

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

**FINAL REPORT
ON
THE ASSESSMENT OF THE EFFECTIVENESS OF THE
IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY
OF THE CARIBBEAN DEVELOPMENT BANK
OVER THE PERIOD 2004-2009**

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EVALUATION AND OVERSIGHT DIVISION

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ABBREVIATIONS

BMCs	-	Borrowing Member Countries
BNTF	-	Basic Needs Trust Fund
BOD	-	Board of Directors
BWSL	-	Belize Water Services Limited
CAREC	-	Caribbean Epidemiology Centre
CARICOM	-	Caribbean Community
CCS	-	Country Classification System
CDB	-	Caribbean Development Bank
CDERA	-	Caribbean Disaster Emergency Response Agency
CDI	-	Commonwealth Debt Initiative
CFD	-	Caribbean Forum for Development
CMDGs	-	Caribbean Millennium Development Goals
CMP	-	Change Management Programme
CPA	-	Country Poverty Assessment
CPD	-	Corporate Planning Division
CRNM	-	Caribbean Regional Negotiating Machinery
CSP	-	Country Strategy Paper
CTCS	-	Caribbean Technological Consultancy Services
CWIQ	-	Core Welfare Indicators Questionnaire surveys
DFC	-	Development Finance Corporation
DFID	-	Department for International Development of the United Kingdom
DMFC	-	Disaster Mitigation Facility for the Caribbean
DRM	-	Disaster Risk Management
ECCB	-	Eastern Caribbean Central Bank
EOV	-	Evaluation and Oversight
EU	-	European Union
FDI	-	Foreign Direct Investment
GDP	-	Gross Domestic Product
GOB	-	Government of Belize
HDI	-	Human Development Index
HIV/AIDS	-	Human Immunodeficiency Virus / Acquired Immune Deficiency Syndrome
HR	-	Human Resources
HRD	-	Human Resource Development
ICT	-	Information and Communications Technology
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
ISF	-	Interest Subsidisation Fund
JLSC	-	Jamaica Survey of Living Standards
KM	-	Knowledge Management
LSMS	-	Living Standards Measurement Survey
LCS	-	Living Conditions Survey
MDBs	-	Multilateral Development Banks
MfDR	-	Management for Development Results
M&E	-	Monitoring and Evaluation
Mn	-	million
MOE	-	Ministry of Education
MOH	-	Ministry of Health
MOST	-	Ministry of Social Transformation
MTR	-	Mid-term Review
MTP	-	Medium Term Plan
NAT	-	National Assessment Team
NDMSOG	-	Natural Disaster Management Strategy and Operational Guidelines
NGOs	-	Non-Governmental Organisations

NPESAP	-	National Poverty Elimination Strategy and Action Plan
NPRS	-	National Poverty Reduction Strategy
OCR	-	Ordinary Capital Resources
OECS	-	Organisation of Eastern Caribbean States
PBL	-	Policy- Based Loan
PCRs	-	Project Completion Reports
PD	-	Projects Department
PESAP	-	Poverty Elimination Strategy and Action Plan
PPA	-	Participatory Poverty Assessments
PPES	-	Project Portfolio Evaluation System
PPI	-	Project Performance Index
PPMS	-	Project Portfolio Management System
PRAP	-	Poverty Reduction Action Plan
PRES	-	Poverty Reduction Effectiveness Situation
PRS	-	Poverty Reduction Strategy
PRGF	-	Poverty Reduction and Growth Facility
PSR	-	Project Supervision Report
PRSP	-	Poverty Reduction Strategy Paper
PSSDDG	-	Poverty and Social Sector Development Donor Group
RAS	-	Resource Allocation Strategy
RBM	-	Results-based Management
SDF	-	Special Development Fund
SIDS	-	Small Island Developing States
SIFs	-	Social Investment Funds
SLCs	-	Survey of Living Conditions
SPARC	-	Support Poverty Assessment and Reduction in the Caribbean
TA	-	Technical Assistance
TEER	-	Total Equity-to-Exposure Ratio
UN	-	United Nations
UNDP	-	United Nations Development Programme
WB	-	World Bank

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EXECUTIVE SUMMARY

1. Poverty reduction has featured as a development priority of the Caribbean Development Bank (CDB) for several cycles, in particular in the context of the Special Development Fund (SDF). Successive reviews of SDF focused on what has been done in terms of poverty reduction in the context of the SDF facility, but not on how CDB as an organisation has operationalised its poverty reduction efforts beyond the SDF framework.

2. This report assesses the effectiveness of the implementation of Poverty Reduction Strategy (PRS) over the period 2004-2009, within the context of the standard evaluation criteria - Relevance, Efficiency and Efficacy. The present assessment is the first to evaluate the effectiveness of the Bank's performance in implementing the PRS since its adoption in December 2004. The specific objectives are to:

- assess the implementation progress of the PRS;
- assess the extent to which the PRS has achieved or is likely to achieve the results as defined by the monitoring indicators for the PRS;
- derive strategic, policy, programmatic and operational lessons;
- recommend improvements, if necessary, to increase the effectiveness, efficiency, relevance and policy framework; and
- recommend improvements, where appropriate, to the monitoring and evaluation framework of the PRS.

The results of the assessment are expected to inform an update of the current PRS in light of CDB's experience with poverty reduction and the changing socioeconomic operating environment in the Region.

RELEVANCE

3. Over the past decade CDB has made significant strides in transforming itself from a development bank focused primarily on economic growth and infrastructure to a development agency with a broader, "catalytic" facilitation role for poverty reduction in its Borrowing Member Countries (BMCs). The PRS marked fundamental change in the Bank's approach to poverty reduction. Bank interventions, whether they were focused on broad-based economic growth or social development did not optimise the benefits to socially disadvantaged groups unless they were specifically reviewed for their poverty reduction potential. The poverty reduction dimension has been mainstreamed at all stages of the Bank's programming framework. In addition, poverty reduction performance is an important aspect of strategic monitoring, evaluation and reporting on the Bank's interventions.

4. PRS-related processes have prompted a paradigm shift and a culture change within the Bank as poverty reduction has become the ultimate benchmark of development success. All its programming processes have been redesigned to reflect poverty reduction concerns. Reference to poverty reduction in the Bank's discourse is now the norm. Poverty reduction is a key element in the Bank's relationship with its BMCs; and BMCs have responded positively to CDB's policies regarding poverty reduction, by aligning their national development agenda with the Bank's poverty reduction goals.

5. Over the review period, implementation of CDB's PRS focused essentially on the implementation of the poverty reduction agenda in the BMCs through CDB's project loan portfolio, policy review and assessment (Country Poverty Assessments - CPAs and National Poverty Reduction Strategies - NPRSs). Technical Assistance (TA) interventions received too little attention considering

its critical role in poverty reduction interventions. In addition, Policy-Based Loans (PBLs), which are now important instruments of the Bank's overall lending programme that can positively impact poverty reduction in the BMCs, were not introduced at the time when the PRS was formulated.

6. The PRS mechanisms (poverty prism, levers and toolkits for operationalising the PRS) have proved useful as reference material when designing interventions and to inform social analysis during project appraisal, but not as instruments for targeting interventions at the programme/portfolio level. This earned the strategy the criticism of being too broad. The PRS did not provide a blueprint to direct CDB's focus, or a framework for CDB and its BMCs to select and prioritise interventions. The lack of a results and monitoring framework for poverty reduction interventions was a critical missing element until recently¹. Poverty reduction needed to be measured in operational terms such as empowerment, income, jobs, as well as other human development indicators.

7. The policy development aspects of CDB's poverty reduction work surrounding the CPAs, NPRS and the Basic Needs Trust Fund (BNTF) were not directly targeted by the strategy but were vehicles to target poverty reduction. CPAs achieved their most immediate outputs objective of generating essential poverty data for the implementation of poverty reduction interventions in the countries; NPRSs did less well in establishing a priority framework of poverty reduction action in the BMCs. But national ownership of and commitment to the poverty monitoring and poverty reduction monitoring systems were hampered by human and financial capacity constraints.

8. The main focus of the PRS was to bring together the different operational tools that support poverty reduction effectiveness in an operational framework for poverty reduction programming. The SDF framework helped to fill the gaps in the operational strategy for poverty reduction by adding some of the missing dimensions, such as monitoring of outcomes, comparative strengths of CDB in regional poverty reduction and coordination with development partners. Nevertheless, the SDF framework continues to be the driving force behind the Bank's poverty reduction work.

9. The PRS in its current format has run its course with regard to the significant shifts that have occurred in the global and regional social and economic environment, as well as in terms of aid effectiveness and management for development effectiveness. Some of the necessary changes are already under way (i.e. management for development results frameworks). In addition, the other corporate policies and strategies developed under the impetus of the SDF (i.e. gender policy, disaster risk management, and environmental sustainability policy) regularly include poverty reduction concerns but are not fully integrated into the PRS.

EFFICIENCY

10. The PRS was being implemented before it was formally adopted, and its approaches and the modalities which were introduced by SDF5 became the central focus from 2001 onwards. To improve the potential poverty impact of its interventions CDB has redesigned its business processes and structures. To effectively respond to the operational demands of the PRS, the Bank had to change the skills mix of its staff, recruiting poverty and social development specialists and train existing staff. While individual adjustments may have been successful on their own terms, the overall efficiency of mainstreaming the strategy has been relatively modest.

11. The processes supporting poverty reduction policy instruments work reasonably well. The methodologies for carrying out the CPAs and developing PRSs are well honed, although national capacities and institutional constraints in BMCs inhibit the formulation and implementation of NPRSs and Poverty Reduction Action Plans (PRAPs) in a timely manner. Ownership of the NPRS is a primary impediment as a result of limited financial and technical resources, and institutional capacity

¹ In the context of Management for Development Results (MfDR), CDB has started to monitor PRS organizational performance dimensions (e.g.: number of new or updated CPAs, number of BMCs receiving support for direct poverty reduction programming).

constraints that adversely affect formulation, implementation, monitoring, evaluation and reporting on the NPRS.

12. Country Strategy Papers (CSPs) define the operational framework for CDB's interventions in the BMCs, and thus provide the overall platform for translating CDB's poverty reduction goals and strategy into operational programmes at the country level. CSP operational guidelines have been revised to incorporate poverty reduction into the process of negotiation and development of CDB country assistance strategy and programme. Country situational analyses now refer to the results of CPAs and include a discussion of the social and poverty context, with explicit reference to the national capabilities, socioeconomic and natural disaster vulnerability, governance, the Caribbean Millennium Development Goals (C-MDGs), existing elements of the national social development strategy and poverty reduction agenda.

13. The PRS and revised CSP operational guidelines facilitated a more integrated treatment of poverty issues to reflect the strategic levers of poverty reduction in the formulation of CSPs. The modified approach to CSP preparation has improved policy coherence and sharpened the results focus of CDB, even though the changes in the CSP process, did not appear to systematically translate to a more prominent role of poverty reduction in the proposed programme of assistance on which the Bank and the BMC ultimately converged.

14. Shifts in the operational modalities prompted by the PRS helped give CDB's programme a stronger poverty reduction perspective though with uneven effect on CDB's intervention modalities. The poverty prism proved useful when designing interventions, but not as an instrument for targeting at the programme/portfolio level.

15. PBLs have facilitated improvements in the frameworks for macroeconomic management, fiscal policy, debt management, and overall public financial management while not being adequately integrated into the mainstream of the poverty reduction agenda. PBLs do not easily facilitate the application of the Poverty Prism as resources do not finance specific poverty reduction activities, but reside in the consolidated fund.

16. Blending of soft and hard resources at the project level afforded interventions with poverty-focused activities more attractive financial conditions. In the context of PBLs, blending helped to increase the concessionality of resources for the poorer countries. In that context, it complemented the Resource Allocation System (RAS), which had effectively shifted resources to poorer countries.

17. TA played a critical role in framing the poverty reduction agenda in the BMCs. When it came to the implementation of economic and social infrastructure, TA was not deployed as systematically as necessary (with the notable exception of BNTF and Caribbean Technological Consultancy Services (CTCS) in spite of its vital importance in enabling the poor to benefit from investments. More targeted TA and a more integrated coordination of technical and capital assistance would undoubtedly support the poverty reduction effectiveness of CDB's programmes. Including TA resources in the RAS and greater country focus in CDB would combine capital and TA in a compatible formula that could enhance the robustness of interventions.

18. The lack of a proper monitoring and evaluation framework for the PRS turns out to be a fundamental weakness in the implementation of the strategy. The Bank's existing system for monitoring its interventions is not designed to determine the contribution to poverty reduction and social outcomes. In addition, the results monitoring framework (i.e. Management for Development Results - MfDR) has not yet fully matured.

19. CDB will be increasingly hard-pressed to do even more with its limited resources. Some areas such as implementing the monitoring systems for poverty reduction, the development of results methodology, or applied social research for advocacy and policy development already stretch CDB's

operational capacities. The MfDR which is currently being developed will enable CDB to concentrate on its comparative advantages, while leveraging the important financial and intellectual capacities of its much bigger development partners, notably the World Bank (WB) and Inter-American Development Bank (IDB), in the field of poverty reduction, especially in the areas where it lacks capacities. Its poverty reduction effectiveness is likely to grow.

EFFICACY

20. The poverty reduction agenda in the BMCs has made headway since the PRS was adopted. CDB has helped to sensitise BMC governments to the greater impact of a strategic and coordinated approach to poverty reduction. The visibility of poverty in the BMCs and regionally has grown, as has its recognition as a major policy issue. Advocacy by CDB has helped to forge a commitment by BMCs around the C-MDGs. While BMCs have committed to the poverty reduction agenda, a fully integrated approach to poverty reduction in the BMCs has yet to be achieved. In addition, some BMCs have neither updated their CPAs nor initiated the formulation of NPRs and PRAPs. To date, only six BMCs have prepared NPRs.

21. CDB has worked towards creating greater awareness of poverty and boosting BMCs commitment through a series of integrated instruments with CPAs providing diagnostic data, NPRs orienting policy, CSPs defining the scope of the Bank's interventions, and C-MDGs setting the benchmarks and establishing the overall monitoring framework for poverty reduction across the region.

22. Although poverty data has improved, national systems to generate this information on a regular basis still do not function as required. For most BMCs, collection and collation of poverty data is a major constraint and depend in many instances, on donor assistance. To address this deficiency, a system to compile regional statistical data on poverty and development (DevInfo) is being developed with the support of CDB. A similar situation exists with regard to monitoring and evaluation data on the results of poverty reduction interventions.

23. Generally, national organisational capacities for implementing an integrated multi-sectoral approach to poverty reduction are inadequate. In addition, with a purpose-bound NAT in existence for only the duration of the CPA process and a BMC inter-ministerial coordination surrounding poverty reduction either weak or absent, implementation of the NPRS often lacked an organisational driver. The uncertain state of NPRs in several BMCs is symptomatic of this shortcoming.

24. CDB has assisted its BMCs identify, finance and oversee development projects that support poverty reduction. In addition, the RAS and programme/project identification processes complemented efforts to frame the poverty reduction agenda in the BMCs. The RAS delivered a re-balancing of project investment resources towards BMCs with high poverty incidences.

25. Under the influence of the PRS and the SDF framework, resources have gone increasingly to operations supporting a poverty reduction goal. While there are no systematic monitoring and evaluation data on the effects of the PRS, a variety of data points are available to gauge the quality of contribution to the implementation of the poverty reduction agenda in the BMCs, though not its quantitative impact on poverty reduction outcomes.

26. CDB has been very responsive to the BMCs needs and helped them to respond to global economic crises and natural disasters while keeping the focus on enhancing national capacities. More resources have been spent on poverty reduction interventions in the poorer BMCs, supporting income poverty reduction through infrastructure investments for growth, and contributing to environmental goals. The Bank has taken on a significant role in basic, secondary and tertiary education.

LESSONS

27. Focusing on PRS instruments (CPAs, NPRSs) is insufficient to accelerate the national poverty reduction agenda. Consideration of the policy formulation and implementation processes in a holistic manner is necessary to create an enabling environment in which the poverty reduction agenda can be sustainable.

28. Focusing on framing the poverty reduction agenda in the BMCs requires more than just assessments and strategies and more than discrete capacity enhancement measures. It requires a sustained focus on the policy formulation and political process to ensure adequate commitment to implementation of poverty reduction. There is an urgent need to rethink the CDB's project-based approach to framing the poverty reduction agenda in the countries.

29. An expanded partnership in the service of a fully nationally owned poverty reduction strategy and institutional framework is desirable and should be the standard operating principle as a basic initiative to further mainstreaming of the poverty reduction agenda and enhancing relevance, efficacy and efficiency of national instruments and processes.

30. Synergy is necessary with regard to implementing agencies, country processes for planning, implementing and monitoring public actions that are appropriate to each BMC's circumstances and capacity in order to influence the drivers of the poverty reduction agenda in the BMCs (commitment, knowledge, coordination, financial and human resources). National ownership is a critical element of a strategy that focuses on poverty reduction; and commitment to the poverty reduction agenda is essential to ensure implementation and sustainability.

RECOMMENDATIONS

Revised Strategy

31. Given the changing socioeconomic operating environment and emerging fiscal and social issues challenging the BMCs, the PRS needs to be revised to:

- (a) outline how CDB intends to deploy its resources and use its competencies according to its comparative advantage to best support the BMCs' poverty reduction efforts; and how its role and responsibilities will complement those of other development partners;
- (b) articulate how poverty reduction interventions are to be prioritised based on prevailing development needs of the BMCs as identified from CPAs, and linked to CSPs, NPRSs and PRAPs;
- (c) adopt a programmatic approach (versus project-based) that applies results-logic to detail impacts, outcomes, outputs and activity levels; and a system to monitor its results and guide its processes and interventions.
- (d) incorporate in the PRS the developments that have occurred in successive SDF cycles such as the new instruments for poverty reduction (PBLs, MfDR, integration of poverty in CDB's Sector Policies, disaster risk mitigation and climate change, environmental sustainability, gender equity, governance as key concerns in poverty reduction); and emerging issues of violence, crime and citizen security.

Refining Roles and Responsibilities

32. CDB's role in poverty reduction in the region needs to be refined to:
- (a) focus on the comparative value-added of its services based on appraisal of its organisational strengths and consideration of its complementarity with development partners;
 - (b) adjust CDB's operations to match poverty reduction focus and capabilities including scheduling the preparation of CSPs following the conduct of CPAs and formulation of NPRSs;
 - (c) revisit CDB's internal processes to make them interact effectively with development partner capacities, including through joint missions and analytical work;
 - (d) realise CDB's comparative advantage in regional coordination on poverty and poverty reduction and as a knowledge hub for poverty reduction information (to spread best practices and for the dissemination of information).

Revisiting the Instruments

33. The PRS instruments should be revisited to:
- (a) strengthen the integration of CPAs and the country portfolio development process against the background of the changing economic and social conditions in the BMCs; and explore the options to make CPAs more up-to-date with changing conditions;
 - (b) assess the extent to which CPAs and CSPs can be more closely aligned;
 - (c) better integrate CPAs with national medium-term strategies;
 - (d) match monitoring information on national poverty reduction interventions more closely with CPA data to inform programme development;
 - (e) explore ways to achieve stronger integration of CDB's poverty reduction instruments (CPAs, NPRs and monitoring frameworks) with national systems and processes;
 - (f) review the CPA and NPRS processes, including the NAT mechanism, to determine their actual and potential integration into national policy processes, and the governance of the BMCs' poverty reduction agenda; and
 - (g) refine the results monitoring framework to better capture effectiveness of CDB's contribution to the national poverty reduction agenda.

