SDG 5 targets focus on the fact that gender inequality is still persistent/prevalent in the world and that the international development community has to develop measures to reduce it. The Country Gender Assessment (CGA) Synthesis Report 2016^{13/} revealed that there are persistent gender inequalities in the Caribbean region. These manifest themselves in occupational segregation^{14/} with women tending to have

^{13/}The CGA Synthesis Report was elaborated by Rawwida Baksh and Associates with support from CDB.

^{14/} Higher proportion of men in agriculture, infrastructure and construction sector, higher proportion of women in public sector, subject selection in Technical and Vocational Education and Training (TVET) and at universities.

lower-waged occupations in the economy, a lower female labour force participation, and a high proportion of female-headed households with high dependency ratios which lead to high pressure of aligning productive and reproductive tasks. In the case of Barbados, for example, poverty is concentrated among households headed by women, which account for 47.5% of all households. The poverty rate in female-headed households is 19.4%, compared with 11.5% in male-headed households. Poor female-headed households also have the highest dependency ratio, with 74.8% of non-earners per household, as compared with 68.6% in poor male-headed households and 49.9% in the total population.

2.27 The CGA Synthesis Report also finds educational gaps in enrolment at secondary and tertiary levels, participation throughout the course of the study, performance, repetition and drop-out rates with mixed results for boys and girls. In St. Vincent and the Grenadines, for example, enrolment in secondary schools in 2013 was 51.7% for boys and 48.3% for girls although boys had a significantly higher rate of repetition. Moreover, girls might underperform and dropout from school due to teenage pregnancies.

2.28 Furthermore, higher educational achievements of girls in some countries do not yet translate in better labour market outcomes for them. Data for Belize show that women earned about 40% of what men earned (available data for 1996-2005).^{15/} Referring to labour force participation rates in Guyana, only 42.6% of the female population, aged 15 and more, were participating whereas these were 80.5% for men in 2013.

2.29 Another pervasive gender issue in the Caribbean is gender-based violence (GBV). Globally, there are estimates that up to six out of ten women will experience physical or sexual violence in her lifetime. The significance of this fact is recognised in Goal 5 of the SDGs where it is stated that States should commit to eliminate all forms of violence against all women and girls in public and private spheres, including trafficking and sexual and other types of exploitation.^{16/} GBV, and in particular violence against women and girls, is one of the most common forms of insecurity facing citizens in the Caribbean.

2.30 GBV comes at a high cost; it does not only harm the affected victims, but also society as a whole. GBV impacts negatively on GDP^{17/}, on the one hand, through increased public spending in terms of social services, increased judicial system and police costs, and on the other hand, through decreased human capital and productivity. These are costs arising from physical and mental health, income lost due to missed work or low productivity and the negative impact on children's school performance.

2.31 Persistent gender inequalities represent not only a human rights issue, they are also serious constraints to economic growth and well-being in the BMCs as they might lead to lower productivity, worse health and educational outcomes, less responsive policies and the intergenerational transmission of poverty.

3. SDF 9 STRATEGIC APPROACH

3.01 In its Strategic Plan 2015–2019, the Bank undertakes to assist BMCs to reduce poverty and inequality, to build resilience to external economic shocks and natural hazard events, and to identify and exploit opportunities for achieving inclusive and sustainable growth and development. At the same time, BMCs are expected to pursue critical success factors in the form of strengthening governance and public institutional frameworks to promote more efficient policy formulation and implementation; and to remove gender imbalances. This development context provides a mix of important entry points for the CDB/SDF

^{15/} Seguino, Stephanie (2008): Micro-Macro-Linkages Between Gender, Development, and Growth: Implications for the Caribbean Region, in: *Journal of Eastern Caribbean Studies*, Vol. 33, No. 4, pp. 8-42).

^{16/} <https://sustainabledevelopment.un.org/sdgsproposal>

^{17/} According to Kiplesund and Morton (2015) who cite Duvvury (2013) “conservative estimates from a number of countries put the economic costs of lost productivity due to intimate partner violence between 1% and 2% of GDP — more than what most governments spend on primary education (1.5%). Kiplesund, S. and Morton, M. (2015): *Gender-Based Violence Prevention: Lessons from World Bank Impact Evaluations*. April 30, 2014. Duvvury, N., Callan, A., Carney, P. & Raghavendra, S. (2013). *Intimate Partner Violence: Economic Costs and Implications for Growth and Development*. Women's Voice, Agency and Participation Research Series. Washington, D.C., World Bank

to further engage and to anchor its development support for the Region as well as to strengthen its alignment with the objectives of the Strategic Plan 2015–2019 and the 2030 development agenda. However, the Bank’s comparative advantage will be a primary factor in the development of country programmes and in the selection and design of individual projects (Refer to Section 4 of this Paper).

3.02 These entry points will facilitate initiatives for supporting direct poverty reduction programming i.e. BNTF and operations in Haiti; enhancing resilience and environmental sustainability; promoting good governance and capacity-building; promoting the development of resilient infrastructure, enhancing competitiveness; expanding education and training; promoting agriculture and rural development; expanding access to water and sanitation; supporting RE and EE; urban revitalisation and shelter; supporting the private sector; improving citizen security and promoting GE. In the execution of these programmes, the Bank will also identify and support the achievement of Caribbean-relevant SDG targets specific to SDGs 1, 2, 4, 5, 6, 7, 8, 9, 11, 13, 16 and 17 (Refer to Appendix 1). This section of the paper details the proposed SDF 9 programme for advancing the approved themes and cross-cutting areas and the strengthening of their alignment with the selected SDGs.

Reducing Poverty

3.03 Focusing the preponderance of CDB/SDF (U) limited resources on core sectors which support poverty reduction through long-term inclusive and sustainable growth and resilience is a principal driver of the Bank’s strategic approach for SDF 9.

3.04 The Bank recognises that multi-dimensional approaches to poverty reduction are required to respond to urgent needs of the poorest. Complementary actions are therefore key, as CDB engages with BMCs in the fight against poverty in the Region. The Bank will use policy-based and structural transformation approaches, along with direct poverty reducing measures through community development. It will continue to offer intellectual leadership on the development of poverty reduction policy and strategies.

3.05 In this regard, BMC policymakers and CDB rely heavily on the availability of timely, accurate and reliable data. Over the past ten years, substantial financial and technical assistance (TA), including support for CPAs, has been provided to improve BMCs’ capacity and capability to collect, analyse and publish both economic and social statistics. A new Enhanced CPA Programme is currently being supported by the Bank with the objective of providing timely and reliable country monetary and multidimensional poverty data to support development initiatives at the national and regional levels, and access to these data by BMCs, CDB and other development partners. This will result in an enhanced capacity of BMCs to conduct multidimensional poverty assessments, and to monitor achievement of the post-2015 sustainable development goals and support CDB’s country programming responsibilities.

3.06 Through the vehicle of the BNTF programme, the Bank has been able to help promote community development within the context of national development strategies. There is need to continue strengthening community institutions, community engagement and the relationship between communities and government which are inherent in the community-based approach. There is scope to build on CDB’s approach to meeting basic needs through community interventions which have been particularly helpful to governments responding to crisis and shocks.

3.07 Importantly, the community-based focus has to adapt to other challenges facing societies in order to achieve community resilience. It calls for tackling areas that perpetuate vulnerability in a more focused manner, tailoring responses to reduce climate-related and other risks, and scaling up to integrate productive activities for job creation and income-earning opportunities.

3.08 The objective is to reach larger numbers of poor people directly. If this potential is to be realised, there is need to make strategic and operational modifications ahead of the next BNTF programme cycle. The programme is therefore being restructured to include a more effective governance and operating model as well as to extend its reach to poor communities in all BMCs.

3.09 CDB has partnered effectively with the WB and Inter-American Development Bank (IDB) to deliver its Haiti programme particularly in the areas of primary and technical-vocational education, agriculture and community development, and capacity development. The MTR of SDF 8 observes that “CDB has added value not only by channeling donor resources through the SDF but also by bringing to the task its expertise in Caribbean and specifically its experience in working with the rural poor”.

3.10 The Bank proposes to continue and scale up its operational programme in Haiti with its special needs as a fragile state. To this end, the Bank has prepared a position paper on a CSP for Haiti 2016 – 2019 which takes into account the Bank’s seven years of operating experience in Haiti and the preliminary findings of the evaluation of the Haiti programme. The position paper will inform the development of the CSP for Haiti which will be presented for consideration by Contributors.

Improved Resilience and Environmental Sustainability

3.11 In light of projections for increased adverse climate-related events and limited available financial resources, all BMCs will need to explore, develop, and implement comprehensive risk management frameworks that will strengthen awareness, preparedness and response capacity, improve risk reduction through better identification and monitoring of hazards, better early warning systems and improved technical and physical risk mitigation measures for building resilience to natural hazards and climate change impacts.

3.12 BMCs have made pledges to restrict Greenhouse Gas emissions appropriate to their economic growth and development strategies that are expected to be recognised and monitored under the COP 21 Paris Agreement. The Paris Agreement requires all parties to submit national climate action plans, called nationally determined contributions that detail future objectives to address climate change. Nationally determined contributions are to be updated and submitted every five years with each one “more ambitious” than the existing ones.