Rebalancing Capacities

34. CDB's capacity should be assessed and rebalanced to:
- (a) reinforce CDB's applied social/poverty reduction research capacity to provide stronger advocacy impact and knowledge brokering of experiences from within the region and from the rest of the world;

- (b) augment CDB's in-house capacity through closer collaboration with the more substantial research capacities of sub-regional, regional and international agencies; and
- (c) boost CDB's technical assistance capacities to provide a more balanced blend of investment assistance, TA (policy advice, training programmes, institution building) and knowledge products to support poverty reduction programming in the BMCs.

1. INTRODUCTION

CONTEXT

1.01 Poverty reduction has featured as a development priority of CDB for several cycles, in particular in the context of the Special Development Fund (SDF). Successive reviews of SDF (mid-term reviews, evaluations) focused on what has been done in terms of poverty reduction in the context of the SDF facility, and not how CDB as an organisation has operationalised its poverty reduction objectives beyond the SDF framework². Consequently, the value and success of CDB's poverty reduction approach have never been systematically explored. The present assessment is the first to evaluate CDB's Poverty Reduction Strategy (PRS) since its adoption in December 2004.

1.02 This evaluation is expected to inform an update of the current PRS in the light of CDB's experience with poverty reduction and a changing socio-economic operating environment. The assessment period commences from 2001 when the strategy was first formulated. This period coincides with the implementation of three cycles of the SDF, the Bank's concessionary funding facility: SDF 5 (2001-2004), SDF6 (2005-2008) and SDF 7 (2009-2012), which had made poverty reduction their priority development themes. It also extends over three CDB strategic plans (2000-2004, 2005-2009, and 2010-2014).

1.03 The overall purpose of the evaluation is to assess the effectiveness of implementation of CDB's PRS within the context of the Bank's increased emphasis on poverty reduction and pro-poor growth. The specific objectives were to:

- (a) assess the implementation progress of the PRS;
- (b) assess the extent to which the PRS has achieved or is likely to achieve the results as defined by the monitoring indicators for the PRS;
- (c) derive strategic, policy, programmatic and operational lessons; and
- (d) recommend improvements, if necessary, to increase the effectiveness, efficiency, relevance and policy framework; and
- (e) recommend improvements, where appropriate, to the monitoring and evaluation framework of the PRS.

1.04 Originally it was proposed that the evaluation review the period of 2004 to 2009 commencing with the Board approval of the draft strategy. However, it emerged that without due consideration of the 2001 to 2004 period when SDF supported the roll-out of the PRS instruments that are at the very centre of the strategy, the PRS cannot be properly appreciated. The evaluation therefore attempted to include the pre-approval phase of the strategy formulation and implementation. The change in the scope redirected the evaluation paradigm from what would have been a broad exploration of CDB's poverty reduction work into a much more technical appraisal focusing on the specific approaches and modalities proposed by the PRS document. Appendix 1 provides the Terms of Reference for the assessment.

METHODOLOGY

1.05 The analytical model is guided by the core evaluation criteria of Relevance, Efficiency and Effectiveness. The evaluation matrix applied during interviews is presented at Appendix 2.

1.06 The starting point of the analytical model is an analysis of the **Relevance** of the PRS to CDB's work in the region, and a review of the catalyst role and comparative advantage of CDB in

² Poverty reduction was not the prime objective of the SDF reviews, but rather the use of SDF resources.

poverty reduction. The model gauged the merits of the strategy's approach to enhancing the Bank's poverty reduction impact in the region by targeting the levers of the Poverty Prism - Enhancing Capability, Reducing Vulnerability and improving Governance for the poor, and by implementing a number of modalities:

- (a) blending of the Bank's hard (Ordinary Capital Resources - OCR) and soft resources (Special Development Fund - SDF) at the project level;
- (b) applying the new method of project performance evaluation – Project Performance Evaluation System (PPES);
- (c) using the Resource Allocation Strategy, including the Poverty Reduction Effectiveness Situation (PRES) scoring for indicative country allocations of SDF resources; and
- (d) strengthening inter-organisational cooperation and coordination through active participation in regional groups and other fora focusing on poverty reduction and pro-poor growth.

1.07 The **Efficiency** of the PRS in enhancing the poverty reduction direction was assessed at the level of CDB's regular delivery mechanisms for both review and policy support, namely - Country Poverty Assessments (CPAs), National Poverty Reduction Strategy (NPRS); and programme implementation - Country Strategy Papers (CSPs), Policy-Based Loans (PBLs), capital projects and technical assistance (TAs).

1.08 The **Efficacy** of CDB's PRS was measured at the level of development outcomes³ in Borrowing Member Countries (BMCs), notably, by assessing whether it has helped to improve CDB's contribution to framing and implementing the poverty reduction agenda in the countries. Appendix 3 provides a list of the projects reviewed (file review and field visits).

CONDUCT OF THE ASSESSMENT

1.09 The Evaluation Team visited seven BMCs - Belize, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines. The BMCs were selected on the basis of completed CPAs, NPRSs and Poverty Reduction Action plans (PRAPs) for implementation of their NPRSs. Data collection in the BMCs consisted primarily of interviews with Government officials, project staff and civil society representatives involved with some aspects of CDB's poverty reduction work.

1.10 The Evaluation Team also met with CDB's management staff, Directors of CDB's Board and development partners who were available at the time of the field visits. CDB staff interviewed comprised management staff, and professional staff directly involved in the poverty reduction aspects (i.e. policy, resource allocation, appraisal, supervision) of the Bank's work. Appendix 4 provides a list of the stakeholders interviewed.

1.11 Semi-structured interviews were utilised to accommodate the wide range of circumstances, exposure, experience and knowledge of the interviewees with respect to CDB. This information was complemented by in-depth desk review of policy, programme and project documents, including evaluation reports, annual reports and annual performance reviews. The documents reviewed are listed at Appendix 5. Where appropriate the text has been amended to reflect the comments received from CDB's Management and staff of the Operations Department (OD) and stakeholders in the BMCs.

³ Typically these outcomes are achieved through the combined interventions of several development partners. This requires that competencies and complementarities among development partners are respected. Accordingly, the challenge of the PRS is to position CDB and its services so as to realise the organisation's full value in the BMC's poverty reduction efforts.

STRUCTURE OF THE REPORT

1.12 Chapter 1 outlines the context and methodology of the evaluation; Chapter 2 provides an overview of poverty and poverty reduction in CDB's BMCs; Chapter 3 presents a profile of the PRS; Chapter 4 analyses the relevance of the PRS in terms of CDB's poverty reduction work in the Region; Chapter 5 examines the efficiency of implementation of the PRS and its influence on the poverty orientation of the Bank's interventions; Chapter 6 assesses the effectiveness of the PRS and the extent to which the strategy has helped to advance the BMCs' poverty reduction agenda; and Chapter 7 distills lessons and develops recommendations for the way forward.

2. POVERTY REDUCTION IN CDB's BMCs

OVERVIEW

2.01 Overall living conditions in the Bank's BMCs have significantly improved over the past few decades. However, the vast majority of the countries continue to confront unacceptable levels of poverty, indigence, inequality and social deprivation with well over 20% living of population below their country's poverty line (refer to Table 1). Recent data for some countries (Belize, Grenada) show that poverty is again on the rise.

2.02 Levels of poverty in the region differ widely. Haiti is at the high end of the spectrum of poverty incidence with an estimated 76% (2006)⁴ of the population below the poverty line (and that is prior to the devastating 2010 earthquake). Clustered between 31% and 43% are Dominica (39%); Belize (41%); Grenada (38%); and Guyana (35%). Between 20% and 30% are Anguilla (23%); British Virgin Islands (22%); St. Kitts and Nevis (20%); St. Lucia (29%); St. Vincent and the Grenadines (30%); Trinidad and Tobago (24%); and the Turks and Caicos Islands (26%).

2.03 Poor economic growth performance; reliance on a single crop or sector in decline; macroeconomic instability; limited job growth; low productivity and low wages in the informal sector; inadequate access to social services; inadequate access to private and government-provided unemployment relief and social insurance and inadequate social safety nets are among the contributory factors to poverty. But income poverty is only one aspect of the poverty phenomenon.

2.04 Inequality and social exclusion are the sources of growing social problems, including high levels of crime and other forms of social dissonance. A high proportion of the population is at risk of falling into poverty in the event of economic shocks or natural hazards. Poor access to social services, low educational levels of household heads, informal, seasonal and precarious employment and poor housing and sanitation, along with the erosion of standards and values in many cases, add considerably to the population's vulnerability. Limited capacity of countries to address citizens' concerns and ambitions lead to migration and depletion of valuable skills.⁵

2.05 The recent global financial crisis and economic recession are likely to seriously affect economic growth and performance, with consequent adverse implications for unemployment and poverty levels in the BMCs. High levels of debt and debt service severely limit BMCs' fiscal space and their ability to implement growth-enhancing economic (education and training, roads and transportation, health, housing, water, sanitation) and social programmes that are critical to the empowerment and welfare enhancement of the poor and vulnerable.

2.06 The rising numbers of 'working poor' with income levels insufficient to cover their living expenses and save for their future, the prevalence of female-headed household among the poor, and the structural dimensions of poverty in the rural areas have the potential to increase inter-generational poverty. Vulnerability of Small Island States to climate change, the economic and social challenges of the HIV/AIDS pandemic, and the consequences of trade liberalisation threaten the countries' economic and social future.

⁴ The poverty incidence in Haiti increased from 65% in 1997 to 76% in 2006.

⁵ CDB's Strategic Plan 2010-2014, page 17

TABLE 1: POVERTY INDICATORS FOR SELECTED CARIBBEAN COUNTRIES⁶

Country	Poverty Indicators							
	Year Conducted	% below the Poverty Line	% below the Indigence Line	Poverty Gap ⁷	Poverty Severity ⁸	Poverty Line USD	Indigence Line USD	GINI Coefficient
Anguilla	2002	23.0	2.0	6.9	3.2	2,937	1,135	0.31
Antigua and Barbuda	2006	18.4	3.7	6.6	3.8	2,366	917	0.48
Bahamas, The	2001	9.3	5.1	2.8	1.3	2,863	964	0.57
Barbados	1997	13.9	n.a.	n.a.	n.a.	2,751	1,448	0.39
Belize	1996	33.0	13.4	8.7	4.3	644	377	-
	2002	33.5	10.8	11.2	6.1	-	-	0.40
	2009	41.2	10.4					0.42
British Virgin Islands	2002	22.0	<0.5	4.1	1.7	6,300	1,700	0.23
Cayman Islands	2007	1.9	-	0.44	0.20	3,319	-	0.40
Dominica	2002	39.0	15.0	10.2	4.8	1,260	740	0.35
Grenada	1999	32.1	12.9	15.3	9.9	1,208	530	0.45
	2008	37.7	2.4	10.1	4.0	2,164	887	-
Guyana	1993	43.0	29.0	n.a.	n.a.	380	281	-
	1999	35.0	19.0	12.4	n.a.	510	-	-
Haiti	1997	65.0	n.a.	n.a.	n.a.	-	-	-
Jamaica	2002	19.7	n.a.	n.a.	n.a.	JMD47,129	-	0.40
	2004	16.9	n.a.	n.a.	n.a.	-	-	0.38
	2005	14.8	n.a.	n.a.	n.a.	-	-	0.38
	2006	14.3	n.a.	n.a.	n.a.	-	-	-
	2009	16.5 ⁹	n.a.	n.a.	n.a.	-	-	-
Montserrat	2009	36.0	18.6	10.2	4.8	-	-	(0.39)
St. Kitts and Nevis								
St. Kitts	2000	30.5	11.0	2.5	0.9	1,244	791	0.39
	2008	23.7	1.4	6.41	2.59	2,714	961	0.38
Nevis	2000	32.0	17.0	2.8	1.0	1,460	908	0.37
	2008	15.9	0	2.72	0.77	3,625	1,086	0.38
St. Lucia	1996	25.1	7.1	8.6	4.4	695	371	0.50
	2006	28.8	1.6	-	-	1,905	588	0.42
St. Vincent and the Grenadines	1996	37.5	25.7	12.6	6.9	450	393	0.56
	2008	30.2	2.9	7.5	3.0	2,046	906	0.40
Suriname	2000	63.1	20.0	n.a.	n.a.	-	-	-
Trinidad and Tobago	1992	21.2	11.2	n.a.	n.a.	570	420	-
	1997	24.0	8.3	n.a.	n.a.	753	457	0.39
Turks and Caicos	1999	25.9	3.2	5.7	2.6	2,424	880	0.37

Source: SDF reports.

POVERTY REDUCTION AND ITS CHALLENGES

2.07 The complex nature of regional¹⁰ poverty called for CDB's BMCs to implement integrated multi-dimensional approaches. However, delivering such integrated approaches to poverty reduction proved difficult to most countries. Significant indebtedness of the BMCs impacts negatively on public sector spending, and in particular on social programmes, and limits what Governments can do. Whilst political commitment to poverty reduction has undoubtedly grown, progress has been slow in mainstreaming pro-poor approaches in the strategic and program frameworks of BMCs. The slow progress results mainly from the low level of priority given to social development in the face of pressing concerns such as fiscal distress and high levels of debt.

2.08 There is no doubt that Governments need to implement (internalise and institutionalise) actual cross-ministerial coordination around the poverty reduction agenda. Yet, coordination around a poverty reduction agenda remains in short supply.

2.09 Line ministries tend to follow their own strategic plan and sometimes have their own poverty reduction strategy. At times, policy implementation and management capacities within relevant

⁶ CDB Strategic Plan 2010-2014: Appendix 2.

⁷ 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.

⁸ 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 amongst the poor. It is similar to the poverty gap but gives greater emphasis to the poorest households.

⁹ http://www.japarliament.gov.jm/attachments/461_Ministry%20Paper%2087.pdf

¹⁰ The Region is defined as the Caribbean Community (CARICOM); of which the majority of Member States are CDB's BMCs.

Government ministries appear extremely stretched and are certainly not dimensioned to the task at hand. Governments are inclined to focus on the fiscal demands from various ministries rather than at the role of each of the ministries in the context of a broader poverty reduction strategy and action plan. This “reactive” approach fails the poor.

3. PROFILE OF THE PRS

ORIGIN

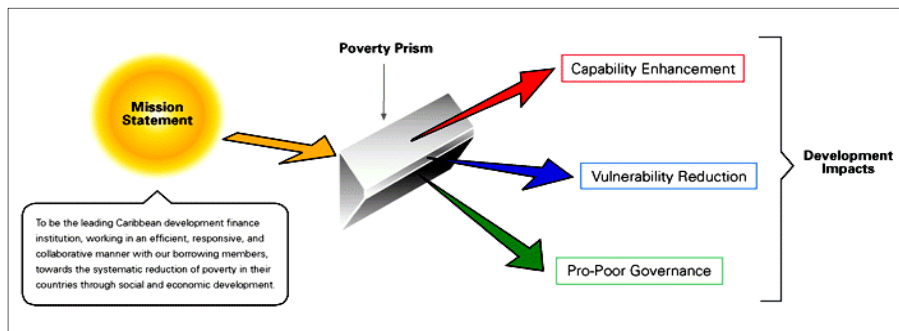
3.01 The origin of CDB's PRS dates back to the 1990s when the international development community refocused its attention on poverty. Poverty reduction became the hallmark of international development cooperation with the United Nations (UN) World Summit on Social Development in 1995 and the Millennium Development declaration of 2000.

3.02 Between 1970 and 2000, poverty reduction initiatives were pursued through two parallel approaches: One was the Bank's involvement since the late 1970s in small infrastructure investments and the Basic Human Needs Programme in 1982 that became the Basic Need Trust Fund (BNTF)¹¹ in 1983, which targeted the poorer segments of the population. The other was the Bank's support to poverty assessments in the region as a critical lack of information on poverty and social development in member countries constrained poverty reduction initiatives and sustainable development.¹² Both approaches were encouraged and enhanced by CDB's concessionary fund facility known as the SDF. In 2001, CDB amended its mission statement¹³ to reaffirm the Bank's primary objective to systematically reduce poverty through social and economic development.

3.03 The initial approach to poverty reduction promoted by SDF 3 (1993-1995) and SDF 4 (1996-2000) was to allocate a certain percentage of SDF commitments for targeted poverty reduction initiatives. The percentage grew from 25% in SDF 3 to 40% in SDF 4. CDB's approach to poverty reduction changed under SDF 5 (2001-2004)¹⁴ as poverty reduction was extended beyond just targeted initiatives¹⁵.

3.04 The new approach applied a poverty orientation, called the Poverty Prism (refer to Figure 1), to all of CDB operations, both SDF and OCR, and through all stages of CDB's programming cycle, from identification and design to the implementation of projects.

FIGURE 1: THE POVERTY PRISM



3.05 The Poverty Prism¹⁶, which provided the framework for the PRS, had three dimensions or lenses through which all interventions would be viewed and that would work as strategic levers of

¹¹ BNTF was established with assistance from United States Agency for International Development (USAID), to contribute to poverty reduction through small infrastructure works in poor rural communities (schools, roads, drainage, and health facilities). It stressed creating temporary employment for poor people.

¹² In 1994, CDB developed a methodology for poverty assessments involving both quantitative and qualitative research methods to capture the multi-dimensional nature of poverty. The first country poverty assessments were done in 1995 in Belize and St. Lucia. At that time, the idea of conducting CPAs was rather new with only Jamaica, Guyana, and Trinidad and Tobago having done so with support from the World Bank.

¹³ CDB's PRS: Page 1, Paragraph 1.04; "Strategy for Poverty Reduction in BMCs of CDB, 2001". CDB Strategic Plan 2000-2004, May 2001; and CDB's Strategic Plan 2005-2009: Page 2, Paragraph 1.06.

¹⁴ The SDF 5 Agreement of December 2001 was aptly named "A Partnership for Poverty Reduction in the Caribbean".

¹⁵ Targeted poverty reduction programmes, remained an important element of SDF-financed operations. SDF 5 kept a percentage target for poverty reduction programming, although this was subsequently dropped in SDF 6.

¹⁶ CDB Draft Poverty Reduction Strategy, 2004: Page 18.

poverty reduction impact: *Capability Enhancement* (economic and social empowerment of people, in general and the poor, in particular); *Vulnerability Reduction* (preventing the poor from descending deeper into poverty and for preventing the non-poor, especially those just above the poverty line, from becoming poor); and *Pro-poor Governance* (efficient, accountable and transparent government; the approaches, objectives and activities appropriate to the development of a modern state committed to enhancing the well-being of all citizens)¹⁷. The levers were not discrete categories but were overlapping themes that provided a comprehensive structure for the multi-dimensional nature of the bank's interventions.

3.06 To implement this new approach the organisation had to rethink the way it operated. An initial working paper¹⁸ on a strategy to operationalise this new approach was presented to CDB's Board for Directors as early as 2001. It took another three years of intense debates, broad consultations and multiple revisions before the PRS was finally submitted for Board approval at its 204th meeting in December 2004.¹⁹ The draft PRS was approved in principle as work on fine-tuning the elements of the strategy continued.

3.07 Attention subsequently focused on operationalising the PRS. In 2005, operational guidelines and procedures²⁰ were developed to incorporate the poverty prism in the programming of the Bank. "Sector toolkits" for optimising the poverty impact of projects played a central role in applying the poverty prism concept at the project level. The roll-out was accompanied by workshops to familiarise Bank staff with the strategy and training on implementing the guidelines and procedures.

3.08 At the institutional level, processes for resource allocation, targeting poverty, project selection and monitoring were revised to support the strategy. The greater focus on poverty also required some organisational realignment, concerning primarily the Projects Department. In addition, the Project Performance Evaluation System (PPES) which is the monitoring and evaluation component of the Bank's Project portfolio database – the Portfolio Management System (PPMS), was harmonised with the other Multilateral Development Banks (MDBs). The PPES assesses the performance of the Bank's interventions according to six core evaluation criteria, including Poverty Relevance. The core criteria are weighted to minimise the effects of overlap between criteria and to emphasise their relative importance.²¹

Since the adoption of the PRS, staff resources have been strengthened in the area of social analysis. As a result of improved methodologies and increased staff resources in the area of social analysis, the Bank is in a much better position to respond to the critical poverty and social development issues associated with the implementation of the PRS.

GROWING UP

3.09 The long delay in finalising the PRS negatively affected the implementation of SDF 5²², which had been designed explicitly to support the implementation of the strategy, its priority theme being "poverty reduction through capability enhancement, vulnerability reduction and good governance, together with broad-based sustainable growth, and introduction of the use of the poverty prism."

3.10 SDF 6 continued to encourage the use of the poverty prism as an operational approach for enhancing poverty reduction results. However, its operational goals shifted to focus on the Millennium Development Goals (MDGs), development effectiveness and results-based management, and membership expansion.²³ The shift in the goals of the SDF6 to MDGs initiated the new cycle of

¹⁷ CDB's PRS: Pages 19-21, Paragraphs 4.20, 4.21 and 4.24.

¹⁸ Strategy for Poverty Reduction in the CDB BMCs, 2001.

¹⁹ The context for the PRS was directed by contributors to SDF who needed an indication of what CDB was doing with regard to poverty reduction.

²⁰ "Guidelines and recommendation to operationalise CDB's poverty reduction strategy" were completed in May 2005.

²¹ Project Performance Evaluation, Working Paper March 2001: Page 3-6, Paragraphs 1.2-2.3.

²² SDF 6 Report of Contributors, 2005, Page 11.

²³ In response to the United Nations World Summit on the MDGs (2000); and the Paris Declaration on Aid Effectiveness (2005).

CPAs and NPRSs. As part of its 2005-2009 corporate strategy, CDB also started using the Caribbean MDGs (C-MDGs) it had previously helped to develop, in evaluating its own work.

3.11 Several internal organisational changes were implemented to improve CDB's capacity to support poverty reduction, in particular, the creation in 2007 of a Project Services Division within the Projects Department. Its cross-sectoral services include, inter alia, environment, disaster risk management, disaster emergency response, gender, social analysis, CPAs, regional technical co-operation and regional public goods, and governance and institutional development.

3.12 In a further major development, CDB introduced PBLs as a new policy instrument. These were designed to assist highly indebted and fiscally distressed member countries, whose ability of these governments to address the problems of indigence, poverty and vulnerability had been severely compromised, to return to a more sustainable growth path through policy reform. Belize (December 2006), and St. Kitts and Nevis (May 2007) were among the first countries to benefit from this lending instrument.

3.13 In 2008, CDB adopted a gender equality policy and strategy that called for the Bank to treat gender as a theme cutting across all interventions for broadening the poverty impact of its interventions. The close link between gender and poverty in both urban and rural contexts made it essential to address issues of gender inequality in order to enhance the capability and reduce the vulnerability of the poor.

3.14 A first Progress Report on the Implementation of CDB's PRS in 2008 concluded that the mono-dimensional approach embedded in the poverty levers was not enough to address poverty and that the Bank needed to continue to adopt innovative ways to respond to the new and emerging social and economic issues²⁴. Reporting on the Poverty Prism was discontinued in 2008 with the end of the SDF 6 Replenishment Cycle.

The progress report concluded that:

- ✓ Although the Bank's lending programme using the resources of SDF 6 was analysed within the framework of the poverty prism's strategic levers, it is clear that the CDB's work in poverty reduction cannot strictly be seen on those terms.
- ✓ In addition to the overlapping nature of the strategic levers, poverty reduction is so comprehensive and broad based that interventions to achieve the objectives of the PRS cannot be restricted to a few key areas.
- ✓ The key aspects and activities of the PRS within the framework of the strategic levers are now integral to the Bank's operations.
- ✓ It will become necessary for the Bank to continue to adopt new and creative ways to respond to emerging socioeconomic issues that challenge the development of the BMCs.

THE PRS TODAY

3.15 Today, CDB is more than ever committed to its poverty reduction mission. The Bank's Strategic Plan 2010 – 2014 has an operational focus on sustainable economic growth and strengthening the resilience of BMCs to external shocks. It facilitates a closer integration with the SDF 7 framework through the theme of socially inclusive growth that includes a focus on income and gender disparities and other inequities. The core priorities of SDF 7 are strengthening poverty reduction, human development including gender equality as a cross-cutting theme, providing effective and meaningful assistance to Haiti²⁵, and supporting the C-MDG targets in the BMCs.

²⁴ PRS Progress Report 2008, Page 27.

²⁵ In 2007 Haiti became a new member of CDB. Its accession significantly increased the profile of poverty reduction in CDB as the accession made explode the number of poor to be served by CDB. Haiti accounts for 85% of all the poor in the Caribbean region.

3.16 The global financial and economic crisis of 2008 has swept through the region and left many of the countries much more vulnerable. Moreover, natural disasters set back the BMCs' economic and social development efforts at regular intervals. The Haiti earthquake of January 2010 has left the country in dire need.

3.17 By approving an historic billion dollar (150%) increase in the Bank's subscribed capital and a doubling of the lending programme for the 2010-2019 period, shareholders have not only tangibly enhanced their support for the Bank and its BMCs, they have also raised the performance bar for CDB. The PRS has not been updated to reflect any of these developments.

THE PRS AT WORK

3.18 CDB's poverty reduction strategy relied on two interdependent approaches. The first approach involved support for evidence-based policy formulation for poverty reduction.²⁶ The Bank assisted interventions aimed at improving poverty analysis and social data, notably through CPAs, and at developing the NPRSs.²⁷ CPAs have been conducted in virtually all of the 18 BMCs.

3.19 Since 2001, some 13 countries have undertaken CPAs with CDB financing; another 5 countries received assistance through other channels.²⁸ Progress on NPRSs has been slow. So far, such strategies have been produced only for Antigua and Barbuda, Belize, Dominica, Grenada, Guyana, Haiti, St. Kitts and Nevis, and, more recently St. Lucia (refer to Table 2). An NPRS for St. Vincent and the Grenadines is currently under preparation.

TABLE 2: COUNTRY POVERTY ASSESSMENTS AND NATIONAL POVERTY REDUCTION STRATEGIES

Country	CPA Completion Year	Development Partner	NPRS	Development Partner
Anguilla	2002, 2010	CDB, DFID	-	-
Antigua and Barbuda	2007	CDB,DFID	2011	CDB
Bahamas, The	2001	IDB	-	-
Barbados	1996/7, 2010	IDB, CDB	-	-
Belize	1995, 2002, 2010	CDB, DFID	2007/8	IADB, CDB
British Virgin Islands	2002	CDB, DFID, UNDP	-	-
Cayman Islands	2007	CDB	-	-
Dominica	2002/03, 2010	CDB, DFID	2006, 2011	WB,UNDP, IADB
Grenada	1998/09, 2007/08	CDB, CIDA	2011	CDB
Guyana	1994, 1999, 2006	WB, UNDP/WB	2011	-
Haiti	2001	WB	2006	WB
Jamaica	Annual SLC from 1989	WB/Netherlands	-	-
Montserrat	2010	CDB	-	-
St. Kitts and Nevis	2000, 2008	CDB, CIDA	2011	CDB
St. Lucia	1995, 2005/06, 2010	CDB, DFID	2011	CDB
St. Vincent and the Grenadines	1995, 2007/08	CDB	2012	CDB ²⁹
Turks and Caicos Islands	1999	CDB, DFID	-	-
Trinidad and Tobago	1992, 1997, 2005	WB, IDB	-	-

*CDB-assisted countries shaded.

3.20 CDB's second approach was modification of the key programming modalities with a view to reinforcing its poverty reduction focus. This initiative started in 2001 when new systems for project

²⁶ Beyond the project-based interventions, the Bank also applied institutional leadership and standard setting, advocacy, knowledge brokering, and coordination to influence the BMC poverty reduction agenda.

²⁷ In the context of the BNTF, CDB also supported Poverty Reduction action Plans (PRAP).

²⁸ CDB received financial assistance from the Department for International Development (DFID) of the United Kingdom, Canadian CIDA and the United Nations Development Programme (UNDP). The World Bank and Inter American Development Bank (IADB) have financed the others.

²⁹ Under preparation.

identification, country resource allocation, deployment of concessionary resources, and portfolio management were introduced. The PRS was to span the entire Bank portfolio, including ordinary capital resources (OCR)³⁰ and Special Development Resources (SDR), and “mainstream” poverty reduction into its programme operations.

3.21 Inasmuch as all Bank programmes were deemed to address poverty reduction directly or indirectly, CDB did not report on allocations to poverty reduction programmes. Instead, reporting was in accordance with the poverty prism’s strategic levers (capability enhancement, vulnerability reduction and good governance), which were used in project identification. Financing by strategic levers over the period 2001-2007 totalled approximately USD 517.3 million (mn); which comprised approximately 54% for Capability enhancement; 35% for Vulnerability reduction; and 11% to Good governance (refer to Table 3).³¹

3.22 OCR resources financed interventions geared to achieve CDB’s Strategic Objectives of broad-based economic growth and development, while the SDF resources have been the main source of funding for the Bank’s poverty reduction interventions.³²

TABLE 3: RESOURCE ALLOCATION BY PRS THEMATIC AREAS³³

TOTAL COMMITMENTS (OCR and SDF)	2001-2004		2005-2007		2001-2007 ³⁴	
	USD mn	% of Total	USD mn	% of Total	USD mn	% of Total
Capability enhancement	157.2	52.7	121.7	55.6	278.9	53.9
Vulnerability reduction	137.3	46.0	43.8	20.0	181.1	35.0
Good governance	4.0	1.3	53.3	24.4	57.3	11.1
TOTAL	298.5	100.0	218.8	100.0	517.3	100.0

3.23 Between 2001 and 2008, SDF allocated in excess of \$400 mn to interventions aimed, directly or indirectly, with poverty reduction as its top development priority (refer to the chronological overviews of SDF priority developments themes at Appendix 6). About two-thirds of the resources were loans, including lending for social and economic infrastructure, natural disaster mitigation/rehabilitation, and countries in fiscal distress; the remaining resources were set aside for grant-based assistance, notably for BNTF, Haiti, disaster response, regional integration and RPGs, capacity-building TA, CTCS, MDGs and project management training. Annual commitments for the SDF 6 and SDF 7 to date are shown in Table 4.

3.24 The current SDF 7 (2009-2014) replenishment cycle has committed \$287.5m of a total of \$390.6mn or 75% to the strategic operational theme “Poverty reduction and human development” with about 20% earmarked for PBLs.

³⁰ OCR is the principal source of financing for the Bank’s operations in BMCs. OCR is derived from the capital subscription of member countries, borrowings from the international financial markets and other MDBs, and the retained earnings.

³¹ The allocation to the good governance thematic area rose significantly in SDF 6 as CDB introduced policy-based loans as a new lending instrument from less than 1% to 25% of total commitments

³² OSF also supporting operations aimed at poverty reduction. In 2008, an Interest Subsidisation Fund (ISF) was established with \$11mn from OCR to subsidise part of the OCR interest payments of certain heavily indebted borrowers for projects with a strong poverty reduction focus on loans from the OCR.

³³ PRS Progress Report 2008, Page 12

³⁴ Reporting on the Poverty Prism was discontinued in 2008 with the end of the SDF 6 Replenishment Cycle.

TABLE 4: ANNUAL COMMITMENTS FOR SDF 6 AND SDF 7³⁵

Item	SDF 6						SDF 7			
	2005	2006	2007	2008	Total	Annual Average	2009	2010	Total	Annual Average
	(USD mn)									
SDF (U) loan approvals	26.3	29.7	25.3	88.8	170.1	42.5	35.2	46.6	81.8	40.9
SDF(U) grant approvals	5.6	6.7	20.8	54.2	87.3	21.8	16.6	27.9	44.5	22.3
Of which:										
Haiti	-	-	10.0	15.0	25.0	6.3	10.0	17.8	27.8	13.9
BNTF	-	-	-	32.0*	32.0	8.0	-	-	-	-
TA	1.8	1.1	2.3	4.6	9.8	2.5	3.7	2.8	6.5	3.3
Project Management	2.0	-	-	-	2.0	0.5	-	-	-	-
Training	0.5	0.7	0.6	0.7	2.5	0.6	1.0	0.8	1.8	0.9
CTCS	1.2	1.8	2.6	1.6	7.2	1.8	1.7	2.9	4.6	2.3
RCI and RPGs	0.1	-	5.3	0.3	5.7	1.4	-	1.0	1.0	0.5
Disaster Response										
Gender Equality						n.a.	-	0.7	0.7	0.3
Environment and Climate Change						n.a.	0.2	1.9	2.1	1.0
MDGs	-	3.1	-	-	3.1	0.8	n.a.	n.a.	n.a.	n.a.
Total	31.9	36.4	46.1	143.0	257.4	64.3	51.8	74.5	126.3	63.2

* BNTF6 set aside allocated to beneficiary BMCs.

CDB adopted the Performance Based Allocation system at the start of SDF 5. The main features of the new system were:

- (a) allocation of resources based on a transparent formula; and
- (b) application of a formula that contained both country need and country performance variables.

By introducing a “country performance” dimension, CDB intended to provide incentives for good performance.

The PRS is also aligned with the C-MDGs to serve as benchmarks for assessing the general performance of BMCs in human and social development.

³⁵ CDB: SDF Annual Report 2010.

4. RELEVANCE

CDB'S ROLE: A CATALYST FOR POVERTY REDUCTION IN THE BMCs

4.01 The rationale for the Bank's leading role in poverty reduction is that poverty reduction in the BMCs cannot succeed, unless member countries have a strong framework for addressing their challenges, and access to financing. The similarity of the poverty situation in the BMCs and the small size of the countries support an integrated regional approach to poverty reduction, which would allow the BMCs to realise significant economies of scale through aggregation and standardisation.

4.02 CDB's particular relevance to the poverty reduction agenda derives from its establishment as a regional financial institution with an exclusive focus on its BMCs; and a mandate to facilitate the advancement of the poverty reduction agenda in the region. The Bank's status as a multi-lateral development bank with access to international capital markets and grant support from its non-regional members and development partners allow the organisation to address the critical capital needs and priority development needs of its BMCs in an integrated manner. The Bank's physical location within the region, close contacts with governments and other stakeholders in the BMCs, and deep understanding of the problems and dynamics of the region add to its comparative advantage.

4.03 CDB's comparative advantage is demonstrated in four particular roles, which made the Bank an essential partner in the BMCs' poverty reduction agenda:

- (a) As a development agency, it leads and advocates, aggregates and shares knowledge, and co-ordinates and harmonises efforts;
- (b) As the development bank, CDB contributes to funding and overseeing the implementation of the poverty reduction interventions in its BMCs;
- (c) Owing to its distinctive characteristics³⁶, it is able to apply and combine³⁷ these services in a way that is not easily accessible to non-member countries; and
- (d) Poverty reduction needed a *catalyst*³⁸ to advance the poverty reduction agenda, an institution that had the power and skills to influence opinions and decisions, and a focal point to bring development stakeholders together. A priori CDB has the right chemistry.

4.04 The combination of its features, (i.e. regional ownership, international backing, multilateral nature, credibility and resource access, overarching commitment to poverty reduction) makes CDB a central institutional force for advancing a poverty reduction agenda throughout the region. Bringing together the multiple ingredients that make up CDB's comparative advantage is not always easy. The continued relevance of the organisation to poverty reduction in the region depends to a large extent on its ability to realise the comparative advantage derived from its unique set-up.

4.05 While government partners clearly feel at ease when interacting with the Bank, in which they are majority shareholders, commitment to the Bank's poverty reduction approach does not automatically translate into a similar agreement in terms of committing national development programmes. An integrated regional focus does not automatically translate into lower transaction costs for poverty reduction programming, as countries do differ. The Bank's newest member, Haiti,

³⁶ CDB also has the widest reach of all the institutions which operate in the Caribbean; focuses on projects of relatively small size; has a clear understanding of the problems and dynamics of the Region; is the second largest provider of concessional MDB financing; and mobilises large amounts of concessionary and non-concessionary financing from a relatively small capital base at favourable rates, which allow the BMCs to maximise the use of their financial resources in a way that may not be available through other channels. CDB Strategic Plan 2010-2014: Page 7, Paragraphs 2.13-2.22.

³⁷ For example: replication of a pilot experience involved the whole range of support in terms of advocacy, leadership and coordination.

³⁸ CDB mission statement adopted in 2005 " ... to be the leading catalyst for development resources into the Region, working in an efficient, responsive and collaborative manner with its BMCs, and other development partners, towards the systematic reduction of poverty in their countries through social and economic development."

with its complex poverty challenge and language differences, is a case in point. Other multi-lateral development banks, such as IDB and the World Bank, also cover parts of the region, though not the smaller islands States of the Eastern Caribbean (OECS) and the former United Kingdom Overseas Territories.

4.06 International support of CDB by development partners comes with significant concessionary financing but also with conditionalities that requires the Bank to rapidly respond to the international development agenda, which CDB's limited capacity has difficulty in applying. In addition, development partner priorities are not always easily reconciled with BMCs' national priorities. The Bank's multi-lateral status and its link to the international community lend credibility and authority for advocating global norms and best practices in terms of poverty reduction.

4.07 The Bank's profile as a Triple "A"-rated financial institution with access to international capital markets and a development agency with a broader developmental objective strengthened the Bank's position to leverage financial resources for poverty reduction, especially in conjunction with concessionary financing by non-regional members within the SDF facility. In this context, the PRS supports CDB's mission as "the leading catalyst for development resources into the region, working in an efficient, responsive and collaborative manner with its BMCs, and other development partners"³⁹

A STRATEGY FOR BOOSTING POVERTY REDUCTION EFFECTIVENESS

4.08 For the first three decades of its existence, CDB addressed poverty reduction through specific projects targeting poor and vulnerable populations directly, in particular those associated with the BNTF as the Bank's flagship poverty reduction programme. Concomitantly, CDB's interventions in support of economic growth and development were designed to assist in reducing poverty if only indirectly and in an untargeted manner, for example, via employment opportunities arising from economic growth or through improved social services resulting from efficiencies achieved through tax reforms.