3.13 Scientific evidence suggests that despite global mitigation and adaptation, residual loss and damage from climate change is inevitable. Loss and damage from these unavoidable impacts, including extreme weather events and slow onset events such as sea level rise, adds an element of complexity for BMCs that are already struggling with the development and implementation of adaptation policies. The Paris Agreement also includes a provision extending and strengthening the work programme on the loss and damage. This mechanism is charged with developing approaches to assist vulnerable countries like CDB’s BMCs to cope with residual climate change impacts.

3.14 The innovative Caribbean Catastrophic Risk Insurance Facility (CCRIF) has demonstrated the importance of risk transfer as a mechanism in the suite of instruments necessary to address the increasing vulnerability of BMCs. Currently, although 15 BMCs are members of the Facility their coverage remains a fraction of what their risk profiles currently demand.

3.15 Accreditation to global mechanisms to improve BMCs access to concessionary resources and to reduce the cost of financing from CDB remains an important element of CDB’s Climate Resilience Strategy. CDB will continue efforts to be accredited to the Green Climate Fund and the Adaptation Fund and to place greater emphasis on supporting BMCs’ capacity to access these mechanisms and/or accessing these resources on their behalf. The framework for the Bank’s support for investments in climate mitigation

is outlined in its Climate Resilience Strategy¹⁸ which is aligned with the global agenda and consistent with SDG 13.

3.16 The higher ambitions of the SDGs also require that BMCs improve policies and their implementation capacities in order to achieve their national goals. Some BMCs have prepared national and sector climate adaptation policies. They will need support to mainstream these commitments into appropriate policies and to strengthen institutional capacities to translate these into tangible investments. CDB as a key development partner will need to support these efforts using its existing operational strategies and policies and revising and strengthening others such as the urban revitalisation and housing, and agriculture policies.

3.17 Caribbean countries need help to address these global and local environmental issues through investments in sustainable infrastructure, improved ecosystem management, environmental governance. CDB's operational approach to supporting its BMCs to improve resilience and environmental sustainability will be aligned with the targets¹⁹ set out in SDG 13 on climate action and the adaptation, mitigation commitments of Paris 21 Agreement. The Bank will continue to provide this support for climate and disaster resilient development within the context of its Climate Resilience Strategy and in collaboration with other development partners. The assistance programme will focus on the following priority areas:

- (a) Mainstreaming environment, disaster risk and climate resilience risk into development planning through:
 - (i) mainstreaming of climate change adaptation and DRR and environmental management into national strategies, policies, planning and investments and supporting initiatives for building community resilience;
 - (ii) scaling up support for BMCs to develop adaptation plans and investment mechanisms;
 - (iii) facilitating the design of appropriate legal, administrative and governance arrangements, policy and compliance frameworks to provide the enabling environment for the effective and successful adoption of climate resilient programmes;
 - (iv) improving institutional and technical capacities of public sector institutions and communities for localised risk of vulnerability assessments and the formulation of climate sensitive sector plans and policies;
 - (v) supporting improved policy frameworks and institutional capacity to promote more environmentally responsible action, better implementation of environmental laws and regulations; and expanded use of spatial planning tools such as spatial plans and strategic environmental assessment;
 - (vi) strengthening capacities at different levels to interpret and communicate relevant climate information and support to communities for vulnerability risk assessments and risk reduction opportunities; and

¹⁸ Climate Resilience Strategy, 2012 – 2017

¹⁹ These targets are: 13.1 – Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.
13.2 – Integrate climate change measures into national policies, strategies and planning.
13.3 – Improve education, awareness-raising and human and institutional capacity on climate-change mitigation, adaptation, impact reduction and early warning.

- (vii) continuing to incorporate climate and disaster risk considerations into Country Strategy Papers (CSPs).
- (b) Making the existing and new investment portfolio climate resilient by:
 - (i) screening all new operations for climate variability and climate change and disaster risks and where risks exist, integrate appropriate resilience measures;
 - (ii) building climate resilience of the vulnerable sectors such as water, agriculture and transport sectors, physical infrastructure e.g. coastal and river defenses and social infrastructure, for example, schools and health centers;
 - (iii) providing assistance for strengthening existing risk transfer instruments. Specifically, broadening the scope of CCRIF to operate the mechanism for loss and damage associated with climate change impacts; and
 - (iv) supporting BMCs' efforts to meet the requirements for accessing financing from international climate financing entities such as the Green Climate Fund and the Adaptation Fund.
- (c) Knowledge building and capacity development for climate resilience by:
 - (i) improving spatial data and information capacity for improved decision-making for disaster management and climate change adaptation initiatives;
 - (ii) undertaking risk assessments for climate and disaster risk management;
 - (iii) developing of climate change adaptation plans; and
 - (iv) promoting knowledge sharing and learning about climate change through awareness-raising activities.

3.18 Responding to BMCs environmental sustainability challenges requires the full engagement of all development partners across the Region, with each bringing its own unique set of skills, interests, and objectives. CDB will continue to engage the international community in knowledge sharing and outreach, and helping to build capacity.

Good Governance and Capacity-Building

3.19 Addressing the capacity gap in the areas of institutional reform, evidenced-based policy formulation, economic management, judicial and public service delivery, legislative and regulatory frameworks and statistics is crucial to progress on the SDGs and BMCs development ambitions. Support for the critically important area of data collection and statistics will require strengthening national statistical systems, upgrading and integrating information and communication technology in statistics collection, compilation and dissemination; promoting careers in statistics as well as developing a regional approach for the development of statistics. Together with key development partners, the SDF can support capacity building of national statistical offices and civil society organisations (CSOs), strengthen development planning systems and embedding a more focused results culture.

3.20 Improved governance in BMCs is central to the achievement of the Region's growth and development objectives, but is also an essential component of CDB's risk management, and organisational efficiency and effectiveness. In view of this, it is important that the treatment of good governance in SDF 9 be accompanied by a clear and actionable Governance programme, which is outlined in the Draft Governance and Institutional Development Policy and Operational Strategy (GIDPOS), to be considered by the Board of Directors in March 2016.

3.21 The Draft GIDPOS is itself aligned to the broad strategies for promoting good governance identified in CDB's Strategic Plan 2015-2019²⁰. The Draft GIDPOS also aims to support and underpin CDB's Poverty Reduction Strategy, Gender Equality Policy and Operational Strategy (GEPOS), Energy Sector Policy and Strategy, Technical Assistance Policy and Operational Strategy, as well as SDGs 16 and 17. It will also promote regional solutions as a development modality. The policy's six programmatic objectives are to foster:

- (a) effectiveness, accountability and transparency of public and private sector institutions;
- (b) participation of citizens in the decisions and processes of social and economic development;
- (c) rule of law and administration of justice that provides access to justice and security for all;
- (d) regulatory frameworks and a business climate that fairly encourage and facilitate private enterprise and promote productivity and competitiveness;
- (e) predictable public policy and management, and access of citizens and institutions to sound data, information and communication for effective decision-making and accountability; and
- (f) regional and global partnerships for development and the creation of RPGs, including through support to BMCs in implementing and monitoring the Caribbean and global SDGs, targets and indicators.

3.22 While TA loans and grants will continue to be the primary instruments used by CDB in pursuing good governance interventions in its BMCs, there are several existing opportunities to give it a sharper focus and mainstream it in the Bank's operations. These include:

- (a) incorporating governance assessments (through the PRES) and programming into the CSP, making this the main document for identifying governance issues;
- (b) carrying out governance and fiduciary assessments at project, sector and implementing agency level during project appraisal and supervision;
- (c) rationalising CPAs Institutional Assessment process and findings with CSP and Project Cycle Management/Public Policy Analysis and Management governance assessments; and
- (d) addressing governance in sector institutions through institutional strengthening components in project loans, and follow-on TA as necessary.

²⁰ These strategies emphasis improving economic management including public sector investment programming; debt and fiscal management; strengthening evidenced-based policy-making; supporting the adopting of Managing for Development Results approaches to long-term planning; promoting competitiveness and innovation through policy reforms; and creating the environment for private sector-led growth.

Enhancing Competitiveness

3.23 Generating sustained inclusive growth for poverty reduction, requires that BMCs achieve some level of diversification by enhancing competitiveness. There are clearly areas where the performance of BMCs places them in a position to be competitive i.e. higher education and training, business sophistication, the availability of financial services and technological readiness. However, these areas need to be complemented by improvements in other areas in order to fully develop and exploit competitive advantages in appropriate niches. The areas of competitiveness where BMCs need to improve include macroeconomic policy, the regulatory and institutional framework for implementing policy, and providing an enabling environment for doing business and attracting investments. In this regard, the Bank's programme of assistance for SDF 9 will address the following requisites for enhancing competitiveness and sustaining the enabling environment for growth, employment and poverty reduction:

- (a) Macroeconomic Stability
- (b) Property Registration
- (c) Access to Finance particularly by small and medium-sized businesses
- (d) Improving Insolvency Legislation
- (e) Timely Enforcement of Contracts

3.24 The use of SDF resources in relation to these areas will be guided by the principle of additionality. Some countries are already receiving assistance from other development partners in tackling some sub-areas, and in bringing reforms to completion. Going forward, activities will include detailed assessments of performance gaps; the development of strategies and action plans for addressing deficiencies; assistance with the implementation of action plans; and short-term attachments and consultancies as necessary. TA targeted at these gaps would help to improve competitiveness, stimulate business formation, and reduce poverty.

Education and Training

3.25 Over the past two decades, a significant focus of CDB's education assistance to BMCs has been the financing of physical infrastructure. This was largely to assist BMCs in achieving the Millennium Development Goal of Universal Primary Education (UPE) and the CMDG of Universal Secondary Education (USE). With the exception of Haiti, Suriname and Belize, these goals have largely been achieved. In the future therefore, it is not expected that attention will need to be primarily focused on the provision of basic education infrastructure. However, education infrastructure will still need to receive the Bank's attention for three reasons:

- (a) The education plant, like much of the public infrastructure across the Region, has not been well maintained and in its aging state presents myriad problems which impact negatively on teaching and learning. Therefore, BMCs will address rehabilitation and upgrading of infrastructure in order to provide an optimal enabling environment to facilitate student achievement.
- (b) With the accomplishment of UPE and USE across most of the Region, attention in most BMCs has shifted to the development of other sub-sectors which did not previously receive major attention. BMCs are now aware of the benefits of investment in early childhood

development (ECD) and many have implemented or are in the process of developing policies of universal access in this sub-sector as well.

- (c) In addition, given the high levels of youth unemployment despite a need for skills in the labour market, BMCs are also giving additional attention to ensuring that TVET is addressed in the school curriculum.

3.26 Both ECD and TVET require customised and specialised facilities that do not currently exist in sufficient quantity. Infrastructure will therefore need to be constructed or reconfigured to meet these needs.

3.27 Attention is also being focused on educational quality and relevance and a significant amount of the Bank's investments will be on institutional strengthening and capacity building, particularly to address the needs of vulnerable groups who are not currently benefitting to the fullest extent from education. Particular emphasis will therefore be placed on children with Special Educational Needs. Interventions will range from policy development to teacher training, to the provision of appropriate resources and specialised facilities to respond to the need of these special groups.

3.28 Future interventions will also place greater emphasis on addressing the factors that contribute to achievement of students at the level of the school, as well as in relation to their social and emotional background, particularly those factors that place them at risk for educational failure. The Bank's initiatives will therefore highlight school leadership and teacher efficacy, as well as early identification and treatment of risk factors for educational failure. Further, in promoting gender equity and equality, attention will continue to be heavily placed on interventions that encourage participation in non-traditional areas for both sexes, and the development and implementation of programmes that keep boys in the system, given the worrying trend of decreasing participation of males in upper secondary and post-secondary programming. Also, to take advantage of the influence of education in fashioning character, wherever possible, opportunities for incorporation of citizen securing initiatives will continue to be exploited in the Bank's education projects.

3.29 In recognition that many of the issues affecting education across BMCs are of a similar nature, the Bank will attempt to support regional solutions and reach the largest possible number of beneficiaries by focusing its TA support to address regional deficiencies. In this regard, the Bank proposes to produce more knowledge products that will help to standardise education inputs and promote more empirical measurement of achievement regionally. To provide a more effective framework for these new initiatives, the Bank is reviewing its Education and Training Policy and Strategy.

Agriculture and Rural Development

"Imports of food grow by leaps and bounds every year'In addition to more skill, we must raise productivity by employing more capital per head. This is true not only of manufacturing but also of agriculture, which will not hold its labour force unless its productivity permits earning comparable to those of urban occupations." CDB President Sir Arthur Lewis (2nd Annual Board of Directors' Meeting, 1971)

3.30 For several decades, CDB's BMCs have faced challenges in their attempt to improve the competitiveness of the agriculture sector. Among the reasons articulated for the lacklustre performance of the agriculture sector have been small-farm size, low productivity, high cost of production, and lack of a sufficiently skilled workforce.

3.31 Food imports is the largest source of food consumed in the Caribbean. The Region currently imports in excess of \$4 bn in food annually, an increase of 50% since 2000. The Food and Agriculture Organisation (FAO) estimates that food imports will increase to \$8-10 bn by 2020 if current efforts are not

successful in addressing this problem. Almost all CARICOM countries import more than 60% of the food they consume, with half of them importing more than 80%. Only three countries (Belize, Guyana, and Haiti) produce more than 50% of their consumption. The top five food imports are: (a) processed foods; (b) wheat; (c) rice; (d) meat (beef, chicken, mutton, pork); and (e) maize.

3.32 Given the dominance of small farms in Caribbean agriculture, improving the productivity, profitability and sustainability of smallholder agriculture is key to improving sector output. It is generally accepted that production fruits, vegetables and staples is more suited to smallholder/Caribbean agriculture production systems. On the demand side, there is increasing evidence that the use of locally produced fresh foods could help counteract the growing incidence of non-communicable diseases in the Caribbean. Culinary tourism also provides opportunities for BMCs to strengthen the linkage between the agriculture and tourism industries.

3.33 Accordingly, in order to achieve the objectives of contributing to economic growth and food security, and reducing unemployment and poverty, CDB's BMCs should focus on measures to improve the performance of the smallholder agriculture sector. Unfortunately, agricultural productivity levels in the Caribbean are relatively low, and as such, closing the yield gap will be key if the Region is to be competitive. According to the WB 2008, World Development Report, 'Agriculture for Development', the global experience highly favours research in improved varieties and production systems as the main contributor to yield growth for small holders. The report confirms that agricultural technologies tend to be location-specific, a fact supported by the experience of Caribbean farmers. Given the uniqueness of the Caribbean agro-ecological conditions, entrepreneurs in the Caribbean often report difficulties when attempting to directly utilise imported production technology/systems. A system of adaptive research is urgently needed to identify technologies suited to Caribbean agriculture systems and to help inform farmer decision making.

3.34 A further challenge for the sector is climate change/variability. It is generally expected that changes in temperature and rainfall patterns associated with climate change/variability will alter crop yields and the distribution of agricultural production in the Caribbean. Whilst BMCs have not undertaken the requisite studies to identify the probability/quantify the impact of these events, given the Region's heavy dependence on rain-fed production systems the climate change/variability projected reduction in rainfall/rainfall distribution will result in a decline in sector output. Accordingly, measures to ensure a reliable supply of water to the sector will be essential to ensure the sustainability of sector output.

3.35 Hence, there remains a compelling case for continued investment in the agriculture sector as a means of enhancing income and food and nutrition security in several of CDB's BMCs. CDB has considerable scope for assisting BMCs in this regard. Going forward, CDB will focus operations in three priority areas:

(a) Increasing productivity through:

- Improved water management – CDB will continue to support BMC investments designed to improve water management. This will include assistance in the development of policies and regulations; and investments to improve the efficiency of irrigation and drainage infrastructure – including the establishment of new and/or rehabilitation/upgrading of existing irrigation and drainage systems; and the promotion of crop water use efficiencies.
- Promoting improved varieties, technologies and practices – Agriculture productivity can be improved by the introduction of new; crops/varieties, technology and practices geared towards increasing output and/or reducing losses. CDB will, working with

development partners identify, validate and support the introduction of such technologies given due consideration to climate change projections for the Caribbean.

- Reducing vulnerability to climate change – CDB will support BMCs in the conduct and dissemination of results of agriculture sector vulnerability assessments including the (i) compilation of climate change projections for individual BMCs; (ii) modeling of the likely climate change scenarios on individual BMC agriculture sector; (iii) identification of crops and communities most likely to be negatively impacted by climate change; (iv) identification and evaluation of adaptation options; and (v) design and execution of alternatives to adapt to these impacts and minimise vulnerability.
- (b) Improving market access through:
- Enhanced food safety and quality - The adoption and implementation of internationally recognised food safety regulations is rapidly emerging as a pre-requisite for participation in agricultural trade – both domestic and export. CDB will, accordingly, seek to assist BMCs in the upgrade of their requisite food safety compliance infrastructure and systems through (i) establishment of appropriate regulatory systems; (ii) investment in food safety and quality control infrastructure and systems – including the establishment of new and the upgrade of existing produce storage and packaging facilities; and (iii) stakeholder capacity building.
- (c) Increasing access to risk management instruments through:
- The development of agricultural insurance products in collaboration with CCRIF.
- (d) Improving access to credit and financial services:
- Within the framework of its private sector operations CDB will continue to support agricultural enterprises which constitute a large percentage of micro, small and medium enterprises (MSMEs) in its BMCs.

3.36 A major constraint in the adoption of improved agricultural technology in the Caribbean is the high energy cost and/or difficulty which farmers face in their attempts to source electricity given the fact that farms are frequently located away from the electricity grid. In an effort to increase the viability and sustainability of investments, CDB will assist BMCs in exploring options for the use of RE and EE solutions throughout the agricultural sector.

3.37 CDB will seek to strengthen partnerships with regional and international organisations. These organisations are expected to include, but not limited to: the University of the West Indies (UWI); the Caribbean Agricultural Research and Development Institute; FAO; the International Trade Centre; CCRIF; and the Consultative Group for International Agricultural Research through the International Centre for Tropical Agriculture.