BNTF continues to stand out as the flagship poverty reduction initiative of CDB. It is a microcosm of the Bank's poverty reduction work when it comes to targeting, resource allocation, and monitoring and evaluation.

4.09 The PRS marked a fundamental change in CDB's approach to poverty reduction. It favoured a broader, more integrated and inclusive pro-poor growth approach and highlighted that all financial support and TA contributed to a reduction in poverty and vulnerability with interventions that are specifically designed and implemented to do this.⁴⁰ Poverty reduction objectives were to be pursued through investment in capital projects (in infrastructure, tourism, education, etc.), through TA to improve the efficiency and governance of sectors (tax, customs) and, importantly, through CDB staff discussions with BMC governments that contributed to a policy change that was pro-poor. The reinforced CDB commitment to poverty reduction was expected to translate into marked improvements in the quality of life and reduction in the level of poverty in each of its BMCs.⁴¹

Bank interventions, whether they were focused on broad-based economic growth or social development did not optimise the benefits to socially disadvantaged groups unless they were systematically reviewed for their poverty reduction potential.

4.10 The poverty reduction strategy included an integrated set of instruments to improve the bank's poverty impact. One set was aimed at improving essential knowledge on poverty and the poor

³⁹ CDB's Mission Statement, 2005.

⁴⁰ By making growth more inclusive and by focusing on "improving sustainable economic growth and competitiveness as a means of reducing poverty" and, equally important, tackling income and gender disparities and inequities; and for growth to be environmentally sustainable through measures which promote climate change adaptation, energy efficiency, clean energy and water resource management. New Strategic Plan – Approaches and Issues, May 2008, Paper BD 46/08.

⁴¹ The ambition was for the strategy to help CDB achieve "sustainable reduction in poverty and not merely charitable incidences of reducing poverty." (BOD 204th meeting, December 2004, Minutes).

for policy and programme design and national commitment to poverty reduction priorities, which would assist in framing the poverty reduction agenda of the BMCs by supporting CPAs, NPRSs and action plans. The other was concerned with increasing the poverty reduction effectiveness of CDB's interventions by making poverty reduction a consideration in all CDB's programme decisions from country resource allocations to the selection of projects ("mainstreaming poverty reduction"). This required a change in CDB's project and programme management processes from identification, preparation, appraisal, negotiation, implementation to evaluation.⁴²

4.11 The core element of the PRS was a new operational approach that would consider all Bank interventions through the lenses/strategic levers of the "**poverty prism**" - *capability enhancement, reduction of vulnerability, and good governance*. It was expected that the application of the poverty prism to all stages of the programming cycle, would ensure that the strategic levers of poverty reduction would be implemented and guide the Bank's programmes towards greater poverty reduction effectiveness.

4.12 The PRS also advocated the use of four **operational modalities** to enhance the poverty orientation of CDB's interventions. These included:⁴³

- (i) blending of the Bank's hard (OCR) and soft resources (SDF) at the project level allowing for broadening of the Bank's influence on institutional and/or policy issues, as well as providing leverage for innovative funding of interventions which might otherwise be inappropriate for conventional OCR funding;
- (ii) applying the new method of project performance evaluation – Project Performance Evaluation System (PPES) which incorporates specific evaluation criteria that permit expeditious identification of projects which score highly on poverty relevance and institutional development;
- (iii) using the Resource Allocation Strategy (RAS), including the Poverty Reduction Effectiveness Situation (PRES) scoring for indicative country allocations of SDF resources; and
- (iv) strengthening inter-organisational cooperation and coordination through active participation in regional groups and other fora focusing on poverty reduction and pro-poor growth.

4.13 For these operational adjustments to work, the strategy recognised the need to continue and reinforce existing instruments within its poverty reduction toolset that would provide the necessary poverty data for the BMCs and prepare for a receptive national environment by promoting evidence-based policy frameworks for poverty reduction through CPAs and NPRSs. Finally, in order to improve the impact of its poverty reduction initiatives CDB had to measure development effectiveness of its interventions by improving measurement of poverty reduction outcomes, with the C-MDGs as strategic benchmarks.

The poverty reduction dimension has been mainstreamed into all stages of CDB's programming framework. The PRS mechanisms (poverty prism, levers, and tool kits for operationalising the PRS) have proved to be useful for design of interventions, but not as instruments for targeting at the programme/portfolio level. The main focus of the PRS was to bring together the different operational tools that support poverty reduction effectiveness in an operational framework for poverty reduction programming.

⁴² CDB's Draft Poverty Reduction Strategy, October 2004, Page ii; and CDB Replenishment of the resources of the Special Development Fund (SDF 6). Resolution of Contributors and Report of Contributors on SDF 6, October 2005: Page 12, paragraph 3.07.

⁴³ The PRS is implemented through a "mix of country-focused interventions and regional support", which may be considered a fifth modality. PRS 2004, Page 23.

TARGETING INTERVENTIONS THROUGH THE POVERTY PRISM

4.14 Bank interventions, whether they were focused on broad-based economic growth or social development did not optimise the benefits to socially disadvantaged groups unless they were systematically reviewed for their poverty reduction potential. The poverty prism was therefore intended as a key tool for targeting interventions in order to deliver the highest impact in terms of poverty reduction.

4.15 For all of its interventions⁴⁴, CDB reviewed and presumably estimated the potential in terms of economic and social empowerment (capability enhancement), helping people to better protect themselves against natural disaster and economic shocks (vulnerability reduction), and ensuring their participation in the decision processes affecting their livelihoods (good governance).⁴⁵

4.16 Capability enhancement, vulnerability reduction and good governance were seen as strategic levers of poverty reduction.⁴⁶ As such, the prism provided a sound conceptual framework for discussing and orienting poverty reduction efforts at a macro level. It was thus used as primary framework for reporting on SDF 5 interventions. During SDF 6 the poverty prism started to fade into the background only to be discontinued by SDF 7. The categories of the poverty lens were found to be so general that it was doubtful whether they were of real use in describing the alignment of resources and priorities⁴⁷. The levers were of little help with setting relative priorities amongst poverty reduction objectives and allocating resources. Moreover, the strategic levers proved not to be particularly suitable as reporting categories as interventions would fall, in many instances, into several categories.

Application of the poverty prism extended to all stages of the project cycle and the strategic levers cut across all sectors financed by the Bank.

The levers were not discrete categories but were overlapping themes, and served as guides in assessing the “Poverty Relevance” of the project under the PPES.

The tool kits of the poverty prism were designed for use by staff as quick reference guides, to integrate the Bank’s poverty reduction objectives in its interventions.

4.17 It should be noted that the strategic levers were not intended to be programming categories in the first place; rather, they were overlapping priorities to be reflected in defining country programs and in selecting, designing and, monitoring and evaluating Bank-financed projects. Beyond the very broad areas of interventions the levers were not very useful for guiding operations since measurable indicators or proxies for capability enhancement, vulnerability reduction, and good governance of the poor were not available.⁴⁸ The poverty prism was found to be “very broad”, “not very concrete” and “difficult to apply”. The prism turned out to be less than an operational concept.⁴⁹

⁴⁴ The prism was to be used in CDB’s interventions, including SDF and OCR.

⁴⁵ These “strategic levers” are set out in the SDF 5 Agreement:

(a) Enhancement of capabilities of people who are poor or vulnerable to poverty.

(b) Reduction of the vulnerability of deprived social/population groups to economic volatility, natural and man-made hazards and other risks that impact on income and well-being.

(c) Good governance, to support and facilitate poverty reduction and broad-based economic growth.

⁴⁶ The poverty prism reflected the development literature on poverty targeting.

⁴⁷ SDF 6 Medium Term Report, Page 16.

⁴⁸ The problems of the poverty prism as operational concept were already noted in the SDF 5 review report which notes that an effective operational strategy requires “targeted selectivity” beyond the poverty prism. SDF 5 Medium term Review, 2004, Page 8.

⁴⁹ Reporting on the poverty prism has been suspended since SDF 6 acknowledging the difficulty to capture the contribution of the Bank to these variables.

LEVERAGING INTERVENTIONS

4.18 CDB employs a four-tier Country Classification System that provides a general basis (eligibility, terms and conditions) for blending of OCR and SDF funds for individual BMCs.⁵⁰ Group 4 countries, those BMCs with the weakest economic and social indicators, are eligible mainly for SDF resources on the best terms available. Group 1 BMCs, those countries that have a higher level of development and capacity to absorb OCR and other market-based resources, are eligible primarily for OCR resources⁵¹. The Country Groups Classification for SF7 is presented at Appendix 7. A three-tier country classification system applicable from SDF 8 is targeted to commence on January 01, 2013.

4.19 The Bank's OCR has been used principally to finance growth and development operations. Blending of OCR and SDF resources, where appropriate, was applied to increase concessionality by lowering the overall interest rate and extending the maturities of loans to BMCs, especially for self-liquidating projects and those with very high poverty reduction impact.⁵² In addition, blending of hard and soft resources served to expand the Bank's influence in institutional strengthening and capacity building as well as to provide leverage for other funding that might otherwise be unavailable to the BMCs.⁵³

4.20 Through its concessional funding facility (SDF) the Bank had an instrument to focus on priority development concerns and most prominently poverty reduction. By blending its OCR with SDF, CDB was able to address development issues that went beyond its traditional growth focus. In turn, the SDF agreement became an integral part of the institution's guidance system⁵⁴. Blending occurred naturally at the level of the country portfolio where OCR loans, SDF loans and grant funding for TA had always co-existed.

4.21 The PRS went beyond that by encouraging blending at the project level. Activities or components within projects of more immediate poverty relevance would qualify for SDF funding as part of the loan, which resulted in more favourable lending conditions (average lower interest rates and longer maturities). Blending at the project level was expected to broaden the Bank's influence on institutional and/or policy issues and provide leverage for innovative funding of interventions which might otherwise be inappropriate for conventional OCR funding.⁵⁵

The PRS formally established an institutional link between the SDF and regular Bank operations by blending SDF and OCR resources at the project level and sharing a common performance evaluation system.

The SDF framework helped to fill the gaps in the operational strategy for poverty reduction, by adding some of the missing dimensions, such as monitoring of outcomes, comparative strengths of CDB in regional poverty reduction, and coordination with development partners.

Resource blending was part of the Bank's overall approach to creating a favorable environment for poverty reduction in the BMCs.

⁵⁰ SDF lending terms and eligibility are based on a system of country groupings whereby the neediest countries of Group 4 (Guyana and Haiti) get the best concessional terms and the softest overall blend of SDF and OCR. Group 2 (Anguilla, Antigua and Barbuda, Barbados, Montserrat, St. Kitts and Nevis, Trinidad and Tobago, Turks and Caicos Islands) and Group 3 (Belize, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines) have access to a somewhat less concessional terms. Group 1 countries (The Bahamas, British Virgin Islands, and Cayman Islands) are eligible primarily for OCR resources, but may access a small amount of SDF regional financing for particular purposes.

⁵¹ Review of the SDF Country Classification and Terms of Lending for Country Groups. BD Paper 39/11, 2011, Page (ii), Item (c) Paragraph 5 and Page 6, Paragraphs 2.10 to 2.11 - Criteria for SDF Assistance.

⁵² Strategic Plan 2005-2009 ADD: Page 46, Paragraph 6.08.

⁵³ Draft PRS Document Page iii, Paragraph 16 (a).

⁵⁴ Strategic Plan 2005-2009: Page 8, Paragraph 1.07.

⁵⁵ PRS: Chapter 5, Page 23, Paragraph 5.03. "The blending of SDF and OCR resources on both a country and project basis has been a characteristic of CDB's operations since its establishment. Blending at the project level reflects specific project considerations as particular components may be more suitable for SDF (U) financing (e.g. institutional strengthening), the availability of SDF (U) resources, and the desire to spread limited concessional resources over a number of projects (in some cases to broaden CDB's influence on institutional or policy issues). It also reflects the desire to leverage OCR for purposes that might otherwise be entirely eligible for SDF (U) funding." Used in this way "SDF (U) resources have

4.22 Resource blending was not intended to be a strong mechanism for influencing project design as countries could, in theory, use their available fixed maximum SDF allocation for SDF-only projects and thus end up with a blend of OCR and SDF only at the level of the country portfolio. Instead, it was part of the Bank's overall approach to create a favorable environment for discussing poverty reduction interventions with the BMCs.

MANAGING FOR POVERTY REDUCTION EFFECTIVENESS

4.23 To effectively align its programmes behind poverty reduction as an overarching goal, CDB implemented management systems that duly reflected poverty reduction in its programming decisions. In 2001, CDB resolved therefore to systematically analyse and monitor all of its projects for their potential and actual social and poverty reduction impact. The Bank also made 'poverty reduction' an explicit variable in its programme decisions and portfolio management system by including *poverty relevance* (the extent to which the programme contributes or is likely to contribute to reducing poverty)⁵⁶ as one of the core evaluation criteria for measuring the overall robustness of the design and implementation performance of interventions in the context of its PPES.⁵⁷

4.24 The PPES has contributed to systematising portfolio management by making it easier to compare implementation performance across projects, sectors, and countries. Yet, while the PPMS supported CDB's annual performance reviews, which formed part of the CDB's management's reporting tools to the Board, the system did not appear to have been actively used for portfolio management.⁵⁸ Its potential for identifying and comparing projects in terms of poverty relevance and institutional development impact were not used to manage the overall poverty reduction effectiveness of the portfolio. The PPES is not currently applied to TA, which reduces its value as a management tool for poverty reduction effectiveness. Measuring and monitoring the poverty content of policy-based loans still poses conceptual difficulties.

4.25 The PPES was designed to track project performance throughout the life of the project, from initial preparation/appraisal to completion based on information from appraisal documents, Project Supervision Reports (PSR) and Project Completion Reports (PCRs). Its practical application seems to pose several problems, of which poverty relevance, strategic relevance and efficacy criteria are notoriously difficult to apply⁵⁹. PPES scores are not re-assessed on a regular basis⁶⁰, and there are doubts about the objectivity of project scores that are assigned by project supervisors (who may assess performance in a more favourable light).⁶¹

allowed CDB to undertake a range of lending and non-reimbursable activities in all BMCs and in sectors where socio-economic returns are assessed to be high, but where direct financial returns are low or difficult to capture and which may require long gestation periods". SDF (U) 2007 Briefing Note.

⁵⁶ Factors that contributed to higher poverty relevance included: Poor or disadvantaged persons were likely to benefit directly. The project was likely to ameliorate a severe social or economic problem that disproportionately affected poor people. There was a significant identifiable impact on the country's ability to support poverty reduction programmes, e.g. through additional resources. There was a strong relationship to one or more of the three 'strategic levers' of the Bank's poverty reduction strategy and a good relationship to improving the prospects of the poor or near poor. PPES Matrix 2005.

⁵⁷ In computing composite performance score poverty relevance was given greater visibility and weight next to other determinants of project performance, including strategic relevance, efficacy, institutional development impact, sustainability, cost efficiency. (ARPP 2008: Appendix 2).

⁵⁸ SDF Multi-cycle Evaluation 2008: Page 52.

⁵⁹ SDF Multi-cycle Evaluation 2008: Page 51.

⁶⁰ Initial assessment during project appraisal process includes a rating. If circumstances shift, Poverty Relevance should change, too, but in practice the Poverty Relevance of projects almost never changes. This reflects the fact that it refers primarily to national level rather than to individual project circumstances. Therefore, the poverty relevance indicator needs to be interpreted with caution.

⁶¹ The scoring of poverty relevance is based on the social impact analysis at the appraisal stage. While the appraisal team is supposed to agree, there is no real discussion and PPES information is typically filled by the project supervisor. The subjectivity of performance ratings has led CDB to introduce a validation exercise by EOv to assure a certain standard and comparability. However, that process itself is not fool-proof. (SDF Evaluation, 2008: Page 52).

ALLOCATING COUNTRY RESOURCES FOR GREATER EFFECTIVENESS

4.26 Economic development indicators (per-capita income, domestic savings capacity, external debt, export ratio, unemployment, etc) are taken into account in determining the countries' financing needs and the allocation of CDB's concessional SDF resources to BMCs under the Country Classification System (CCS) through SDF 4.⁶² However, as poverty reduction moved to the forefront of CDB's development priorities, the system was no longer deemed adequate to guide SDF financing decisions as its indicators were not sufficiently differentiated relative to the countries' poverty situation and needs, and failed to recognise the countries' differential ability for implementing effective poverty reduction.⁶³ In 2001, CDB therefore adopted a new performance-based RAS to direct SDF resources to where they are likely to be used most effectively, particularly in respect of poverty reduction, and to facilitate CDB's strategic alignment with respect to the reduction of poverty in the BMCs.

4.27 The RAS formula combined country needs and performance-based criteria. Country needs are reflected through:

- (i) population;
- (ii) per capita income; and
- (iii) country vulnerability based on a CDB vulnerability index (measuring vulnerability to economic shocks and natural disasters).

Country performance-based criteria involves a:

- (i) policy-and-institutional performance score; and
- (ii) portfolio performance score.

The former is measured by the PRES scoring system which applies a series of performance criteria, such as macroeconomic management, structural policies including trade policy and the environment, socially inclusive development⁶⁴, and governance and public sector management. The latter is computed on the basis of weighted PPES scores aggregated into a Project Performance Index (PPI) as a broad measure of effectiveness.

4.28 CDB's formula is multiplicative with the greatest weight given to country performance and country vulnerability. Each member country receives an allocation in proportion to its allocation score.⁶⁵ The use of country performance as allocation criteria acknowledges the fact that countries with better policy and institutional frameworks are likely to make more effective use of concessional resources, especially with regard to poverty reduction and broad-based sustainable growth, and provides an incentive for good policy and institutional performance. The allocation formula is rather complex and but has the significant advantage being broadly accepted by BMCs and non-regional members.⁶⁶

⁶² The system is still in existence but is now used only for determining eligibility for access to SDF and for determining lending terms and conditions based on four country groups.

⁶³ SDF (U) Review of the Country Classifications and Terms of Lending for Country Groups, April 2010: Page 14.

⁶⁴ The PRES uses a questionnaire format to help score the policy and institutional performance. With the following sub-criteria: framework for poverty reduction policy, enhancing economic capital of poor, enhancing human capital of poor, equity and social safety nets, gender, empowerment and participation. (Review of the SDF (U) Resource Allocation System, July 2007, Appendix C Table 4).

⁶⁵ These allocations are not entitlements, nor are they absolute limits on the grants and loans that a country can receive. They are indicative planning figures and they may vary depending on circumstances and on the level of effective demand from member countries.