Water Sector

3.38 Many BMCs are classified as water-scarce or water-stressed, and face significant challenges within their water sector. These include high levels of water losses, inadequate tariffs, aging infrastructure and insufficient capital investment, poor regulatory and institutional arrangements for effective integrated water resource management. These challenges are exacerbated by risks associated with climate change and variability and the impacts most severely on the poorest and most vulnerable citizens, whose livelihoods

are critically linked to access to water resources. Since the regional drought of 2010, there has been a heightened awareness amongst regional governments of these challenges. In response, CDB has increased its engagement with regional water sector with the aim of increasing its contribution to the development of the sector. This increased engagement has contributed to an increase in CDB financing of water projects.

3.39 One of the Bank's key interventions was the financing of the Assessment of the Water Sector in the Caribbean. This study was conducted between 2012 and 2013, and engaged a wide cross-section of regional sector stakeholders. At a workshop to validate the findings of the study, the following areas of focus for CDB financing were identified:

- (a) increased support for regional organisations (such as the Caribbean Institute for Meteorology and Hydrology, Caribbean Community Climate Change Centre, Caribbean Disaster Emergency Management Agency, Caribbean Wastewater Association, Central Water and Sewerage Authority, and UWI) in the areas of: (i) capacity building at all levels in the sector (including policy-makers and practitioners); (ii) improving water resources data collection and management; (iii) mainstreaming water sector climate risk resilience planning; (iv) utility performance benchmarking; and (v) research in areas of water economics (such as valuing water resources and water pricing);
- (b) improving operational efficiency of water utilities through focusing on the areas of leadership development, utility master-planning, reducing non-revenue water, and improving EE; and
- (c) improving the resilience of water supply infrastructure in its BMCs to climate variability and change.

These proposed areas of intervention are consistent with the commitment to contribute to the achievement of SDG 6 – to ensure the availability and sustainable management of water and sanitation for all – as well as the associated targets outlined in Appendix 1.

Support for Sustainable Energy (SE)

3.40 CDB has continued its efforts to raise concessional resources for the financing of SE projects in its BMCs which encompass both RE and EE. This has been facilitated by the availability of climate action resources from different sources. Currently, a European Investment Bank Climate Action Line of Credit is available to CDB BMCs with an interest rate subsidy; and, for the six independent OECS members, the Sustainable Energy Facility and the Sustainable Energy for the Eastern Caribbean (SEEC) are available for financing RE and EE projects.

3.41 Each of the programmes include some form of TA support, and in 2016, both the German and Canadian Governments will provide TA support to CDB for the development of the SE sub-sector. However, grant resources for use by CDB and for direct grants to BMCs are not available for the sector, outside of some SEEC grant resources, restricted to the OECS beneficiaries. This SDF replenishment presents an opportunity for CDB to set aside specific resources for creating an enabling environment for investment in the transformation of the energy sector in its BMCs.

3.42 In an informal assessment of the development of the SE sub-sector, there is evidence of poor planning and regulation, with weak institutional capacity being the norm. In the context of high international interest in the promotion of SE, BMC governments are inundated with unsolicited proposals from promoters of the various technologies. Without the requisite frameworks to provide boundaries for discussions and technical skills for evaluation, the decision-makers are at high risk for costly and unsustainable long-term

commitments; in some cases, with partners of questionable track record. BMC governments need to assume a leadership role in driving the development of their energy sectors. Master plans for the sector, in collaboration with partners, are an essential first step in providing direction for activities in the sector.

3.43 In this context, BMC governments badly need assistance with comprehensive and specific studies to support the long-term planning necessary for the orderly development of the energy sector. These sector studies would also inform medium-term planning by BMC governments and CDB Country Strategies for BMCs. Significant opportunities exist for CDB assistance to BMCs for advancing their energy and climate change agendas. These include support in the form of reviews of national policies and strategies where they exist; support for the adoption of these documents where they remain in draft; short-term advisory services for BMCs and CDB on an as-needed basis, to support analysis, planning, and day-to-day decision-making.

3.44 The ability to respond in a timely manner where CDB identifies an opportunity for assistance is critical. The Bank needs to position itself with adequate and appropriate financial and human resources to provide a timely and quality response if it is to fulfil key objectives in its Energy Sector Policy and Strategy. CDB itself will also require specialist expertise, depending on the technologies being evaluated from time-to-time, and SDF support would facilitate the acquisition of such resources, which would not normally be recruited on a long-term basis by the Bank.

3.45 Given the still proportionately high expenditure for electricity compared to other regions, due to small size of domestic markets and consequential absence of economies of scale, EE will continue to receive priority attention, along with RE. The proposed support will provide for informed decision-making as a basis for the desired sector transformation towards wide-scale use of indigenous RE sources. Additional and ongoing support is required for the establishment of regulatory frameworks that adequately manage risks for consumers, utilities, developers/investors and governments, and where feasible, a regional approach to regulation would be explored.

Urban Revitalisation and Shelter

3.46 Studies²¹ have shown that adequate housing is positively correlated with improvements in the health of occupants, school performance of children, and reductions in domestic violence. Furthermore, the shelter sector is linked to economic growth as well as poverty alleviation. Improving shelter conditions directly affects social welfare but properly functioning housing and land management systems can also positively affect investment, wealth-building and financial systems. A well-managed shelter policy can therefore be a source of financial stability and economic resilience.²²

3.47 The Caribbean is one of the more urbanised regions in the world. Although there are only four cities with more than one million people in the Caribbean²³, on average, 66% of the Caribbean population is considered to be urban - ranging from 30% in Antigua and Barbuda to 84% in The Bahamas. In territories such as Anguilla, the entire population is considered urban²⁴. Poor households are often located in informal settlements, in urban or peri-urban areas, and places of high environmental risk. These settlements are often totally or partially deprived of basic services, adequate access to public spaces and transport systems, and are particularly vulnerable to citizen insecurity and environmental threats. Informal and slum housing affects women and the young most, especially in terms of overcrowding, lack of security and limited access

²¹ Slum Upgrading Lessons from Brazil, Magalhães and di Villarosa, (Inter-American Development Bank (IDB), 2012)

²² Thirty Years of World Bank Shelter Lending: What Have We Learned? (WB 2006)

²³ Havana (Cuba), Port au Prince (Haiti), San Juan (Puerto Rico) and Santo Domingo (Dominican Republic). Kingston (Jamaica) has over 0.5mn residents.

²⁴ The State of Latin American and Caribbean Cities, (UN Habitat, 2012), p 20

to economic opportunities²⁵. As the poor often live in deficient housing in these areas, they also tend to be disproportionately affected by natural hazards and the impact of climate change²⁶.

3.48 Higher urban population density can support the efficient provision of infrastructure and social services through reductions in marginal costs and environmental impacts. However, living in densely populated cities is generally not the preferred model in the Region. In addition, deficiencies in design and planning of urban spaces and a lack of proper management mean that the benefits are not always realised.²⁷

3.49 The recent formulation of the SDGs and the upcoming Habitat III conference²⁸ allow us to take fresh focus on the issues around housing and urbanisation. Of the 17 SDGs that have been articulated, Goal #11: “*Make cities and human settlements inclusive, safe, resilient and sustainable*” relates to both housing and urbanisation issues in the Caribbean. There are also a number of sub-goals that are particularly relevant:

- 11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums; and
- 11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.

3.50 The Bank is currently in the process of reformulating its Housing and Urban Revitalisation policies and there is potential for considerable synergy in these two areas. Interventions in these areas tend to be multi-sectoral and require integrated approaches with strong linkages to gender, citizen security, poverty alleviation, good governance, RE and/or EE, and climate change.

Private Sector

3.51 Development of a vibrant private sector is an essential component of long-term sustainable economic growth and for private enterprises to play a key role in providing employment and reducing poverty. The Bank will particularly support initiatives focused on enhancing the institutional and policy environment for encouraging private sector growth, building competitiveness, innovation and entrepreneurship, through reform of legal, regulatory and institutional infrastructure and the use of technology. In this regard, MSMEs have a crucial role to play since such enterprises tend to promote employment, income growth, poverty reduction, economic diversification and foster much innovation and entrepreneurship. However, MSMEs face several constraints, the most persistent of which are the non-availability of loan finance, low levels of support for innovation and technology, and inadequate physical infrastructure.

3.52 Under SDF 8, private sector development was agreed as an area of focus, with consideration provided to facilitating an improved business climate for enhancing the viability of MSMEs, primarily through interventions by the Caribbean Technological Consultancy Services network. However, the Bank’s most current assessment of its work in the sector suggest that a gap still exists in terms of SDF support, in two other critical areas, i.e. access to finance and support for innovation and technological development, and entrepreneurship.

²⁵ Ibid, p64

²⁶ Affordable Land and Housing in Latin America and the Caribbean, (UN-Habitat, 2011).

²⁷ Ibid, p 34.

²⁸ *Habitat III, in October 2016, is the United Nations Conference on Housing and Sustainable Urban Development. It offers countries the opportunity to discuss a New Urban Agenda that will focus on policies and strategies that can result in effectively harnessing the power and forces behind urbanization.*

Access to Finance

3.53 The Region's financial systems are largely bank-based, with relatively less reliance on capital markets to provide long-term debt and equity. MSMEs are particularly affected by limited access to finance. As a result, MSMEs rely on internally-generated resources and/or less secure and higher cost informal sources of finance. The absence of innovative financial products in some BMCs, constrain financing options available for what is usually perceived as "high risk" ventures. This is also compounded by the limited assets which MSMEs can offer as security.

3.54 It is proposed that CDB continue to work towards increasing the availability of long-term finance for MSMEs through national development finance institutions and other eligible financial institutions.

Support for Innovation and Technological Development

3.55 Insufficient investment in innovation contributes to the large productivity gaps of MSMEs and constrains the enterprises in responding to market opportunities that can unlock technology-driven projects. The principal factors constraining MSMEs investment in innovation and firm upgrade include the inability to recoup research and development costs; and limited access to finance due to asymmetric information associated with financing technological investments²⁹.

3.56 It is proposed that SDF allocates resources to foster a culture of innovation in CDB's BMCs including TA support for education and training, research and development, and the identification of appropriate financing instruments to support new technologies.

Creative Industries

3.57 The creative industries have been identified as an area which can provide significant opportunities for driving growth and development in the world economy. This dynamic sector, which ranges from traditional arts to multimedia, has the potential to be also an important driver of innovation and productivity growth in BMCs, and to become a pillar for economic diversification and export growth in the Caribbean. In addition, the sector is comparatively labour intensive, and can therefore, help to alleviate the chronic unemployment problem (particularly youth unemployment).

3.58 However, these industries are confronted by some constraints³⁰ critical among which are weak product and service development policies that result in many firms being unable to upgrade their product or service to meet international standards, in addition to the high cost of and limited access to appropriate financing which limit growth and scaling up of operations.

3.59 It is therefore proposed that CDB, in partnership with other donors, develop an integrated suite of TA and investment financing policies to support product/service development, cost and access to financing, innovation and productivity, education and training, export promotion, intellectual property development management and data collection and management to enable the sector to realise its full export, growth and development potential.

²⁹ Some other key constraints include limited access to protection for intellectual property even where systems exist; limited access to specialised skills needed for researching technology and risk-taking with new technologies; relatively higher costs for hardware and software, connectivity, and adaptation of information and communications technology to new business practices; and absence of mechanisms to facilitate inter-firm collaboration that could otherwise promote innovation by speeding-up technology diffusion and avoiding the duplication of research costs.

³⁰ Other significant challenges are associated with high levels of piracy, inadequate training and education opportunities; lack of suitable method for tax assessments for entrepreneurs/businesses in these industries; paucity of national statistics; enforcement of contracts; lack of understanding of intellectual property rights; and limited ownership/presence in the marketing and distribution channels for the industries.

Citizen Security

3.60 Lack of citizen security continues to have detrimental impacts on economic and human capital growth in the Region. In this regard, the Bank has sought to provide support to BMCs in addressing the economic challenges and social maladies that could stymie it from achieving its purpose as set out in the Charter. CDB's approach has therefore been informed by the Region's needs and challenges; its capacity; and the work of other development partners, leading to a proactive role that focusses on assessing the social determinants of crime and violence and developing interventions aimed at their prevention.

3.61 CDB has sought to mainstream citizen security into its investment projects (identification, preparation, design, appraisal, and supervision), CSPs and TA interventions. In this regard, the Bank has strategically used a number of entry points to programme citizen security resources. These include interventions in education projects to develop early identification systems to target and provide coordinated multi-agency support to male and female students and youth-at-risk of educational and societal failure; and supporting girls and boys with gender-sensitive teaching approaches.

3.62 Collaborative, gender-sensitive interventions have also been developed with key stakeholders to reduce crime and violence and improve citizen and community security. These have been designed to strengthen coordination, monitoring and evaluation systems, and capacity building of Ministries, agencies, civil society and non-governmental organisations involved in project implementation, aimed at improving the well-being and development outcomes for BMC populations.

Promoting Regional Cooperation and Support for the RPGs

3.63 RCI as a thematic priority under SDF should support RPGs which directly facilitate the acceleration of the formal RCI process. The focus should therefore include:

- (a) RPGs that are complementary to national and global public goods;
- (b) thematic focus areas and interventions that are complementary to ongoing or proposed regional strategies of our development partners; and
- (c) leveraging partnerships and innovation.

3.64 Specific thematic areas for RCI under SDF 9 are:

- (a) **Supporting the development of a more equitable environment for regional trade**

Regional economic integration aims at reducing trade barriers between the member states. A quality infrastructure is fundamental to the harmonisation and mutual recognition of standards, technical regulations and conformity assessments, thus providing the basis to overcome non-tariff trade barriers; improvement of competitiveness of enterprises - regional economic integration creates larger domestic markets and promotes the establishment of transnational value chains.

The Caribbean Regional Organisation for Standards and Quality is the regional centre for promoting efficiency and competitive production in goods and services, through the process of standardisation and the verification of quality. Interventions in this area would build on programmes for the upgrading and international accreditation of testing laboratories undertaken with support from the Caribbean Aid for Trade and Regional

Integration Trust Fund (CARTFund), the 10th EDF – CRIP TBT programme and the Economic Partnership Agreement (EPA) and CSME Standby Facilities. The areas of intervention would focus on conformity assessment and standardisation.

(b) Enhanced protection of consumer interests in the Community

One of the major outstanding issues on the CSME implementation agenda and which is considerably under-resourced is the need for the establishment of a regulatory framework for the protection of consumers.

Consumer protection contributes to sustainable economic development in three main ways. Firstly, safe products and standards not only reduce health costs to the nation, but they contribute to the well-being and reliability of the entire workforce and therefore economic productivity. Secondly, once firms have made commitments to adhere to consumer protection policies, product development or innovation will be tailored to beating the competition through satisfying consumer needs, not lowering quality. Thirdly, consumer protection policies can empower consumers - discerning consumers can play in provoking competition between firms and innovation by them. The implementation of a consumer protection regime at the national level that is informed by regional and international standards^{31/} will result in a more successful integration into global markets. Interventions in this focus area would be facilitated by the CARICOM Secretariat, in partnership with agencies such as the United Nations Conference on Trade and Development and will include the enhancement of market surveillance through the full operationalisation of the CARICOM Rapid Alert System for Exchange of Information on Dangerous (non-food) Consumer Goods and support for the development and implementation of consumer protection policies.

(c) Support for Enhanced Border Security so as to facilitate intra-regional travel and improved trade facilitation

Caribbean countries are increasingly facing daunting tasks of managing their borders in ways that secure their territorial sovereignty/integrity, ensure that they are bridges rather than barriers for cross-border cooperation and regional integration, prevent illegal entries and exiting of people and goods while allowing easy movement of goods and people, allows relatives to visit their kin while keeping away criminals (such as drug and human traffickers, terrorists, etc), and facilitates tourists to easily cross while keeping out terrorists. The multidimensional and multifaceted nature of the risks and threats faced by OECS and CARICOM Member States are increasingly interconnected, cross-cutting, network-centric and transnational. The repercussions of emerging threats now propagate rapidly around the world, so that events in any part of the world are now far more likely to have immediate consequences for the Caribbean region.

The CARICOM Crime and Security Strategy (CCSS)³² recognises that although national efforts are critical, they can also have the unintended consequence of displacing criminality from one Member State to another. In order to effectively address the problem of crime and its impact on the security of the Region, the CARICOM Member States need to have

^{31/} The provision on consumer protection in the Revised Treaty are based on the 1985/1999 UN Guidelines on Consumer Protection which form an internationally agreed statement of laws necessary for consumer protection, of good practice in their implementation, and of other action needed to promote consumer rights.

³² Adopted at the Twenty-Fourth Inter-Sessional Meeting of the Conference of Heads of the Caribbean Community, February 18-19, 2013, Port au Prince, Republic of Haiti

integrated policies that are regional in scope, and are complemented with a strong regional security framework that is adequately financed and fully supported by all governments. National efforts must therefore be part of a coordinated regional approach.

The support will be linked to complementary interventions targeting Goals 4, 5, and 6 of the CCSS, namely Increase Trans-border Intelligence and Information Sharing; Enhance Law Enforcement and Security Capabilities and Strengthen Regional Security Systems; and Enhance Maritime and Airspace Awareness, Strengthen CARICOM Borders including Contiguous Land Borders. The thrust is to support those goals which collectively enhance border security and ultimately facilitate more hassle-free intra-regional travel as committed in Chapter 3 of the Revised Treaty of Chaguaramas and the Revised Treaty of Basseterre.

The Bank proposes to work through institutions such as the Regional Security System and the CARICOM IMPACS. The interventions will fill identified gaps (for example the establishment of a regional trusted traveler programme and training in support of the implementation of the Advanced Customs Information System) and complement work currently being undertaken with funding from Caribbean Basin Support Initiative, the United Kingdom Government, and the 10th EDF³³ as well as programming proposed under the 11th EDF³⁴.

GE

3.65 GE is one of two cross-cutting themes proposed for SDF 9, the other being good governance (Refer to Paragraphs 3.19 to 3.22). These cross-cutting areas are intended to support the broad themes proposed for SDF 9 programming and to stimulate growth, leverage broader development assistance and improve CDB's role as a development partner. More importantly, these cross-cutting areas support and broaden the development impact of the Bank's interventions for reducing poverty in BMCs.

3.66 SDG 5 - achieving GE and empowering all women and girls - speaks to the need to eliminate GBV and any harmful practices, recognising the value of unpaid care and domestic work through appropriate public and social protection policies, as well as infrastructure. It demands universal access to sexual and reproductive health, equal participation in decision-making, equal rights over economic resources and economic empowerment of women, the use of enabling technologies as well as sound policies and enforceable legislation for the promotion of GE.