⁶⁶ A 2007 Review of the SDF (U) Resource Allocation System (RAS) nevertheless highlighted a few areas for improvement: overcoming the subjectivity in scoring policy and institutional performance, increasing harmonisation with the allocation system of other MDBs, and improving on the measures of poverty in the allocation formula. "CDB, like other MDBs needs to develop better measures of poverty in its allocation formula. Population and per capita income can be used to

4.29 Ultimately, the RAS is somewhat less important for resource allocation than meets the eye. It currently covers only 40% of concessional resources; some 60% of SDF resources are allocated outside the RAS.⁶⁷ A considerable share of concessional resources have been set aside for special purposes that are untied to particular countries, including loans for disaster relief and fiscal distress (PBLs) and thematic grants for Haiti, BNTE, capacity building, regional projects HIV/AIDS, project management training, economic research, CTCS, C-MDGs. There is no pre-determined country allocation for grant funding.⁶⁸ While it is true that most of these set-asides directly serve a poverty reduction purpose, resource allocation is not done through a coherent integrated system for matching resources to poverty reduction needs and performance.

FOSTERING POVERTY REDUCTION OUTCOMES THROUGH COOPERATION AND COORDINATION

4.30 Interventions achieve poverty reduction outcomes only if they are part of an integrated approach targeting the multiple dimensions of poverty. By cooperating and coordinating with other organisations, the poverty reduction results of CDB's interventions can be significantly improved as complementarities and synergies are realised and duplication of efforts is avoided. The entry point for this PRS modality was CDB's "active participation in regional groups set up for this purpose". Recognising CDB's considerable collaboration with other agencies working in the Caribbean, SDF 5 Contributors expressed the view that "increased coordination and collaboration with other development agencies working the region was essential to CDB's ability to undertake effectively its role in support of the BMCs."⁶⁹

4.31 The PRS did not actually outline a specific agenda for cooperation and coordination. The latter was defined to a large extent by the international agenda on development effectiveness that emerged through the 2005 Paris Declaration of Aid Effectiveness; and focused, inter alia, on harmonisation of policies and practices; stronger coordination among development partners and alignment with national systems. Development effectiveness became a major theme under SDF 6; and it has been merged into a joint performance matrix for development partners (MfDR), with the C-MDGs as priority goals in SDF 7. Another priority goal was acceleration of the Regional Cooperation and Integration (RCI) agenda. CDB has been active in all of the regional high-level initiatives for cooperation and coordination.

4.32 Work is still in progress, but the agenda for partnerships with other multilateral and bilateral development agencies, based on comparative advantages, shared goals and an agreed operating framework has no doubt significant potential for improving poverty reduction effectiveness at large.

PROMOTING EVIDENCE-BASED POLICY FRAMEWORKS

4.33 Information on poverty and the poor are the basis for devising plans to address the problem. Against a background of embryonic statistical information on poverty in the region, CDB resolved to support countries in carrying out CPAs to provide reliable social data⁷⁰ that could inform the

indicate relative poverty as long as the distribution of income is the same in the two countries being compared. However, since that will seldom or never be the case, a more direct measure is the number of people (or families) earning less than the poverty threshold."

⁶⁷ SDF 7 MTR (2011), Table 4.5: Operational/Organisational effectiveness (RMF Level 3), Page 89.

⁶⁸ Review of the SDF (U) Resource Allocation System (2007), Paper BD 36/07, Rev 1: Page 23. The 'set-asides' for grants are in single pools of funds organised by topic and any eligible entity (country or regional or sub-regional organisation) may apply for a grant of any amount. As countries face very similar issues (e.g.: in terms of literacy, numeracy, curriculum development) funding is on sub-regional basis.

⁶⁹ As a relatively small institution with limited resources, CDB must make partnerships a core element of its business model in all stages of its operations, that is, in project planning, financing, and implementation. Partnerships will help mobilise additional financial resources, leverage the development impact, put the Bank's knowledge and expertise to a wider and better use, meet special needs for highly specialised development projects, and help raise development support effectiveness.

⁷⁰ CPAs involve a historical and socio-economic analysis which assesses the country's macro-social and economic policy environment; an institutional analysis which examines the effectiveness of social development programmes and projects implemented by Government agencies and NGOs; an SLC or household budget survey; and a Participatory Poverty Assessment (PPA).

formulation of poverty reduction policies and programmes. CPAs were to identify the extent, severity, characteristics and causes of poverty, assess the effectiveness of current policies and programmes in terms of impact on the poor, and develop a programme of action that sets out strategies, policies and programmes to reduce poverty in the BMCs. CPAs would provide the analytical basis for NPRSs determining poverty reduction priorities for the countries and for preparing CDB's CSPs. In addition, the CPA exercise was intended to help build national capacities for undertaking similar assessments and were clearly vital to the advancement of the poverty reduction agenda in the BMCs.

IMPROVING MEASURING OF POVERTY REDUCTION OUTCOMES

4.34 Measuring the outcome of poverty reduction interventions is essential for managing programme performance and demonstrating development effectiveness. In the absence of good national systems for monitoring poverty reduction performance of interventions, the outcome indicators in the PRS were the most reliable indicators to determine project success and monitor the PRSs. It also acknowledged the difficulty of generating such indicators. In addition emphasis was placed on developing and using impact indicators (measuring poverty levels and dimensions, notably in the context of C-MDGs, based on CPA and national statistical data) and quantitative output indicators (number of students benefiting from education projects including student loans, number of bridges constructed, etc.). Project outcomes would be attributed "as far as possible" to impact measures at the level of beneficiaries.

4.35 Outcome-level results measurement continues to be a significant weakness of the PRS as the effectiveness of CDB's poverty reduction efforts remains uncertain. Results-based management and development effectiveness became priority themes of the SDF 6 and SDF 7 priorities, but progress in rolling out results monitoring frameworks is difficult and slow. The MfDR approach involves a quantum change in the way programmes are conceptualised and managed and is thus likely to have an effect on all the modalities used by the PRS to improve the poverty orientation of CDB's interventions.

4.36 Evidence-based policy frameworks and poverty reduction outcome measurement, are considered as ancillary components of the PRS, and have become key components for improving CDB's poverty reduction effectiveness.

<p>In the context of the SDF7 MfDR framework, CDB has started to monitor PRS organisational performance dimensions (e.g.: the number of new or updated CPAs, number of BMCs receiving support for direct poverty reduction programming).</p>

THE PRS AS A FRAME OF REFERENCE

The Strategy Paper

4.37 The strategy paper presented an overall view of CDB's operational instruments, old and new, supporting poverty reduction. Importantly, it signalled a shift in the Bank's approach to poverty reduction. Traditionally, the Bank had assumed that by promoting growth in the BMCs through economic infrastructure the benefits would eventually trickle down to the poor and lift them out of poverty. In view of the persistence of poverty and in spite of positive economic growth, the strategy advocated a different operational approach - mainstreaming poverty reduction in all aspects of the Bank's operations, actively pursuing pro-poor growth and making growth socially inclusive. The PRS with the modalities it proposed was to be the foundation of this new approach and the anchor for the Bank's reinforced commitment to poverty reduction.

4.38 The paper setting out the PRS was not quite what one would expect an organisational strategy for poverty reduction to look like. Notably, there was no discussion of how the Bank would deploy its resources and use its competencies according to its comparative advantages to best support the

BMCs poverty reduction efforts. In this sense, ‘poverty reduction strategy’ was perhaps of a misnomer. Rather than guiding the Bank’s poverty reduction action, the paper concentrated more narrowly on selected operational processes (modalities) and the Poverty Prism as a new operational approach to promote poverty reduction. The overarching thrust of the strategy was to enhance the poverty orientation of CDB’s operational programmes in support of BMCs’ efforts. The PRS did not provide a blueprint for CDB to focus its poverty reduction efforts or the basis for selection of interventions by CDB and its BMCs. Its ability to orient CDB’s poverty action was therefore constrained.

Implementation Lag

4.39 In many ways, the PRS was not breaking new ground but building on what CDB had been doing in terms of poverty reduction for some time.⁷¹ Indeed, a few of the key poverty reduction instruments of CDB predate the formal articulation of the strategy. The first CPAs were done in 1995, the first NPRS was developed in 1999 and the BNTF goes back as far as 1979.

4.40 The delay in agreeing on the strategy document reinforced the impression that the strategy was not in fact about change.⁷² By the time the Draft PRS was finally approved at the end of 2004, the poverty prism approach and the other operational modalities developed to support the strategy, were no longer new. SDF 5, specifically designed to support the implementation of the strategy, had started rolling out its core elements in 2001, such as a new resource allocation system reflecting both needs and performance.

4.41 The approval of the strategy paper towards the end of SDF 5 cycle therefore turned out to be somewhat of an anti-climax. Nonetheless, it offered a valuable opportunity to reflect on the experience with the implementation of the various components. The formal approval of the Draft PRS underscored that more needed to be done to make the strategy fully operational during the SDF 6 programming cycle. In this regard, the “Poverty Toolkit” was used as the main instrument to operationalise the PRS under SDF6. The Tool kits were designed for use by staff as quick reference guides in integrating the Bank’s poverty reduction objectives in its interventions. Since 2005, project staff has been using the toolkits during the preparation and appraisal of projects to ensure that the critical poverty related issues are addressed.⁷³

4.42 SDF 6 was committed to completing the unfinished agenda of SDF 5 in support of the PRS. Yet, its priority themes had shifted to the MDGs and to development effectiveness and results-based management. This left the PRS dated; producing a gap between the concepts promoted by the PRS and the broader poverty reduction agenda, which had visibly changed. To date, seven years after its approval, the PRS is still labelled a “Draft”.⁷⁴ A progress report on the implementation of the PRS was completed in 2008, but no further work has been completed with regard to updating the PRS.

SDF Poverty Reduction Framework

4.43 The PRS was overshadowed, if not superseded, by the SDF and its policy documents, which served as references for all aspects of the Bank’s work beyond economic growth and infrastructure. SDF agreements, in actuality, set the policy priorities and operational strategies for the Bank’s poverty reduction objectives. The SDF is essentially the operational framework in which the Bank works and is held accountable⁷⁵ with respect to reporting on poverty reduction.

⁷¹ Minutes of the 204th Meeting of the Board of Directors, December 09, 2004.

⁷² While the idea of a PRS received strong support initially, the approach such strategy should take was subject to a lot of debate. This also explains the way the strategy document came out as a document which in major parts are not fully developed.

⁷³ Progress Report on Implementation of CDB’s Poverty Reduction Strategy, March 2008: Page 10, Paragraphs 3.02 and 3.04.

⁷⁴ The fact that the PRS document until this date is still marked as *draft* is a serious indictment as to its importance as an operational framework.

⁷⁵ It has become “a significant part of the institution’s guidance system”. CDB Strategic Plan 2005-09, Page 2.

PRS Governance

The implementation of the Bank's poverty reduction strategy is governed de facto by the SDF Meeting of Contributors, which served a complementary governance structure, next to the CDB Board of Directors, for development priorities. Poverty reduction has been the primary concern of the SDF ever since it became operational, but operational priorities themes have changed in response to the economic and social situation in the BMCs, the international and regional development agenda, and perceived capabilities and comparative advantage of the CDB.

Negotiations with the Bank lead to an agreement on the priority objectives and issues to be addressed over a four-year replenishment cycle and the amount of resources necessary. CDB is responsible for the implementation of the SDF Agreement and a detailed action plan. The SDF provides thereby the strategic directions for the Bank's operations towards poverty reduction in BMCs. The CDB's poverty reduction strategy evolves through the discussions within the SDF.

4.44 During each SDF cycle's negotiations, Contributors and the Bank agree on the priorities and issues to be addressed. Over the years, there has been increasing emphasis on poverty reduction projects directed at the poor and low-income groups (pre-2001). SDF 5 (2001- 2004) approached poverty reduction by building capacity, reducing vulnerability and enhancing governance in BMCs. SDF 6 (2005-2008) continued the unfinished programme under the broad heading 'poverty reduction and broad-based economic growth', while addressing the MDGs. SDF 7 (2009-2012) adopted 'poverty reduction and human development' as its priority with development effectiveness as adjoining focus.

4.45 "Successive cycles of SDF have sought to intensify and sharpen the focus on poverty by devising strategic agendas and operating principles that could be translated, by means of various modalities, into concrete forms of assistance to poor people. Over time, this has meant doing some things differently, doing more in some areas, and doing different things, in light of experience and changes in the circumstances of BMCs."⁷⁶

4.46 Under the influence of the SDF development themes, the thinking within the Bank has changed.⁷⁷ CDB staff is aware that everything it does has to have a link to poverty reduction. Bank documents make reference to poverty and poverty reduction as a matter of course. Poverty reduction has much greater prominence in the Bank's discourse. The Bank has tended to adjust to these changing thematic priorities proposed by the SDF. Still, there is a natural tendency of the Bank's regular operations to focus on lending for economic infrastructure and apply special development resources to poverty reduction and related development priorities. The rationale for CDB's PRS is therefore to keep the operations consistently focused on the poverty reduction mission, thereby supporting the Bank's mission of "systematic reduction in poverty".

4.47 The PRS formally established an institutional link between the SDF and regular bank operations through the blending of SDF and OCR resources at the project level and sharing a common performance evaluation system. The SDF represents the bulk of CDB's poverty reduction efforts and it is not the PRS, but the SDF that has made the difference in mobilising the Bank's poverty reduction agenda. The SDF framework continues to be the driving force behind the Bank's poverty reduction work; and with poverty reduction as its overarching focus, it addressed development priorities as they arose.

⁷⁶ SDF Performance and Results Analysis and Implications for SDF 7. Paper BD 65/08 2008: Page1.

⁷⁷ Initially, the staff had been introduced to the strategy through workshops and discussion groups. Staff ownership of the strategy was not immediate. A number of people interviewed admitted that they had to be converted to the poverty reduction strategy, but that they were now supportive of the approach.

A Living Strategy for Poverty Reduction

4.48 The Bank's approach to poverty reduction has been rapidly evolving and has taken on the following new dimensions since the PRS was endorsed:

- (a) Fiscal distress of a large section of BMCs prompted CDB to introduce, in 2006, PBLs as a major new lending instrument with direct or indirect poverty reduction effects;
- (b) Identification of a strong link between gender and poverty, the incidence of poor female-headed households, prompted CDB, in 2008, to develop a gender equality policy and operational strategy and to apply it as cross-cutting theme across all its interventions in SDF 7;
- (c) Extreme vulnerability of the poor to environmental degradation and climate change led CDB to adopt, in 2009, new environmental and social review procedures;
- (d) Haiti's membership in the CDB since 2008 was accommodated by CDB through special poverty programming window;
- (e) Advances in the global development effectiveness agenda were taken up by CDB and, during SDF 6 and 7, have been progressively integrated into the CDB's poverty reduction approach through results-based management (RMF and MfDR); and
- (f) New poverty issues, notably crime, violence and citizen security, are emerging as priorities in recent CPAs (St. Vincent and the Grenadines, Grenada, Belize, Saint Kitts and Nevis)⁷⁸, but so far have not yet been escalated to the level of a strategic priority within the PRS framework.

4.49 The SDF framework guided the CDB's poverty reduction agenda. Through negotiation with SDF contributors the framework was subsequently incorporated into the corporate strategic planning process. Due to the overlapping planning horizons of SDF and CDB's strategic corporate planning process, there was an inherent need to maintain close alignment with each other's themes and objectives. While CDB's Strategic Plans have a slightly different focus on the priorities, it is clear that poverty reduction is the overarching goal. For example, when SDF 7 stated 'poverty reduction and human development' as a priority, the Strategic Plan 2010-2014 priority expanded this theme to 'promoting broad-based economic growth and inclusive social development'.

4.50 It is equally true however, that the other corporate policies and strategies developed under the impetus of the SDF, such as the gender equality strategy, disaster risk management or environmental sustainability policy, systematically include poverty reduction dimensions. As they are applied to regular operations, poverty aspects as applicable to these cross-cutting themes will also be duly considered. The PRS was never meant to be a stand-alone strategy, but has to be viewed in conjunction with CDB's Strategic Objectives, Corporate Priorities and Sector Policies.

The SDF framework continues to be the driving force behind the Bank's poverty reduction work.

RELEVANCE - CONCLUSIONS

4.51 Over the past decade CDB has made significant strides in transforming itself from a development bank focused primarily on economic growth and infrastructure to a development bank with a broader, "catalytic" facilitation role for poverty reduction across its BMCs. The poverty reduction dimension has been incorporated into all stages of CDB's programming framework: from country resource allocation, strategy and action planning and the appraisal and identification of

⁷⁸ The issue was also prominent in the discussions held by the Evaluation Team.

individual interventions to their implementation and oversight, poverty relevance features as a key decision-making factor. Poverty reduction performance is an important aspect of strategic monitoring, evaluation and reporting.

4.52 The PRS integrated poverty reduction into the mainstream of CDB's work. PRS-related processes have prompted a paradigm shift and a culture change within the Bank as poverty reduction became the ultimate benchmark of development success. All its programming processes have been redesigned to reflect poverty reduction concerns. Reference to poverty reduction in the Bank's discourse is now the norm. Poverty reduction is a key dimension in the Bank's relationship with its BMCs.

4.53 The strategy focused essentially on the implementation side of the poverty reduction agenda in the countries via CDB's investment project loan portfolio. TA interventions; and PBLs, which are now important instruments of the Bank that can positively impact poverty reduction in the BMCs, were not even under discussion when the PRS was originally formulated.

4.54 The PRS mechanisms⁷⁹ for targeting, leveraging, managing, funding and coordinating CDB's interventions helped CDB focus its resources and interventions on poverty reduction, but not significantly to select and prioritise between activities so as to maximise the expected poverty reduction effects. This earned the strategy the criticism of being too broad. Practical limitations in terms of scope and applicability prevented the modalities from delivering to their full potential. The lack of a results and monitoring framework for poverty reduction interventions was a critical missing element. Poverty reduction needed to be measured in operational terms such as empowerment, income, jobs, as well as other human development indicators.

4.55 The policy development aspects of CDB's poverty reduction work surrounding the NPRSs and BNTF were not targeted by the PRS and there was no direct link to the CSPs other than reference to CPA data. CPAs achieved their most immediate outputs objective of providing essential poverty data for the implementation of poverty reduction interventions in the countries; NPRSs did less well in establishing a priority framework of poverty reduction action. National ownership of and commitment to the poverty monitoring and poverty reduction monitoring systems were hampered by human and financial capacity constraints. These processes have to be reconsidered and reengineered to make them more sustainable within the national processes and would therefore encourage credible national commitment.

4.56 The main value of the strategy document was to bring the different operational tools in support of CDB's poverty reduction effectiveness together in a coherent albeit incomplete "draft" of an operational framework for poverty reduction programming. The SDF framework supplanted the PRS as laid out in the document and helped complete the operational strategy for poverty reduction, notably by adding some of the missing dimensions, including monitoring of outcomes, comparative strengths of CDB in regional poverty reduction and coordination and cooperation of development partners (SDF 6 and SDF 7).⁸⁰

4.57 The PRS in its current format has run its course⁸¹ and requires an urgent updating to:

- (a) guide CDB's poverty reduction approach in the future;
- (b) reflect the significant shifts which have occurred in the global and regional social and economic environment; and

⁷⁹ Poverty Prism's strategic levers; tool kits for operationalising the PRS; CPAs, CSPs and NPRSs.