3.67 CDB has assisted BMCs in several areas from gender capacity development of public institutions, measures to combat GBV, investigating social protection possibilities, empowering women economically through trade-related activities and the production of knowledge products.

3.68 Given the persistent gender inequalities and the continuing institutional weakness of national gender machineries^{35/} the Bank is committed, in alignment with its Strategic Plan 2015-2019, to enhance GE as an RPG in its BMCs. The Bank will continue to follow a multitrack strategy by gender mainstreaming

³³ The 10th EDF programme includes the expansion of the Advanced Passenger Information System to Montserrat Belize and Haiti, to customs departments and special branches; implementation of the Advanced Customs Information Systems in all member states; Accredited Training in border security, information and intelligence analysis, firearms and ballistics.

³⁴ 11th EDF programming will standardise the quality and accuracy of trans-border intelligence and information sharing; enhance law enforcement and security capabilities through training; strengthen the effectiveness of criminal investigation through the introduction and training in modern technologies and scientific techniques; strengthen CARICOM's resilience to Cybercrime; strengthen the justice sector, multi-state as well as bilateral initiatives, increasing compliance with international norms on financial crimes, terrorism financing and corruption.

^{35/} CGA Synthesis Report; Mondesire, A. (2014): Institutional Strengthening of National Gender/Women's Machineries. Report prepared for CARICOM.

all of its programmes, projects and strategies, in particular its social and economic infrastructure interventions, and by designing and implementing gender-specific initiatives.

3.69 Available resources will be focused on two critical areas: the elimination of GBV, and economic empowerment of women. The prevention and elimination of GBV will be supported by awareness building, behaviour change and security measures, in particular psychosocial support programmes, life skills training, relevant citizen security interventions, through gender-sensitisation training of contractors in infrastructure projects, gender-responsive projects in disaster situations, and through the provision of better data on the prevalence of GBV in BMCs.

3.70 The Bank will support the economic empowerment of women through better access to finance, improved access to business skills training, and access to labour markets by supporting gender-sensitive value chain analysis and the participation of women in trade activities. Furthermore, the Bank will continue to support educational programmes, for example, in TVET, to lay the foundation for changing occupational segregation on the labour market.

3.71 CDB's GEPOS will be revised to identify and give more focus to SDG targets that are strategically relevant to BMCs. These measures will be implemented by following a partnership with ownership approach by supporting policy dialogue with BMCs.

4. FINANCING THE 2030 DEVELOPMENT AGENDA - ROLE OF CDB/SDF (U)

4.01 Achieving the ambitious post-2015 development agenda, including the SDGs, will require an equally ambitious, comprehensive, and transformative approach with respect to the means of implementation, combining different means of implementing and integrating the economic, social and environmental dimensions of sustainable development. The SDGs means of implementation targets and Goal 17, complemented by the Addis Abba Agenda for Action together form a framework for concrete regional and national implementation programmes and initiatives. They outline policies and actions for supporting the implementation of the SDGs including domestic public resources, domestic and international private business and finance, international development cooperation, international trade as an engine for development, debt and debt sustainability, addressing systemic issues and science, technology, innovation and capacity-building, and data, monitoring and follow up. The key success factors which should underpin the implementation efforts include effective, accountable and inclusive institutions, sound policies and good governance at all levels.

4.02 Undoubtedly, the financial resources required to meet the development needs of BMCs exceed the amounts currently available. Despite significant progress in mobilising financial and technical resources for development and increases in financial flows in early years following the Monterrey Consensus, that agenda has not yet been fully implemented, new challenges have arisen³⁶, and large unmet needs remain for the achievement of sustainable development. Pursuit of the SDGs will require even greater financial resources to ensure any realistic chance of success in achieving these ambitious aims. SDG 17 gives recognition to this requirement in its call to “strengthen the means of implementation and revitalise the global partnership for sustainable development” and the more specific targets set out in SDG 17.1 – 17.5.

4.03 The Multilateral Development Institutions in seeking guidance from the Development Committee³⁷ advised that “a paradigm shift on how development will be financed is required to unlock the resources needed to achieve the SDGs.” The institutions indicated that in the post-2015 world, domestic resource

³⁶ The lengthy global recession has significantly set back significant had won development gains in many SIDS including those in the Caribbean.

³⁷ Refer to Development Committee Discussion Note “From Billions to Trillions: Transforming Development Finance” prepared jointly by the African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank (EIB), IDB, International Monetary Fund and World Bank Group, April 2, 2015.

mobilisation, and official development aid will need to be combined with increasing amounts of private resources (i.e. FDI, bond issuance, financing from institutional investors) in order to meet the requirements for financing the SDGs.

Domestic Public Resources

4.04 Domestic resources are an important source for BMCs to finance their development priorities. However, the following extract from the lessons learned and main messages section of the MTR of SDF 8 is instructive: *“**Poverty and indigence rates have not improved significantly** in the past five years, with the possible exception of Haiti. This appears to be a secular trend not primarily a result of short-term economic difficulties. In our view, it is unacceptable to have poverty rates above 20% and indigence rates above 11% in the BMCs, not to speak of Haiti where rates are more than twice those levels. Two important factors appear to be (1) poor government policies in some countries including unfocused subsidies that do not specifically benefit the poor; and (2) BMC tax revenues around 20% of GDP on average which are insufficient to mount anti-poverty programmes like the conditional cash transfer programmes that have been important in other countries including Brazil.”*

4.05 Recognising that significant additional domestic public resources, supplemented by international assistance will be critical to realising sustainable development and achieving the SDGs, the Addis Abba Conference on Financing for Development urged countries to implement measures for enhancing revenue administration through modernised, progressive tax systems, improved tax policy and more efficient tax collection. In this regard, countries also agreed to strengthen international cooperation to build capacity in developing countries, including through enhanced official development assistance (ODA).

4.06 Some BMCs are already implementing policy frameworks that can contribute to increased mobilisation of domestic resources and higher levels of economic growth and social progress. However, domestic resources are unlikely to be sufficient to meet even the most modest development ambitions of BMCs and certainly inadequate for the successful pursuit of SDG #1 – to end poverty in all its forms everywhere.

4.07 Moreover, domestic revenue mobilisation remains weak and inadequate to finance the needed investment in most BMCs, and their underdeveloped financial systems and capital markets limit the possibility of a significant short-term increase in financing from the private sector. Some BMCs face considerable risk of debt distress, are consequently constrained in accessing loans and market-based financing, and continue to need concessional financing (loans and grants) to address their development financing requirements. At current levels, ODA also remains inadequate and the reality for those BMCs which are ranked as middle-income countries is that access to concessional finance is reduced as their incomes grow, and that they are unable to access sufficient affordable financing from other sources to meet their needs. The Bank seeks to enhance its assistance for such countries including through TA to strengthen capacity for domestic resource mobilisation and increase public expenditure efficiency and effectiveness.

Domestic and International Private Business and Finance

4.08 The Bank subscribes to an enhanced role for the private sector in financing development in the Region. This is consistent with the 2030 development agenda in which the private investment is expected to play a pivotal role in underpinning economic growth, know-how and technology transfer, job creation, and productivity gains. CDB will support BMCs in their efforts to provide a conducive investment climate through supportive governance structures, competition policy, sound infrastructure and instruments that foster commercially sustainable markets.

4.09 Importantly, the scope for the employment of public/private partnerships (PPPs), which can be leveraged to support sustainable development, also holds considerable potential. However, in order to exploit this potential, most regional governments will need to develop PPP policies which set the rules and define country priorities; build the appropriate institutional and human capacity; and create adequate fiscal and accounting frameworks that facilitate the identification and management of fiscal cost and risks.

4.10 CDB is increasingly readying itself to provide adequate support to its clients in seeking to secure the much needed financing for their development needs. Through the revised policy on policy-based operations, CDB supports coherent policy reform agendas that seek to strengthen the business environment, drive down the cost of doing business and improve development outcomes in compliance with its safeguards and commitments to GE. In respect of PPP, CDB, in collaboration with the WB and IDB, has established a PPP Regional Support Mechanism (RSM) located within the Bank that seeks to build PPP-related capacity in regional public and private sector actors. The RSM also supports institutional and regulatory development and enhance the potential for deal flow.

4.11 BMCs now access a wide palette of resources, ranging from concessional public to private capital from both traditional and non-traditional sources. This increases the complexity of the development finance architecture from the countries' perspective. The number and the complexity of the requirements of the many development partners potentially increase the transaction costs and capacity challenges associated with accessing these resources. This is particularly so in the case of the more specialised international institutions set up to deal with such matters as climate financing. Accessing these resources require very high standards of administrative and governance arrangements which provides the opportunity for CDB to intermediate these resources to BMCs as well as to support the strengthening of BMCs' country systems and capacity to coordinate and use aid.

4.12 The Bank has been able to broaden its role as funds administrator and implementing agency on behalf of other development partners in a wide range of initiatives covering a number of themes and sectors including:

- CARTFUND [Department for International Development of the United Kingdom (DfID)];
- Community Disaster Risk Reduction Fund [Department of Foreign Affairs, Trade and Development (DFATD), and DfID];
- SEEC Programme [DfID, Caribbean Investment Fund (CIF)];
- GEF/IDB Clean Technology Fund;
- EPA and CSME Standby Facility [European Union];
- Micro Insurance Catastrophe Risk (Haiti) Fund [DfID] and (Agriculture) Fund;
- Fund for Sugar Replanting in Belize [EU]; and
- Caribbean Infrastructure Fund (DfID).

CDB will continue to work closely with the many traditional development agencies, as well as to forge stronger relations with the non-traditional donors. Given its own size and administrative capacity, the Bank will see to encourage greater pooling of donor resources in order to promote greater efficiencies in the programming and management of these funds.

4.13 Resources made available through the SDF (U) and other official development channels are critical to the pursuit of the Region's development ambitions and to attaining the SDGs. CDB will redouble its efforts to leverage these flows through expanding partnerships with traditional and non-traditional donors as well as private-public collaborations.

4.14 A large number of bilateral and multilateral agencies, and multilateral development banks (MDBs) comprise the regional aid architecture and provide development assistance to CDB's BMCs in a wide range of sectors and thematic areas critical to their economic, social and environmental development. WB, IDB, EIB and CDB are the key MDBs active in the Caribbean region as providers of significant amounts of concessional financing.

4.15 CDB/SDF (U) is a longstanding development partner in the Region with a successful track record of assistance and obtaining on results. Assessments of the development effectiveness of CDB's support have remained consistently positive. In a 2015 independent review of its performance in managing for development results (MfDR), the Bank has been rated either strong or adequate on 12 of 15 key performance indicators. It was rated as needing improvement on indicators relating to linking aid management to performance, use of BMC systems, monitoring results, and disseminating lessons learned. More recently (February 2016), the evaluation of the Sixth and Seventh cycles of the SDF (U) found that in terms of effectiveness, the "SDF has performed reasonably well, as 68% of the sample SDF initiatives were rated as *Satisfactory* or better in achieving their stated objectives and expected results, and 72% delivered positive benefits for the target population, or were well positioned to deliver the expected results."

Comparative Advantage

4.16 CDB serves BMCs that are in most cases small island nations sharing similar development circumstances, challenges and constraints. It is an important provider of concessional financing to the less developed countries and, in larger markets such as Belize, Guyana and Jamaica. The other MDBs either have no, or very minimal, presence in the United Kingdom Overseas Territories and the OECS member countries where CDB is a primary source of development financing.

4.17 CDB derives comparative strength and advantage from its close relationship with BMCs, an understanding and knowledge of the problems and dynamics of the Region, easy access of Bank personnel to policymakers and administrators as well as the institutions of civil society, the ownership and confidence that BMC governments have in their own regional institution, and the Bank's physical location in the Region and proximity to most BMCs. In recent times, the Bank has extended this comparative advantage to an expanded membership with different traditions, language and institutional experience with the inclusion of Haiti and Suriname.

4.18 The Bank has a recognised comparative advantage in its substantially lower costs for the appraisal and supervision of projects of the size that characterise the economies of the Caribbean (for larger institutions, their cost structure renders it more difficult for them to justify a focus on these types and size of projects, whether in the social or productive sectors). It also undertakes grant and loan TA, public sector lending and private sector operations within a single organisation, and can take advantage of various synergies. Its exclusive focus on the Caribbean and closeness to its BMCs gives it a special role in relation to RCI and to the strengthening of governance and the institutions of civil society, as well as a high acceptability as a partner in poverty reduction at the national level. The Bank is also well-established to encourage and convene constructive dialogue on key regional development issues.

4.19 CDB has gained substantial experience over more than 20 years in the design and delivery of community-based programmes of direct relevance to the poor. The lessons learnt from its long history of helping small rural and urban communities to design and implement community-based solutions to local

problems of basic infrastructure deficit, and a dearth of skills, geared towards improving the quality of life of poor people. This is particularly true of the BNTF programme which has been in existence for over 30 years and is operational in 10 countries. In addition, considerable work has been done by the Bank on the policy and institutional elements that are essential for strengthening pro-poor governance, including CPAs and the development of national poverty reduction action plans and strategies.

4.20 The Bank has increased its institutional knowledge and experience in the analysis and development of solutions for addressing debt and fiscal situations in its BMCs as it has become more involved in directly assisting BMCs to improve their fiscal position and improve their debt dynamics. This has taken the form of TA grants, loans or guarantees geared towards the introduction of appropriate reforms and, in other cases, the TA has been accompanied by PBLs/guarantees designed to support the reforms and debt restructurings. In addition, the Bank has increased the menu of possible solutions available to BMCs' policymakers through the development and publication of a study entitled "Public Sector Debt in the Caribbean: An Agenda for Reduction and Sustainability".

4.21 The Bank is recognised as an important development institution in the Caribbean, with a broad development mandate, and well-placed as a focal point for dialogue, intermediation and extended partnerships on behalf of BMCs, and for the strengthening of regional ownership of development programmes. A leadership role by the Bank and leveraging of its comparative advantage will be of critical importance in assisting BMCs to meet current challenges and in implementing relevant aspects of the post-2015 development agenda.

4.22 Even in areas or circumstances where the Bank does not possess all of the in-house expertise for addressing a particular issue, the multinational nature of CDB's shareholding and development partnerships, has allowed the Bank to develop relationships and networks through which it can mobilise expertise to deliver assistance.

Extending the Mandate to a Wider Caribbean

4.23 The Bank has always sought to widen its mandate based on the membership of CARICOM and to play a broader role in responding to the needs of the Region. Borrowing membership is now extended beyond the English Caribbean and includes Haiti and Suriname. Exploratory discussions about membership are also ongoing with other Dutch-speaking Caribbean countries while on the non-borrowing side, Brazil is the Bank's most recent member. Its membership brings new opportunities for enhanced Caribbean/Latin America relations and widens the possibilities for South/South cooperation on development matters. Preliminary discussions around the possible reengagement of a former member has encouraged preparations for facilitating the expansion of development assistance to BMCs in critical areas.

4.24 This new and wider role poses special challenges for the Bank, but is counterbalanced by the prospective large benefits arising from interaction among a more diverse group of members. These changes will create a vastly different CDB, with additional challenges, and different traditions of culture, governance and language to internalise and work with. Meeting these challenges would require strong support from the existing membership, both regional and non-regional.

4.25 CDB/SDF (U) will explore how best to utilise existing concessional resources to assist eligible members by assessing whether existing financial capacity can be redeployed; freeing up financial capacity by mitigating risks, and by reviewing the management of concentration risks. These reviews will take into account the special needs of the new members, and the development of appropriate ways to expand assistance to reduce poverty in non-eligible BMCs. A substantial increase in contributions will allow the Bank and SDF to do more.

5. INSTITUTIONAL CAPACITY AND INTERNAL REFORM

5.01 A Strategic Workforce Plan (SWP) was developed in 2014 to support the implementation of Strategic Plan 2015 – 2019. The SWP focuses on the size and composition of the Bank’s workforce, its deployment across the Bank and the knowledge, skills and competencies necessary to pursue the strategic and business objectives. Specifically, it addresses the following:

- (a) understanding the internal and external environment and how those factors will impact the current and future workforce;
- (b) the makeup of the current workforce and the knowledge, skills and composition (including diversity) that the Bank will require to achieve its intended business goals;
- (c) workforce factors that affect the entire business (e.g., succession planning for retirement, difficult to recruit skills, leadership bench and effective allocation of budget); and
- (d) linking human resources strategies with the business objectives and needs, and putting in place staffing strategies to address them.

5.02 The workforce analysis was developed to deliver the objectives of the Bank’s Strategic Plan 2015 – 2019 where the work of the Bank in the main, focuses on the *‘core sectors which support long-term inclusive growth and resilience, i.e. education and training, transport and communication infrastructure, water and sanitation, agriculture and rural development, and environmental sustainability including disaster risk reduction, environmental management and climate resilience including RE and EE.’*^{38/} The Strategic Plan also proposes a more robust approach to private sector development and operations. Consistent with the SWP, the Bank has also strengthened its back office operations in the areas of integrity and ethics oversight, and is in the process of redefining the competencies for Information Technology delivery and reengineering its administrative processes for greater efficiency. The SWP also envisaged the restructuring and realignment of the Operations Area to include strengthening the Office of the Vice-President (Operations), and streamlining the Projects and Economics Departments. To support these changes, revisions to operational guidelines, procedures, processes, systems and templates are also being undertaken.

5.03 The SWP helps to inform and resource the first two years of the Bank’s Strategic Plan 2015 – 2019 and seeks to ensure alignment between the strategic choices of the Strategic Plan and the human resources required for Strategic Plan execution. Workforce planning is an element of organisational strategic planning and needs to be considered as part of a broader range of strategies to enable the Bank to deliver its outputs.

5.04 With respect to organisational structure, CDB delivers its overall work programme [whether through OCR or SFR-funded interventions] using multi-disciplinary teams drawn from across the Bank. The Operations Area comprises the Projects Department, Economics Department and the Renewable Energy and Energy Efficiency Unit. The Projects Department is led by the Director of Projects, three Division Chiefs, and three Unit Heads – Procurement Policy, Private Sector Development and Environmental Sustainability. Its project work is organised through a staff complement of 9 Portfolio Managers/Coordinators and 35 Operations Officers covering a number of disciplines - Education and Training, Agriculture and Rural Development, Civil Engineers, Investment officers, Procurement, Technical Cooperation, Gender, Financial/Social Analysis, and Disaster Risk Management/Environmental sustainability. The Economics Department is led by the Director, a Deputy Director and six Country Economists. Its work comprises country surveillance, country programming, and project work. The

^{38/} CDB’s Strategic Plan (paragraph 5.02)

Renewable Energy and Energy Efficiency Unit, comprises four Officers/Advisors led by the Unit Head. All of the work delivered within the Operations Area is supported by a cadre of administrative professionals and consultants and the Corporate Services Area.