⁸⁰ The SDF 7 results framework integrating country and regional outcomes (CMDGs), operational effectiveness, and partnership, harmonization and alignment is a step in the right direction. However, it is hampered by the absence of indicator data. Also, at the operational effectiveness, results framework tends to measure activities rather than contributions to changing national capacities and systems.

⁸¹ The programmatic concepts of the poverty prism have long been supplanted by other concepts social protection, gender equality and social inclusion.

- (c) incorporate a results-based monitoring and evaluation framework with measurable indicators to provide empirical data for alignment of resources and priorities.

4.58 Some of the necessary changes are already under way: Results-based management and beyond that management for development results frameworks are being rolled out and will help CDB to align its interventions more closely with its comparative advantage. In this connection, the new PRS needs to define how the Bank will deploy its unique assets and characteristics and position itself to produce and measure poverty reduction results.

The PRS was intended to (a) map out the ways in which poverty reduction was already incorporated in the Bank's operations; and (b) articulate an approach through which the mainstreaming process could be scaled up.

The PRS mechanisms for targeting, leveraging, managing, funding and coordinating CDB's interventions helped CDB focus its resources and interventions on poverty reduction, but not specifically to select and prioritise between activities in order to maximise the expected poverty reduction effects.

Although necessary changes are ongoing, the other corporate policies and strategies developed under the impetus of the SDF (gender equity, disaster risk management and climate change, environmental sustainability) regularly include poverty reduction concerns and need to be fully integrated into the PRS; as well as emerging issues of crime, violence and citizen security.

5. EFFICIENCY

5.01 This chapter examines the efficiency of the PRS in amplifying poverty reduction in CDB's operational programme. It first reviews how CDB's internal capacities and processes have been mobilised for PR, before examining how CDB's instruments and policy implementation support have been influenced by the strategy.

OPERATIONALISING THE PRS

5.02 The strategy was implemented before it was formally adopted. Its approaches and modalities were introduced by SDF 5 and became the central focus from 2001 onwards. At a formal level the changeover to the new PRS programming framework became effective immediately and CDB needed to adjust its business processes and capacities. This took much longer and, the process of streamlining and fine-tuning the elements of the PRS is still ongoing.⁸²

5.03 The MTR of SDF 5 attested to some of the challenges that CDB was confronted with, in particular, application the poverty prism for project selection and programming activities. To overcome those difficulties in operationalising this key element of the strategy, CDB produced in 2005 additional guidance material "Guidelines and Recommendations to Operationalise CDB's PRS" and a set of "Sector toolkits – Optimising the Poverty Impact of Projects". The guidelines explained how to integrate the PRS or rather poverty reduction in CSPs and in the preparation and appraisal of projects. The toolkits provided checklists on the poverty impact of projects in order to "stimulate thinking around the poverty levers and to ensure that critical poverty-related issues were adequately addressed".

In practice, the tool kits have been used mainly as reference material by project teams for the preparation of terms of reference for consultants engaged in project design, to assess the adequacy of project design, and to inform social analysis during the preparation and appraisal of projects to ensure that critical poverty related issues are adequately addressed.

5.04 Training in the use of the toolkits helped staff to "better understand and apply more participatory and pro-poor analytical approaches to the preparation and appraisal of projects". The toolkits were used as "reference material by project teams for the preparation of terms of reference for consultants engaged in project design, to assess the adequacy of the project design and to guide the social analysis during project appraisal."⁸³ Yet, the MTR of SDF 6 (2007) found that "there was little evidence in project files from 2005 and 2006 that poverty reduction was analysed for all loans and TA projects, or that the Poverty Prism had ensured that poverty considerations would be sufficiently analysed in every project design."⁸⁴

5.05 Guidelines on social analysis and the country strategy process were prepared or updated to fit in with the PRS. Social impact analysis became an integral part of the project appraisal process as social analysts were assigned to the project team at the identification stage of the project.⁸⁵ Social impact analysis ascertained whether a project contributed, either directly or indirectly, to reducing poverty reduction, or at least whether it could have an enabling impact. It was meant to help maximise the positive effects a project may have on the poor or, conversely, contain any possible negative impact.⁸⁶

⁸² SDF 6 MTR found that poverty reduction was not systematically nor sufficiently analysed in all loan and TA projects and that "mainstreaming of poverty does not seem to be an effective replacement for percentage targets that were part of SDF 4 and SDF 5." SDF 6 MTR, September 2007: Page 7.

⁸³ PRS Progress Report, 2008: Page10.

⁸⁴ MTR of SDF 6, 2007: Page 64.

⁸⁵ While social analysis in the appraisal document itself is limited, more extensive social analysis is usually available in an appendix of the appraisal document or on file.

⁸⁶ Approval of the project may be held up if social risks are identified, e.g. the need for resettlement of communities.

5.06 Monitoring of the effectiveness of poverty reduction interventions relied on project supervision and project completion reports. There have been significant capacity and compliance issues related to the preparation and submission of these reports.⁸⁷ With attention thus focused on the appraisal stage, monitoring of information during implementation, that would help to effectively manage the poverty reduction portfolio was essentially lacking. Reporting on the effects of CDB's poverty reduction interventions therefore remained largely anecdotal.⁸⁸ In recent times, the increasing application of results monitoring frameworks is likely to remedy this critical shortcoming.

5.07 To effectively respond to the operational demands of the PRS, the Bank had to change the skills mix of its staff, recruiting poverty and social development specialists and training existing staff.⁸⁹ The first social analyst was recruited in the mid-1990s as CDB was embarking on the first round of CPAs. At the time of approval of the PRS, the number of social analysts had risen to three. Today, CDB counts six social and gender analysts among its staff, including a social analyst and a gender specialist in the context of the BNTE. The majority of social analysts work in the Project Services Division of the Projects Department (PRSD) that deals with all cross-sectoral development dimensions beyond engineering and economics.⁹⁰ They regularly participate in multi-disciplinary teams for programme and project identification and appraisals. This has helped to broaden perspectives from hitherto dominant economics and engineering focus. The inter-disciplinary approach to programming, notably in the preparation of CSPs, has also improved internal coordination of CDB.

5.08 PRSD with its multi-disciplinary staff and multi-sectoral responsibilities ensures that the Bank maintains its internal focus on poverty. It also gives the Bank the minimum specialist capacity to serve as a regional organisation able to contribute to wider regional debates on poverty and assist BMCs in monitoring progress towards the C-MDGs. This is all the more important as CDB does not have the social research capacity that would be able to guide its efforts for poverty reduction in the region. The Economics Department compiles economic and social indicators, but has little capacity to go beyond that.⁹¹

5.09 In operational terms, poverty reduction analysis and programming is now mainstreamed in CDB. There is no single unit in charge of implementing the poverty reduction strategy. Responsibility is shared by various organisational divisions - the Economics Department leads in preparing CSPs. The Social Sector, Economic Infrastructure, Project Services and Private Sector

To improve the potential poverty impact of its interventions, CDB redesigned its operational/programming processes and structures.

Guidelines on social analysis and the country strategy process were prepared or updated to correlate with the PRS.

Social impact analysis has become an integral part of the project appraisal process and social analysts are assigned to the project team at the project identification stage.

The process of streamlining and fine-tuning the elements of the PRS is still ongoing.

⁸⁷ For the reference period 2005 to 2010 only 6 PCR were prepared, while 72 projects had been completed. For an analysis of the methodological problems refer to Caribbean Development Bank: ARPP 2009, December 2010: Page 34.

⁸⁸ A recent multilateral development support review by the UK (February 2011) found in this connection that CDB was unable to demonstrate outcomes or development impact.

⁸⁹ DFID provided short-term training for engineers and analysts in the operations sector who did not have background in social assessment and poverty reduction.

⁹⁰ Its responsibilities include environment, disaster risk reduction, disaster emergency response, gender, social analysis, CPAs, regional technical co-operation and regional public goods, governance and institutional development, and more.

⁹¹ The publication of CDB's "Biennial Social Development Report 2010 - An Overview of the Social Sector within the Caribbean Development Bank's Borrowing Member Countries" provides a good example of what a social research capacity within CDB may achieve.

divisions of the Projects Department are in charge of the design and implementation of projects identified in the CSPs.⁹²

5.10 CDB staff capacities are very small compared to other multi-lateral development banks. Hence, CDB has limited staff capacity that constrains the organisation to remain at the cutting edge. In order to be relevant to poverty reduction in the region, the Bank needs to work with the other development partners in generating research and evidence to support poverty reduction in the region.

MONITORING

5.11 The PRS was to be reviewed periodically to allow the Bank to make the necessary adjustments. A “Progress Report on the Implementation of the Caribbean Development Bank’s Poverty Reduction Strategy” (March 2008) updated the SDF Contributors’ Meeting on the various activities of CDB’s poverty reduction work. It did not, however, report on the progress in the implementation of the strategy per se and more specifically to what extent the poverty reduction potential of the Bank’s interventions had been enhanced.⁹³

5.12 More recently, in the context of the SDF 7 MfDR framework, CDB has started to monitor a number of PRS organisational performance dimensions, such as ‘the number of new or updated CPAs for BMCs in the past five years’ (indicator 8) or the ‘number of BMCs receiving support for direct poverty reduction programming’ (indicator 13). Results management frameworks with poverty and human development indicators have been increasingly integrated in the CSPs⁹⁴ for monitoring and evaluation. The monitoring data, if and when they are produced, would enable the Bank to better understand the poverty reduction effectiveness of its interventions.⁹⁵ Outcome monitoring that would help determine the contribution of the Bank’s interventions to poverty reduction in its BMCs is still in its infancy.

COORDINATION WITH DEVELOPMENT PARTNERS

5.13 Cooperation and coordination with development partners surrounding poverty reduction has been ongoing at various levels. In supporting BMC policy development CDB regularly associates with development partners in the critical stages of the CPA process from the development of the TOR to participation in national consultations and the inter-agency review of the draft CPA.⁹⁶ The same is true for the NPRS and the CSP. Development partners readily acknowledge CDB’s good collaboration on the CPA and more generally its openness to dialogue and to working together on conceptual development and programme design.

In supporting BMC policy development, CDB collaborates with development partners and key stakeholders in the BMCs during the critical stages of the CPA, CSP and NPRS processes.

5.14 Higher level collaboration on poverty reduction between development partners occurs in the context of the Poverty and

⁹² In January 2007, CDB instituted a new structure for Projects Department with four divisions: Economic Infrastructure; Social Sector; Private Sector and Project Services.

⁹³ Monitoring of the PRS involved at the institutional level output indicators based inter alia on the number of CPAs conducted or updated with the Bank’s support, the number of national PRSs prepared and implemented and assistance to BMCs in developing MDG programmes and incorporation of these into the national planning process. At the country, sector and project levels, indicators include *inter alia* the poverty rates, the country’s Human Development Index (HDI) performance and progress in incorporating poverty reduction into the national planning process. PRS Progress Report 2008.

⁹⁴ Antigua and Barbuda (2009); Grenada (2009); St. Vincent and the Grenadines (2008); Haiti (2009); and Jamaica (2008).

⁹⁵ This was indeed already envisaged in the PRS document, Page 29.

⁹⁶ This Committee, which was designed in the initial stages of the Bank’s involvement in CPAs around 1994, assisted in developing the conceptual framework that now defines the Bank’s approach to CPAs. Donors such as DFID and UNDP have also co-financed past CPAs.

Social Sector Development Donor Group (PSSDDG).⁹⁷ At the beginning of the calendar year, partners share and discuss their respective work programmes with the view to minimise duplication of effort and maximise development assistance within BMCs. The Group also serves a forum for harmonisation and alignment in the context of the MfDR. PSSDDG is coordinated by UNDP and has been for a number of years.

5.15 At a more operational level, CDB collaborates with development partners in supporting poverty reduction. One example is a multi-development partner facility “Support Poverty Assessment and Reduction in the Caribbean (SPARC) which is geared to build capacity at the country and regional levels for conducting CPAs and formulating and implementing NPRSs. Under this facility an IDB-funded and CDB-executed project provided, inter alia, training and workshops to support the development of social data collection and policy analysis capacity and to promote social policy formulation in the countries through training and workshops.⁹⁸ A recent evaluation funded by IDB concluded that SPARC has been successful, due in part to the assiduity of CDB and recommended a successor to the SPARC project.⁹⁹

5.16 Development partners have recognised that CDB is an important stakeholder in the poverty reduction arena and have requested that the Bank play a more prominent role in development partner coordination.¹⁰⁰

INTERVENTION MODALITIES

CPAs

5.17 Preparation of the CPA is a collaborative process led by a Government-appointed multi-sectoral National Assessment Team (NAT). The Team is composed of representatives from Government agencies responsible for statistics, and social and economic policy (i.e. the Central Statistics Office, Ministries of Social/Community Development, Education, Health, and Economic Development), NGOs, Community-Based Organisations (CBOs) and the private sector. The Team is chaired by the lead government agency executing the CPA, with the support of a coordinator, responsible for managing the CPA process. The NAT is responsible for planning and coordinating the CDP and for supporting its execution.

5.18 CDB’s role is to support the CPA process. Under a CDB technical assistance grant, a team of consultants is engaged to guide the conduct of CPAs and to provide training, advice and technical support to NAT in each country, as well as and public education and awareness activities. CDB oversees the technical assistance project; it also provides separate grant funding for computer equipment and software necessary to process and analyse the CPA data.

CPAs have deepened the understanding of the nature and characteristics of poverty in the BMCs, contributed to making poverty reduction focus of public policy in the region, influenced the design of many interventions in the social and productive sectors, and initiated reform of social policies and institutions.

5.19 The CPA comprises a macro-economic assessment, an institutional analysis, a survey of living conditions (SLC), and a participatory poverty assessment (PPA). The report is the subject of

⁹⁷ The Poverty and Social Sector Development Donors’ Group (PSSDDG) comprising WB, IDB, CIDA, DFID, UNDP, EU, United Nations Development Fund for Women (UNIFEM), United Nations Children’s Fund, CARICOM, OECS Secretariat etc. and CDB. PSSDDG is co-coordinated by UNDP and it meets periodically to share information on poverty and social development matters and to identify areas of collaboration.

⁹⁸ CDB also managing national and sub-regional training activities in conjunction with OECS Secretariat under WB mini-MECovi programme.

⁹⁹ Evaluation of Support to Poverty Assessment and Reduction in the Caribbean, IDB-Funded Project – ATN/SF-8419-RS.

¹⁰⁰ Study on CDB’s role in donor coordination (2009).

broad consultations in the country and reviewed by an inter-agency group of development partners in Barbados and regional and sub-regional institutions. The process also includes community consultations, two independent critiques of the report by a local and regional reviewer, and a national consultation.

5.20 After a first round of CPAs prior to the PRS, a second round of CDB-supported CPAs covering 10 BMCs was launched under SDF 6 and is expected to be completed by 2012. The CPAs are very much appreciated by the countries and development partners alike as an essential data source for poverty reduction policy and programme formulation. However, for a number of countries the frequency at which CPAs are undertaken appears insufficient. Planned to be done at five- year intervals, the spacing between CPA in the countries actually ranged from 6 to 10 years.¹⁰¹ In the fast moving economic and social environment of the past decade data have become rapidly outdated.

5.21 The general approach and processes for implementing CPA have been generally validated by experience, though the exercise was not always without practical challenges. Board Paper 13/06¹⁰² provides the following summary of lessons learned from CPAs¹⁰³ as follows:

- (i) A full-time NAT Coordinator is essential for the success of CPAs;
- (ii) Members of NAT must clearly understand NAT's role as well as their function;
- (iii) BMCs need to commit adequate financial and human resources for the conduct of CPAs;
- (iv) Gender analysis and data disaggregation are important for a thorough understanding of poverty in a country; and
- (v) Effective skills transfer during CPA is essential for sustainability of the exercise.

5.22 The BMCs visited by the evaluation team produced evidence that in some cases the definition of roles of the NAT, the CDB and the Consultants left room for misunderstanding and produced frustrations and frictions. The structured CPA process and the need to establish consistency of approaches and data across BMCs did not always leave enough time and space for NATs to take full ownership of the process.

5.23 The time-bound nature and lack of institutionalisation of the NAT repeatedly came up as a concern. Since the NAT is active only for the duration of the CPA exercise, much of the institutional know-how and expertise is no longer available when it comes to preparing a NPRS or the next CPA. This points, in turn, to underlying issues with regard to the national institutional framework for coordinating and implementing national poverty reduction agendas.¹⁰⁴ Capacities to coordinate such efforts were found to be highly uneven across the BMCs.

The NAT framework forms the basis of the stakeholder consultation process within which the CPA is being conducted. The Government of Grenada intends to institutionalise the NAT Framework in order to improve the NAT's profile and enhance its institutional visibility and credibility in providing inputs to poverty reduction programmes in the country. The NAT framework will also support the preparation of the PRAP.

¹⁰¹ Jamaica is a notable exception. Annual Surveys of Living Conditions produce continuously updated information.

¹⁰² Paper BD 13/06.

¹⁰³ CDB: Country Poverty Assessments and Poverty Reduction Strategies – Programme in Borrowing Member Countries, May 12, 2006.

¹⁰⁴ The Government of Grenada (GOGR) intends to institutionalise the NAT Framework in order to improve the NAT's profile and enhance its institutional visibility and credibility in providing inputs to poverty reduction programmes in the country. The NAT framework will also support the preparation of the PRSAP. PBL, Grenada, 2010: Page 10, Paragraph 2.24 and Table 3.1: Logical Framework Matrix - Objectively Verifiable Indicator 5 for Outputs/Efficacy.

5.24 CPAs were expected to inform the design and preparation of the CSPs to assist in effective allocation of resources and identification of targeted interventions and thus to serve as the springboard for CDB's poverty reduction interventions in the countries. Although CSPs referred to CPA data, there was very little evidence that reflected a strong correlation between the CPAs and CSPs with respect to selection and prioritisation of interventions in the BMC, which was likely due to the extensive time lag between the conduct of the CPAs and the preparation of the CSPs.

NPRS

5.25 The NPRS is the logical follow-up step BMCs were expected to take after the CPA. The data and policy analysis generated by the CPA would help BMC governments to design a poverty reduction strategy and develop a coherent programme to address its priorities. In practice, the CPA and the NPRS are separate exercises and often out of alignment as a result of changes in the social and economic environment.¹⁰⁵ CDB provided technical assistance to countries producing a NPRS but only a handful of countries have so far advanced to the stage of NPRS.¹⁰⁶ Limited financial and technical resources were major constraints.

Methodologies for conducting CPAs and formulating NPRSs are well honed but national capacity and institutional constraints in the BMCs impede developing and implementing NPRSs and PRAPs in a timely manner.

Limited financial resources, technical capability and institutional capacity are major impediments to ownership. The NPRS is perceived as a response to development partner demands, leveraged through financing instruments.