5.05 CDB-administered trust funds have materialised as a key source of development finance across its BMCs. The Bank's trust fund portfolio has grown rapidly in volume and diversity in recent years as donors see the value of the funds leveraging the full benefit of the Bank's administrative, operational, and fiduciary processes. Bank-administered trust funds support a variety of development objectives at the country and regional levels. In most cases, trust funds facilitate the scaling up of development efforts in BMCs without placing additional cost and administrative burdens on BMCs in coordinating with, and providing reporting to additional donor agencies. Trust funds also augment core Bank activities in key sectors such as Environmental Sustainability, Energy and Infrastructure. The Bank will continue its efforts made to improve trust fund administration, especially in the areas of cost recovery and strategic alignment.

5.06 The Bank has made significant progress with its internal reform programme. It has put in place a comprehensive governance structure to bring cohesion to a number of its activities. Enterprise Risk is now managed through a centralised risk function, supported by a restructured Internal Audit Division. The establishment of the Office of Integrity, Compliance and Assurance is another important enhancement to the governance structure of the Bank. This Office provides oversight of the integrity/ethics, compliance, accountability functions, and the mechanisms for projects complaints and whistleblowing with provisions for protection against retaliation. The integration of these functions under the office provides the opportunity for unified approach to policy and advocacy, advice to management and prevention and outreach.

5.07 Increasing the focus on MfDR has led to significant improvements in the Bank's results orientation, with MfDR now fully embedded in all of the Bank's activities. The sharper results orientation has improved the quality assurance processes for quality at entry and throughout the project appraisal cycle. Other reforms address transparency and accountability through the implementation of an information disclosure framework which has resulted in the posting of over 80 documents on the Bank's Corporate Website which include approved Projects, Country Strategy Papers, Policies and Strategies, Country Gender Assessments, Development Effectiveness Reports, Loans and Grants, and Project Summaries. A status report on the implementation of CDB's Reform Agenda has been circulated for consideration by Contributor at this First Formal Negotiation meeting.

6. RESULTS MONITORING FRAMEWORK FOR SDF 9

6.01 The RMF for SDF 8 has the same structure as CDB's Corporate RMF for 2015-2019. Its content is also nearly the same, containing 56 indicators, nearly all (50) of which are also included in Corporate RMF 2015-2019 (78 indicators). In addition, the scope of operations covered by SDF 8 and Corporate RMFs indicators is the same because most projects are funded by a combination of SDF and OCR funds, both RMFs encompass all CDB operations. Thus, the results reporting section of the SDF 8 Annual Report currently duplicates the content of CDB's Annual Development Effectiveness Review report. The similarity between the RMFs has resulted in a duplication of administrative efforts to manage and report the results information.

6.02 Considering the above, CDB proposes that Corporate RMF 2015-2019 be used to track SDF 9 results. This would eliminate duplicative efforts, enabling CDB to invest more of its resources on increasing the quality of performance monitoring and reporting, namely via more succinct timely monitoring reports and continuous efforts to better monitor the achievement of development outcomes.

6.03 In taking the proposed approach, CDB would ensure that the Corporate RMF captures SDF 9 strategic themes and programme areas. Additional, SDF specific indicators would be added to the Corporate RMF, as required. In terms of reporting, the SDF Annual Report would refer to CDB's Annual Development Effectiveness Review for reporting on results.

6.04 The proposed approach would also improve CDB's ability to effectively manage for development results by providing one set of Bank-wide performance targets to focus on. The target date in the RMF for achievement of results is 2019, an ideal timeline that will provide CDB with a complete understanding of its performance to inform planning for the next SDF cycle. The contribution to results of SDF 9 funding disbursed in 2020 would be captured in Corporate RMF 2020-2025.

APPENDIX 1

SUSTAINABLE DEVELOPMENT GOALS, TARGETS AND MEANS OF ACHIEVEMENT

	Sustainable Development Goals	Targets	Means of Achievement
SDG 1	End poverty in all its forms everywhere	1.1 By 2030, eradicate extreme poverty for all people everywhere, currently measured as people living on less than USD1.25 per day.	1a. Ensure significant mobilisation of resources from a variety of sources, including through enhanced development cooperation, in order to provide adequate and predictable means for developing countries, in particular least developed countries (LDCs), to implement programmes and policies to end poverty in all its dimensions.
		1.2 By 2030, reduce at least by half the proportion of men, women and children of all ages living in poverty in all its dimensions according to national definitions.	1b. Create sound policy frameworks at the national, regional and international levels, based on pro-poor and gender sensitive development strategies, to support accelerated investment in poverty eradication actions.
		1.5 By 2030, build the resilience of the poor and those in vulnerable situations and reduce their exposure and vulnerability to climate-related extreme events and other economic, social and environmental shocks and disasters.	
SDG 2	End hunger, achieve food security and improved nutrition and promote sustainable agriculture	2.1 By 2030, double the agricultural productivity and incomes of small-scale food producers, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.	2a. Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular LDCs.
		2.4 By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.	

	Sustainable Development Goals	Targets	Means of Achievement
SDG 4	Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all	4.1 By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.	4a. Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.
		4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.	4c. By 2030, substantially increase the supply of qualified teachers, including through international cooperation for teacher training in developing countries, especially least developed countries and small island developing States.
		4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.	
		4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.	
		4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.	
		4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.	
SDG 5	Achieve gender equality and empower all women and girls	5.1 End all forms of discrimination against all women and girls everywhere. 5.2 Eliminate all forms of violence against all women and girls in the public and private spheres, including trafficking and sexual and other types of exploitation.	5a. Undertake reforms to give women equal rights to economic resources, as well as access to ownership and control over land and other forms of property, financial services, inheritance and natural resources, in accordance with national laws.
			5c. Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels
SDG 6	Ensure availability and sustainable management of water and sanitation for all	6.1 By 2030, achieve universal and equitable access to safe and affordable drinking water for all.	6a. By 2030, expand international cooperation and capacity-building support to developing countries in water and sanitation-related activities and programmes, including water harvesting, desalination, water efficiency, wastewater treatment, recycling and reuse technologies.

	Sustainable Development Goals	Targets	Means of Achievement
		6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.	6b. Support and strengthen the participation of local communities in improving water and sanitation management.
		6.4 By 2030, substantially increase water use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity.	
SDG 7	Ensure access to affordable, reliable, sustainable and modern energy for all	7.1 By 2030, ensure universal access to affordable, reliable and modern energy services.	7a. By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced and cleaner fossil fuel technology, and promote investment in energy infrastructure and clean energy technology.
		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix.	7b. By 2030, expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries, in particular least developed countries, small island developing States and landlocked developing countries, in accordance with their respective programmes of support.
		7.3 By 2030, double the global rate of improvement in energy efficiency.	
SDG 8	Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all	8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the LDCs.	8a. Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade related Technical Assistance to Least Developed Countries
		8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high value added and labour intensive sectors.	

Sustainable Development Goals		Targets	Means of Achievement
		8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro, small and medium-sized enterprises, including through access to financial services.	
		8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.	
		8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.	
		8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.	
		8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.	
SDG 9	Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation	9.1 Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans border infrastructure, to support economic development and human wellbeing, with a focus on affordable and equitable access for all.	9b. Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities
		9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets.	9c. Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.
		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.	

	Sustainable Development Goals	Targets	Means of Achievement
SDG 11	Make cities and human settlements inclusive, safe, resilient and sustainable	11.1 By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.	11b. By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015-2030, holistic disaster risk management at all levels.
		11.3 By 2030, enhance inclusive and sustainable urbanisation and capacity for participatory, integrated and sustainable human settlement planning and management in all countries.	
SDG 13	Take urgent action to combat climate change and its impacts*	13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.	13b. Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalised communities
		13.2 Integrate climate change measures into national policies, strategies and planning.	
		13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.	
SDG 16	Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels	16.1 Significantly reduce all forms of violence and related death rates everywhere.	16.a Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime.
		16.6 Develop effective, accountable and transparent institutions at all levels	16b Promote and enforce nondiscriminatory laws and policies for sustainable development.
		16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.	

	Sustainable Development Goals	Targets	Means of Achievement
SDG 17	Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development	17.1 Strengthen domestic resource mobilisation, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.	
		17.13 Enhance global macroeconomic stability, including through policy coordination and policy coherence.	
		17.15 Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development.	
		17.16 Enhance the Global Partnership for Sustainable Development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the Sustainable Development Goals in all countries, in particular developing countries	
		17.17 Encourage and promote effective public, public/private and civil society partnerships, building on the experience and resourcing strategies of partnerships.	
		17.18 By 2020, enhance capacity-building support to developing countries, including for LDCs and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts.	
		17.19 By 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement gross domestic product, and support statistical capacity-building in developing countries.	