5.26 Ownership of the NPRS is a primary problem as a result of limited financial, technical resources and institutional capacity constraints to facilitate formulation, implementation, monitoring, evaluation and reporting on the NPRS. In the two review countries that had completed a NPRS, the institutional framework and responsibility for implementation of the strategy were uncertain. In Belize, already into its second NPRS, the 'National Poverty Elimination Strategy and Action Plan' (NPESAP) there was a challenge with the institutional integration of policy development and coordination through the National Human Development Advisory Committee (NHDAC) and implementation through the ministries. In both cases, there is the perception that the strategy responds to development partner demands; and this in turn points to the incomplete ownership of strategy. In Saint Lucia and Grenada preparation/completion of the NPRS was one of the conditions for CDB's PBLs¹⁰⁷ to these BMCs. The NPRS is viewed as a home grown initiative and completion of the strategy is leveraged through the PBL conditionality. CDB's funding of the support to the NPRS and the CPA, is perceived as a commitment by CDB to contribute significant funding for the implementation of the NPRSs and action plans. There are no CDB's processes to foster the commitment of national authorities to their NPRSs.

INTERVENTION MODALITIES – POLICY IMPLEMENTATION SUPPORT

CSPs

5.27 CSPs define the operational framework for CDB's interventions in BMCs and thus provide the overall platform for translating CDB's poverty reduction goals and strategy into operational programmes at the country level. The country strategy process involves an assessment of the country's development challenges and policy issues, including its institutional and policy

¹⁰⁵ In Saint Lucia, for example, almost five years have passed since the CPA and the data and analysis today are somewhat out of date. A lot of things had happened in the meantime: food price explosion, global financial & economic crisis and the destructive force of hurricane Tomas.

¹⁰⁶ The countries are Belize, Dominica (World Bank), Jamaica, Saint Kitts and Nevis, and Saint Lucia.

¹⁰⁷ Completion of the NPRS and PRAP were Conditions Precedent to disbursement of the 2nd Tranche of the Grenada PBL.

performance. Based on this analysis, the country's development priorities (expressed in MT plans, NPRs, and other policy documents) are matched with CDB's comparative advantage and strategic objectives (the rationale for selecting CDB assistance) to identify a pipeline of priority projects for CDB.

CSP and the Poverty Prism

5.28 For a long time, "CSPs tended to see economic growth and poverty reduction as separate phenomena with growth as overall goal and poverty reduction as a sub-sector requiring separate poverty targeted activities. This may have limited BMC and CDB perceptions of what is possible to achieve poverty and vulnerability reduction through well designed, economic growth initiatives that are pro-poor and gender sensitive."¹⁰⁸

5.29 The PRS and operational guidelines in 2005 prompted a revision of the CSPs with a view to encouraging a more integrated treatment of poverty issues.¹⁰⁹ The structure of the CSPs changed to reflect the strategic levers of poverty reduction more prominently throughout the document. The PRS Progress Report¹¹⁰ found that this approach to CSP preparation had improved policy coherence and sharpened the focus of CDB on its mandate. Country situation analyses now commonly include a discussion of the social and poverty context with explicit reference to the national capabilities, socio-economic and natural disaster vulnerability, governance, and the C-MDGs. The section describing government's development strategies duly refers to the existing elements of the social development and poverty reduction agenda. Poverty reduction also features as one of the pillars of CDB's assistance strategy in the country.

5.30 Initially, discussion of the poverty levers was not considered to be sufficiently differentiated. This was traced, in part¹¹¹, to the domination of the process by economists.¹¹² To address this issue CSP appraisal missions since 2007 involved cross-department multi-disciplinary teams, including social analysts, gender experts, environmentalists, and disaster management specialists. These changes in the process did not appear to systematically translate to a more prominent role of poverty reduction in the proposed programme of assistance on which CDB and the BMC ultimately converged.

The PRS and the CSP Process

The CSP is the starting point of the Bank's project cycle of which project identification is an integral part. Integration of the PRS in the CSP process commenced with the St. Lucia CSP of May 2005. In the operationalisation of the PRS, checklists were prepared to incorporate the PRS strategic levers in all CSPs. This involved modification of the structure of the CSP. Poverty issues are identified; described and analysed in the Government's strategy. Gaps in analysis and implementation of the country's poverty reduction strategy are identified. In collaboration with the respective Government, CDB would seek to address the gaps identified in the CSP (using TA, investment loans or PBLs). Once the identification of the critical issues is done through the CSP, the Projects Departments then proceeds to implement some of the plans of the strategy with the assistance of other units of the Banks or in collaboration with development partners.

¹⁰⁸ Guidelines and recommendation to operationalise the PRS, 2005: Page 7.

¹⁰⁹ New procedures for the preparation of CSPs were issued in 2005, which required CSPs to "include an action-oriented approach to poverty reduction" and to relate to poverty assessments and country poverty strategies. These guidelines were to establish the link between poverty analysis and CDB operational programme.

¹¹⁰ PRS Document 2008: Page 10.

¹¹¹ There were inherent weaknesses in the CSP, which tended to be "overly descriptive, provide insufficient analysis, and identify too few issues or constraints to development" (Annual Portfolio Performance Review 2007, BD 110/08: Page iii). The CSP process was negatively affected by the fact that country strategies were not prepared as regularly as envisaged, normally on a three-year cycle. Inadequate staff capacities in the BMC and CDB limited the ability to produce more regular country strategies.

¹¹² The MTR of SDF 6 (2007, Page 61) noted that the CSPs had been produced by an economist in the Economics Department with no inputs from social analysts and recommended that CDB use a cross-department interdisciplinary team for the CSPs so as to provide a more comprehensive framework for the Bank's assistance.

5.31 The activities of the BNTF remained the component in the CSP programmes with the most easily identifiable link to poverty reduction. For other activities the poverty link was frequently indirect such as Student Loans Schemes (SLS), Rural Development projects and Education Sector projects. It is uncertain to what extent the discussion related to the strategic levers actually influenced the identification of interventions within the CSP. In this connection, the SDF 7 MTR found that “the texts were often presented as a compilation of different inputs rather than a single integrated strategy. The Bank’s specialists, such as gender and environment, contributed to the CSPs, but their contributions tended to stand alone, rather than being fully mainstreamed.”¹¹³

5.32 Even though it was the intention of the CSP to derive the portfolio of proposed interventions from CPA analysis, reality was often at variance with this ideal. CSPs were not as closely integrated with the CPAs as anticipated. Although informed by the results of the CPAs, the majority of CSPs have not explicitly referred to the conclusions of the CPAs. The time lags (5-10 years) are likely to have contributed to this omission; and sequencing of CSPs relative to CPAs merits consideration.

5.33 Poverty assessments are not always available. In some cases the CPA referred to in the CSP was more than 10 years old (e.g. St. Lucia and SVG) and therefore the data may not have reflected the actual situation of the country.¹¹⁴ As a result, CDB would have developed its country strategy with partial information. Governments then selected interventions from their respective Public Sector investment Programmes (PSIPs), which consolidated the budgets of the various ministries and were based on sector development priorities, and matched them to CDB’s financing interests. They were usually mindful of CDB’s poverty reduction focus and eligibility for SDF funding when submitting these projects. Aligning the CDB’s priorities with those of the BMCs does not reliably ensure a strong poverty reduction orientation of the CSPs.

CSPs define the operational framework for CDB’s interventions in the BMCs and provide the platform for translating CDB’s poverty reduction goals and strategy into operational programmes at the country level.

The PRS and revised CSP operational guidelines facilitated a more integrated treatment of poverty issues to reflect the strategic levers of poverty reduction in the formulation of CSPs, although the changes in the CSP process did not appear to systematically translate to a more prominent role of poverty reduction in the proposed programme of assistance to the BMC. The modified CSP methodology improved policy coherence and sharpened the results focus of CDB.

The activities of BNTF remain the component in the CSP programmes with the most easily identifiable link to poverty reduction.

Targeted poverty reduction programmes such as BNTF, SLS and CTCS were not the focus of the PRS, but were vehicles to impact poverty reduction in the BMCs.

¹¹³ SDF 7, 2011, Page 71.

¹¹⁴ The table below shows the time lag between the CSP and the CPA, to which it refers, for the sample countries.

Country	Year of CPA	Year of CSP referring to CPA
Belize	2002	2007-2009 (CSP p.8)
Grenada	2007/08	2009-2011 (CSP p. i)
Jamaica	2009/11	2009-2011 (JSLC)
St. Kitts and Nevis	1999/2000	2006-08 (CSP p. ii)
St. Lucia	1995	2005-08 (CSP p. 4)
St Vincent & the Grenadines	1995	2008-11 (CSP p. 11)

5.34 In 2008, CDB added a results-based framework to the CSP to allow for better targeting and focusing all of the Bank's country programme interventions.¹¹⁵ The effect of this measure on the poverty reduction orientation of CDB's programme of assistance is not known at this time.

PBLs¹¹⁶

5.35 Since their approval in 2005 as new CDB lending modality, PBLs¹¹⁷ have become a major instrument in CDB's toolset representing just over a quarter of the total value of the 2010 portfolio under implementation (OCR and SDF).¹¹⁸ PBLs were designed to provide input resources to facilitate policy and institutional reform, maintenance of public sector operations during the reform process and, when appropriate, social safety net resources to ameliorate adverse impacts of the reform. The outputs are policy and institutional reform processes that generate outcomes such as sustainable fiscal and debt levels¹¹⁹. Fiscal and debt sustainability, disaster risk reduction, development of a proactive trade agenda, sustainable poverty reduction and improving the quality and effectiveness of human resources all require far reaching policy and institutional adjustments over the medium-term. CDB's present lending framework, focussing as it does mainly on investment lending, is not the appropriate model to support the type of policy and institutional reforms required in the BMCs. It is in this sense that policy-based lending is considered a critical addition to the Bank's intervention modalities if improvements in responsiveness and development effectiveness are to be realised¹²⁰.

5.36 CDB provided budgetary support to its BMCs to assist in implementing specific reform programmes for sound public management.¹²¹ Disbursement of PBLs was based on the implementation of agreed policy actions (policy matrix with conditions to be met

PBLs have facilitated improvements in the frameworks for macroeconomic management, fiscal policy, debt management, and overall public financial administration, and need to be adequately integrated into the mainstream of the poverty reduction agenda.

PBLs do not easily lend themselves to the application of the poverty prism as resources do not finance specific poverty reduction activities, but reside in the consolidated fund. And, as a result poverty reduction issues are superseded by consideration/measures to mitigate any adverse effects of reform policies.

To improve integration of PBLs in the poverty reduction agenda, policy actions pertaining to the social sector and poverty reduction are now being included in PBL results matrices and conditionalities.

More in-depth analysis of the social impact of PBLs is required; as well as tangible budgetary commitments by BMCs to support social programmes aimed at reducing poverty.

¹¹⁵ CSPs for Jamaica and St. Vincent and the Grenadines, inclusive of results frameworks, were approved by the BOD in December 2008. Work has also commenced on CSPs for Antigua and Barbuda, Barbados, Dominica, Grenada, Haiti, and Turks and Caicos Islands.

¹¹⁶ In December 2005, the BOD considered and approved Paper BD 72/05 Add. 1 'Policy Paper: A Framework for Policy-Based Lending (the Framework)' and approved, *inter alia*, the making of PBLs to CDB's BMCs in accordance with this framework.

¹¹⁷ To date, PBLs have been approved for Antigua and Barbuda (\$30mn), Belize (\$25 m), Grenada (\$12.8mn), Jamaica (\$100.0mn), St. Kitts and Nevis (\$20mn), St. Lucia (\$30mn), and St. Vincent and the Grenadines (\$25mn). In 2009, Haiti received the first non-reimbursable Policy-Based Grant of \$10.0 m, as part of a broader programme of support, both budgetary and technical assistance, to enhance fiscal and debt management.

¹¹⁸ Refer to the Annual Portfolio Review 2010. During the period 2005 to 2010, PBLs comprised \$384.8mn out of overall CDB loan approvals of \$1,183.5mn, hence almost a third of overall CDB loan approvals. PBLs represent 26% (\$16.3mn out of 62.6mn) of SDF disbursement. SDF Annual Report, 2010, Page 3; and ARPP 2010.

¹¹⁹ Operational Policy and Guidelines Policy based Lending, 2006: Page 2, Paragraph 3.03.

¹²⁰ Operational Policy and Guidelines Policy based Lending, 2006: Page 2, Paragraph 3.01.

¹²¹ The 2010 assessment of the performance of PBLs affirms that PBLs have facilitated improvements in the frameworks for macroeconomic management, fiscal policy, debt management, and overall public financial administration. After 4 years and 7 loans, of which only (Belize) one has been fully disbursed, the experience is still somewhat limited.

prior to release of a tranche) in the context of the reform programme.¹²² Policy-based lending allows CDB to contribute to the process of social and economic development more broadly than investment lending. PBLs support improvements in the management of the development process by the government with a view to enhancing the impact of all government activity.

PBLs and the Poverty Prism

5.37 PBLs do not easily lend themselves to the application of the poverty prism as funds are not funding specific activities, but instead are released into the consolidated fund. The appraisal documents generally refer to poverty reduction as a development goal, but clearly the primary purpose of the PBLs is generally public sector management and macro-economic reform.¹²³

5.38 Appraisal missions reportedly discuss the impact of the reform programme on poverty reduction and social conditions.¹²⁴ With the focus of reforms on fiscal and public sector management, the poverty reduction concerns ended up being considerations or measures to mitigate the possible adverse consequences of the reform policies. A recent assessment of CDB's PBLs found that "staff's analysis of the likely impact of PBLs on poverty and the social sectors had been frank and well informed.

5.39 Policy conditions relating to poverty reduction and social challenges are infrequent and for the most part subsidiary to macro-economic efficiency concerns. Policy conditions usually relate to fiscal policy, public financial management, and debt management. Measures in the social sector accounted for an average of about 6 percent. Policy actions pertaining to the social sector and poverty reduction have recently started to appear in PBLs, notably preparation or completion of poverty assessment or reduction strategy (St Lucia, St. Vincent and the Grenadines¹²⁵, and Antigua & Barbuda), the review of the Ministry responsible for the social sector (St Lucia), and ensuring full staffing of the social policy unit (Antigua & Barbuda).¹²⁶ For the most part, assumptions regarding the poverty reduction orientation of policy actions were implicit.

5.40 The 2010 assessment of PBLs noted in this respect that "a development bank with a commitment to improving social conditions cannot shy away from incorporating social sector conditionalities in its policy work" and recommends that the Bank "include in PBLs conditions aimed at achieving priority social objectives or mitigating possible adverse effects from adjustment or reform measures."¹²⁷

PBLs and Blending

5.41 PBLs to countries with excessive debt and fiscal distress regularly combined SDF concessional resources with OCR to ease the risk that these BMCs will delay or abandon implementation of critical social and poverty reduction programmes because of the unavailability or reduced availability of concessional funds.¹²⁸ The stable blending ratio for PBLs to the poorer BMC¹²⁹

¹²² Officials generally welcomed the collaborative manner in which the Bank staff seeks to reach consensus on a matrix of conditions—using as a basis the countries' own adjustment and reform programs. This model fosters ownership and commitment and should be adhered to at all times.

¹²³ Support of reforms in other areas is possible according to the Bank's PBL policy.

¹²⁴ The strategic levers would generally feature in those discussions, but not to point of determining any particular policy conditions.

¹²⁵ The loan to St. Vincent and the Grenadines is accompanied by a TA grant to complete a NPRS.

¹²⁶ The question of social conditionality has to be weighed against one of the principles contained in the Bank's policy papers and guidelines - as per assessment - namely that "conditionality should consist only of actions critical for achieving program objectives." (p.14)

¹²⁷ The assessment of PBLs (2010, Page 28) recommended that: "Given the importance of poverty reduction and social progress in the goals and work of the Bank, greater efforts should be made to include in PBLs conditions aimed at achieving priority social objectives or mitigating possible adverse effects from adjustment or reform measures. "

¹²⁸ SDF: Review of the Country Classification and terms of Lending for Country Groups, BD 37/10, May 2010, Page 14).

¹²⁹ For Group 3 countries the SDF/OCR ratio has been approximately 1 to 2 (SKN \$8mn/\$12mn, BEL \$10mn/\$15mn, SLU \$12mn/\$18mn, SVG \$9mn/\$16mn), with the exception of Grenada, where the SDF/OCR blending ratio was inverted

with and without policy action directly targeting poverty conditions along with the absence of SDF blending to a more developed country despite a social policy component suggested that blending was related to the potential poverty impact attached to being a poorer country rather than actual poverty-reduction content.

5.42 While indirect effects on the poor are likely, the immediate leveraging potential for greater poverty reduction impact was limited by the perceived need to keep policy conditions closely aligned with the ability of public sector to manage public finance. The effect of more favourable lending conditions from matching concessionary and ordinary resources on poverty reduction action remains, however, difficult to establish.

INVESTMENT PROJECTS (LOANS)

5.43 Investment loans are CDB's primary intervention mode, representing approximately 90% of outstanding SDR and 75% of outstanding OCR loan value in 2010.¹³⁰

Investment Loans and the Poverty Prism

5.44 Applying the poverty prism to investment projects was the principal approach of the PRS for increasing poverty reduction effectiveness of its lending portfolio. While the prism became mandatory as early as 2001 and was used to classify projects according to the levers, its effectiveness in guiding project selection and programming was impaired until at least 2005 by the absence of operational guidelines and application instructions (toolkits). Continued problems up to at least 2007, were reported in applying the poverty prism to all projects.¹³¹ It is therefore unclear whether investment project loans would have become significantly more poverty targeted as a result of applying the poverty prism.

5.45 In the absence of any real measurement of the potential poverty reduction effectiveness of projects, poverty relevance scoring as part of the annual review of project performance for projects under implementation provides a proxy to gauge the cumulative effects of PRS measures and most prominently the poverty prism. Comparison of poverty relevance scores for 2004 and 2008 showed only a marginal increase from 6.2 to 6.3. Assuming time consistency of scorings, the portfolio on the whole had not become significantly more poverty focused.¹³²

Investment Loans and Blending

5.46 During SDF 6 CDB's blending of SDF with OCR for project loans on average involved 45% of SDF funding for approximately 60% of the projects.¹³³ The blending ratio for infrastructure projects under SDF 6 (2005-2008) ranged from 2% for the Fifth Road Project, Jamaica to 68% for the Grenville Market Development Project in Grenada. On-lending operations in the context of the Student Loan Scheme (SLS)¹³⁴ (Anguilla, BVI, SVG, TCI), during SDF 6 (2005-2008) had a blending ratio of between 6% to BVI and 33% to TCI with an average ratio of 17%.¹³⁵ In the latter case, SDF

(GRE \$8mn/\$4.8mn). Antigua and Barbuda, a Group 2 country, had no SDF component within its \$30mn PBL approved in 2009.

¹³⁰ Source: CDB Annual Report, Jan. 2011

¹³¹ SDF 6 MTR (2007, Page 7).

¹³² Annual Review of the Performance of the Project/Loan Portfolio Under Implementation, 2005 and 2009.

¹³³ CDB data and own calculations.

¹³⁴ Student Loan Scheme (SLS). Under the Scheme, funds are provided to BMCs for on-lending at concessionary rates to individual students to finance their education and training at the post-secondary level. SLS SDF for students without securities but capacities. The SLS is the principal external source of funding support for countries to meet their human resource development needs for tertiary education and training in science, technology and management. It has been making a significant contribution to capacity building and, indirectly, to poverty reduction. Special SLS windows to benefit persons from poor households are a relatively recent innovation and direct contributions to poverty reduction in poor households through these arrangements have been limited.

¹³⁵ The SLS was fully financed by SDF \$4.3mn (loan approved in 2001).

resources were used to provide access to financial resources for students of poor and disadvantaged households thereby contributing to poverty reduction in participating countries.

TAs

5.48 Traditionally, TA within CDB had been focused primarily on pre-investment and project implementation support. Increasingly, TA has been used for human resource development, institutional development and governance support. TA for institutional strengthening and capacity building have risen substantially, partially reflecting a change in objectives and focus of the TA operations. In spite of the relatively small amounts allocated to TA, which accounts for just \$9.8mn over the SDF 6 replenishment cycle for 2005-2008¹³⁶, it is considered a “key determinant” of CDB’s development effectiveness^{137 138}.

CDB provides TA to its BMCs covering all sectors and thematic areas. For many TA projects the relationship to poverty reduction is indirect as TA interventions are not programmed in a formal strategy and operational framework linked to the PRS.

TA and the Poverty Prism

5.50 With regard to the strategic levers of the poverty prism, an evaluation of TA in 2007 found that most of the projects had made some contribution to one or more of the strategic levers - *enhancement of capabilities, reduction of vulnerabilities* and *good governance*. However, a sample performances review of TA projects¹³⁹ undertaken by this evaluation also showed that “for many TA projects the relationship to poverty reduction may be quite indirect”. Since much of the poverty reduction effectiveness of the overall lending portfolio relies on TA, the evaluation identified an urgent need for scaling up TA and giving it greater focus through a proper strategy and operational framework.¹⁴⁰

TA and Blending

5.51 There has been no known blending of SDF and OCR for individual TA interventions. In fact, SDF financed virtually all of its TA interventions in eligible countries on a grant basis. TA to investment-grade BMCs were funded through OCR on a loan basis.

5.52 A combination of investment-type loans and TA is quite common where grant-financed TA accompany regular investment-type loans: for example, TA grants in support of institutional strengthening and capacity building complement social and economic investment projects for effective project implementation. As a component of the investment-type project, the TA component addressed binding institutional and human capacity constraints.

¹³⁶ In 2009, CTCS projects attracted almost all SDF grants for a total of some \$1.2mn (excluding Haiti Policy-based Grant of \$10mn and Haiti other of \$26,000), \$60.0mn for Schools Rehabilitation and Reconstruction project - a school transformation programme.

¹³⁷ The TA evaluation was not able to judge the extent to which TA operations have reflected the priority for poverty reduction. (TA evaluation 2007: Page105)

¹³⁸ SDF 6 Medium Term Review: Page19.

¹³⁹ The evaluation reviewed a sample of 37 TA projects approved between 2000 and 2004. *Poverty Relevance* was judged by the extent to which a TA contributed, or might reasonably be expected to contribute, to reducing poverty. Factors that contributed to higher poverty relevance included: Poor or disadvantaged persons were likely to benefit directly. The project was likely to ameliorate a severe social or economic problem that disproportionately affected poor people.

¹⁴⁰ TA evaluation. 2007: Page 109.

SDF IMPLEMENTATION PERFORMANCE¹⁴¹

5.53 An analysis of SDF performance and results in 2008 acknowledges that there have been “gaps between promise and performance”. Based on a cross- section of modalities under SDF 4, 5 and 6, the review identified a number of shortcomings in SDF implementation performance:

- (a) designs for interventions needed to be more adaptive and flexible in order to accommodate local conditions and inevitable/evolving changes in the project environment over time;
- (b) project objectives were sometimes over-ambitious in requiring too rapid a pace of change in the behaviors of institutions, communities and professionals;
- (c) the design and implementation arrangements for transformational, community development interventions needed to be less complex in order to make implementation manageable;
- (d) the challenge of sustainability required more rigorous attention;
- (e) BMC policy and institutional frameworks did/could not always provide adequate or necessary support for project interventions;
- (f) human resources available in BMCs and in CDB were inadequate in some areas of intervention;
- (g) training needs of beneficiaries of social development interventions for successful implementation and sustainability of the benefits from projects were under-estimated;
- (h) CDB policies and procedures and bureaucracy in BMCs needed to be more flexible;
- (i) supervision, particularly of multidisciplinary, community development projects was sometimes inadequate and inappropriate; and
- (j) more supportive follow-up actions by CDB and BMCs were needed, to cement or reinforce achievements after project completion.”

TARGETED POVERTY REDUCTION PROGRAMMES

BNTF

5.54 The BNTF stands out as the flagship poverty reduction initiative of CDB. The programme adopts geographical targeting and a strongly participatory approach to reach out to the poor by improving access to public services, facilitating skills development and strengthening organisations aimed at advancing the interests of community poverty reduction. It is funded under a block grant of now \$32mn for a 5-year replenishment cycle from the SDF¹⁴² and is managed as a regional programme.

5.55 The BNTF is a microcosm of CDB’s poverty reduction work when it comes to targeting, resource allocation, and monitoring and evaluation. The decision of the BNTF Programme to apply

¹⁴¹ SDF Performance and Results Analysis and Implications for SDF 7, BD 65/08, July 2008: Page18.

¹⁴² The 10 countries participating in the BNTF contribute 20% to the financing of the fund, thus reflecting its importance to the countries. They include: Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St Kitts and Nevis, St Vincent and the Grenadines, and the Turks and Caicos Islands. Up to BNTF 6 Jamaica was not included, even though it had the largest numbers of poor. CIDA added \$25mn in programme resources on condition Jamaica included.

the approach and operational modalities of the PRS to its sub-projects make it an interesting test ground for the overall PRS.¹⁴³

5.56 While a relatively large funding component is set aside for technical capacity building in the countries and programme management, country allocations for economic and social infrastructure development (\$24.6mn of a total of \$32mn) are made using the SDF performance-based RAS. The BNTF demands social impact assessment when preparing sub-projects and applies the poverty lever approach to optimise poverty impact. The Programme relies on information from CPAs and has pioneered the PRAP to provide an element of strategic planning framework in countries that have not yet formulated NPRSs.

5.57 The PRAP ensures greater alignment of the Programme's infrastructure development with national priorities and enhances its responsiveness to poverty reduction priorities. As a planning document the PRAP should be reviewed regularly and adjusted to reflect changes in national development goals and the poverty situation. The guidelines and checklists in support of the poverty prism were useful in the particular context of the demand-driven community development approach as they guided communities in the identification and planning of interventions.

5.58 The use of the general SDF RAS for distributing funds among the beneficiary BMCs is broadly accepted. The PPES is not yet applied to BNTF projects¹⁴⁴, but may be in the future. While it is desirable from a management perspective to have common systems and procedures for projects, complex procedures are a burden on small projects and may be in conflict with the required flexibility and ownership.

5.59 BNTF has been transforming constantly over the past decade. Under BNTF 5 (2001-2010) stronger community participation, the cross-cutting themes of gender equality, environmental sustainability and HIV/AIDS; as well as enhanced emphasis on results-based approach to project management were introduced. The most recent change under BNTF 6 (2008 onwards) is the accountability culture and move towards results-based management. The relevance of BNTF remains anchored in: the conceptualisation of poverty as multi-dimensional, responsive programme design which seeks to have comprehensive, multi-sectoral interventions linked to national policy making; and recognition of governance as a vital link between growth and poverty reduction.¹⁴⁵

EFFICIENCY - CONCLUSIONS

5.60 CDB has re-engineered its business processes and structures in order to improve the potential poverty reduction impact of its interventions. While individual adjustments may have been successful on their own terms, the overall efficiency in mainstreaming the strategy has been relatively modest.

5.61 The processes supporting the policy instruments work reasonably well. The methodologies for carrying out the assessment and developing national strategies are well honed, even though they do not consistently ensure sustained national capacities to generate poverty data on a regular basis. Nor do they reliably manage to overcome national capacity and institutional constraints to developing and implementing poverty reduction strategies. To succeed interventions have to be broadly aimed at removing obstacles to political commitment in the policy formulation and budget process. This may include, but is certainly not limited to reviewing the political and institutional framework anchoring of national strategy processes (NAT and NPRS).

5.62 Poverty reduction has been streamlined into the process of negotiation and development of CDB country assistance strategy and programme. The analytical background sections of CSPs regularly refer to the results of CPAs and the C-MDGs, although the proposed programmes do not

¹⁴³ The argument for this is to maintain streamlined systems throughout CDB.

¹⁴⁴ There are plans to apply in the future the PPES monitoring and evaluation system to the BNTF.

¹⁴⁵ Basic Needs Trust Fund – Fifth Programme Mid-Term Evaluation Report BD 47/08: Page 2.

always seem to emerge from the analysis, which may weaken their poverty reduction impetus. Further articulation in the CSPs of the relationship between the analysis in CPAs and the Bank's programme planning¹⁴⁶ would be beneficial. The sequencing of CSPs relative to poverty assessments merits consideration.

5.63 The shifts in the operational modalities prompted by the PRS facilitated CDB's focus on programme with a stronger poverty reduction perspective though with an uneven effect on CDB's intervention modalities. The poverty prism proved useful when designing interventions, but not as an instrument for targeting at the programme/portfolio level. It had a difficult start without proper technical guidance and is not easily applicable to PBLs, which in recent times represent a significant segment of the CDB's programme.

5.64 Blending of soft and hard resources at the project level afforded interventions with poverty-focused activities more attractive financial conditions. In the context of PBLs, blending helped to increase the concessionality of resources for the poorer countries. It complemented the RAS, which had effectively shifted resources to poorer countries.

5.65 PBLs have not yet been adequately integrated into the mainstream of the poverty reduction agenda. In order to increase the poverty reduction effectiveness of PBLs, there is need to move from the implicit assumptions that governments free up fiscal space for social programs and poverty reduction to more concrete budgetary commitments.

5.66 TA played a critical role in framing the poverty reduction agenda in the BMCs. When it came to the implementation of economic and social infrastructure, TA was not deployed as systematically as necessary (with the notable exception of BNTF and CTCS) in spite of its vital importance in enabling the poor to benefit from investments. More TA and a more integrated treatment of technical and capital assistance would no doubt support the poverty reduction effectiveness of CDB's programmes. Including TA resources in the RAS and greater country focus¹⁴⁷ in CDB organisational arrangements may help to fuse capital and TA closer together.

5.67 The lack of a proper monitoring and evaluation framework for the PRS turns out to be a critical weakness in the implementation of the strategy. CDB's internal systems for monitoring outputs and outcomes of poverty reduction interventions are not functioning properly thus leaving the Bank without the necessary information to gauge its contribution to poverty reduction and social outcomes and to steer its interventions accordingly. The PPMS was not designed to monitor the PRS; and is limited in its functionality in supporting management for poverty reduction results and needs to be revisited.¹⁴⁸ Results Monitoring Frameworks have not yet fully matured.

5.68 CDB will be increasingly hard-pressed to do even more with its limited resources. Some areas such as implementing the monitoring systems for poverty reduction, the development of results methodology, or applied social research for advocacy and policy development already stretch CDB operational capacities. While past experience with inter-organisational cooperation and coordination has not always been fruitful, the MfDR which is currently being developed will enable CDB to concentrate on its comparative advantages, while leveraging the important financial and intellectual capacities of its much bigger development partners, in the field of poverty reduction, especially in the areas where it lacks capacities. Its poverty reduction effectiveness is likely to grow.¹⁴⁹

¹⁴⁶ SDF 7 MTR, 2011: Page 23.

¹⁴⁷ SDF 6 MTR: country focus should become a more important dimension of CDB organisation, i.e. CDB activities may need to be organised increasingly by country to be effective in a variety of contexts with differences in language, culture, legal and political systems, and type of economy.

¹⁴⁸ PPES: Several initiatives are under way to improve the system, including the reduction in the number of core criteria from 7 to 4 of the system and foster harmonisation with other MDBs and the replacement of the PPMS database system, which has serious limitations.

¹⁴⁹ As a relatively small institution with limited resources, CDB must make partnerships a core element of its business model in all stages of its operations, that is, in project planning, financing, and implementation. Partnerships will help mobilise

6. EFFICACY

6.01 CDB's effectiveness in advancing the BMC poverty reduction agenda is determined by its ability to influence the principal drivers of this agenda in the countries, notably BMC political commitment to the poverty reduction agenda and focus on poverty, knowledge capacities for poverty reduction, programmatic coherence, mobilising resources, and learning and accountability through monitoring and evaluation of poverty reduction efforts. CDB's leadership, advocacy, knowledge development, co-ordination and harmonisation activities assisted in framing the poverty reduction agenda in the BMCs. Funding and oversight supported policy implementation. This chapter reviews the Bank's results in the context of the PRS.

FRAMING THE BMCs POVERTY REDUCTION AGENDA

Political Commitment and Priorities

6.02 CDB has worked towards creating greater awareness of poverty and boosting BMCs' commitment through a series of integrated instruments with CPAs provided diagnostic data, the NPRS facilitated policy orientation, CSPs defined the scope of CDB's intervention, and the C-MDGs set the benchmarks and established the overall monitoring framework for poverty reduction across the region.

6.03 Since the approval of the PRS, CDB has taken the lead on a second round of CPAs in Belize and in the OECS.¹⁵⁰ The initiative was well received by both BMCs and other development partners. The exercise has become increasingly demand-driven, inasmuch as countries now expect CPAs to be produced at regular intervals.

6.04 CPAs have deepened the understanding of the nature and characteristics of poverty in BMCs and contributed to making poverty reduction a focus of public policy in the BMCs. Topics that have generated public interest include the high proportion of working poor in some countries, the poverty of many households headed by single women, and increasing levels of deprivation among the elderly, particularly among elderly men.

6.05 Importantly, CPAs have influenced, as was the intent, the design of many interventions, ranging from Social Development Funds (Belize, Jamaica and Trinidad and Tobago), rural enterprise development projects (Dominica and St. Lucia), human settlements projects (Belize, Dominica, Grenada and Saint Lucia), projects in the education, agriculture and health sectors, and the reform of social policies and institutions. The information generated by CPAs and the discussion around CPAs have informed poverty reduction programming by other development partners, such as the World Bank or the European Union.

CDB has helped to sensitise BMCs governments to the greater impact of a strategic and coordinated approach to poverty reduction.

Visibility of poverty in the BMCs and regionally has grown, as has its recognition as a major policy issue.

Although advocacy by CDB has helped to forge a commitment by BMCs around the C-MDG agenda, commitment to poverty reduction in the BMCs is uneven and a fully integrated approach to poverty reduction in the BMCs has not yet been achieved.

additional financial resources, leverage the development impact, put the Bank's knowledge and expertise to a wider and better use, meet special needs for highly specialised development projects, and help raise development support effectiveness. In particular, CDB needs to strengthen its cooperation with the IDB. In the "Results Monitoring Framework," a clear target for the increase in co-financed and jointly implemented operations should be included.

¹⁵⁰ Other agencies have taken the lead in other countries: the EU supports St. Vincent and the Grenadines, the World Bank and IDB have assisted Guyana, Jamaica, Trinidad Tobago (WB, IDB), The Bahamas (IDB), and Barbados (IDB).

6.06 Commitment to poverty reduction in the countries is uneven. While those closely involved in the CPA exercise, most prominently ministry officials concerned with poverty and social development, are genuinely convinced of the value of evidence-based poverty reduction policy, the political level is more remote and tends to react to broader poverty concerns. Although in some BMCs the multi-sectoral approach to poverty reduction may be sacrificed to political expediency towards specific political constituencies, in other BMCs the political will to reduce poverty is apparent in the steps achieved to implement poverty reduction initiatives.

6.07 To convert the poverty reduction focus emerging from the CPAs into programmatic commitment, CDB encouraged BMCs to take the next step by preparing NPRSs or PRAPS for the BNTF, which determine poverty reduction priorities and programme actions. It proved generally more difficult to get Governments to commit to preparing NPRS. Only six BMCs have taken this next logical step: Antigua and Barbuda, Belize, Dominica, Grenada, St. Kitts and Nevis, and St. Lucia. An NPRS for St. Vincent and the Grenadines is under preparation.

6.08 The NPRS instrument is perceived more as a development partner requirement than the concretisation of a national commitment to poverty reduction. With BMCs challenged to fund implementation of the strategic plan, the completion of the NPRS becomes to some degree an administrative exercise. CDB's sponsorship of the poverty reduction agenda (CPA and NPRS) raises expectations that it should finance some components of the action plan. The process of implementing the NPRS and its programming in the Government budgets was incomplete at best.

6.09 Over and above the CPA-NPRS process, CDB has been a leading force, alongside UNDP, in the development of the C-MDG targets. CDB sponsored the participation of BMCs in regional meetings which discussed the adaptation of MDGs to the Caribbean circumstances. CDB supported the process of integrating the MDGs into

Growth and Poverty Reduction Strategy (GPRS) – Grenada

Grenada launched its GPRS on September 6, 2010 with a stakeholders' meeting held at the Ministry of Finance. Representatives of the Ministry of Finance (MOF) included the Deputy Permanent Secretary (GPRS Project Coordinator), members of the NAT; the Team of Consultants (TOC); and CDB. The meeting was held to introduce the TOC to the key stakeholders and to discuss the objectives, roles and responsibilities and deliverables of the consultancy. The overall objectives of the consultancy were to: (a) *develop a comprehensive GPRS by devising precise work plans, actions and relevant strategies to specifically target poverty reduction programmes and interventions within the context of economic growth; and (b) implement the recommendations in the 2007/08 CPA.* The CPA recommended a number of policies, strategies and action programmes aimed at reducing the extent and severity of poverty in Grenada, as well as at enhancing social development and improving the overall quality of life in the country.

Grenada readily took ownership of the process and responsibility for coordinating and developing the Terms of Reference (TOR) for the consultancy. Inputs were also included from a range of Development Partners (DPs) such as other government ministries, the European Union, International Monetary Fund, World Bank, United Nations Development Programme, and CDB. The GPRS process was highly participatory and involved key stakeholders, from poor and vulnerable groups, civil society organisations, line ministries, MDBs, development agencies, and CDB.

Specific, thematic areas discussed were *inter alia*: food security; crime; relationship between education and health as it relates to the poor; youth in poverty; gender and poverty, and cross-cutting themes of environmental management, HIV/AIDS and Information and Communication Technologies.

The components of the GPRS comprised: Vision and Guiding Principle; Supporting an Enabling environment; Transformational Projects; Strategic results Framework; Implementation Strategy; Implementation Oversight Committee; Action Plan; Monitoring and Evaluation Approach; Risks and Challenges (Global Economic Environment, Institutional, Governance, Human Resource Capacity and Budgeting and Finance). The GPRS was presented to the Prime Minister and Cabinet on May 30, 2011 and to a National Consultation on June 1, 2011. After the Consultation, the Minister of Finance approved the establishment of a team to work closely with the NAT and TOC to finalise the GPRS. Cabinet approved the GPRS in principle in 2011, pending minor revisions to it by TOC. TOC has since submitted the final strategy to Grenada and is awaiting final approval.

national development plans through the development and adoption of Caribbean-specific targets and indicators in 2005, but the process has been slow and required development partner assistance.

Knowledge and Learning

6.10 CPA data and analyses have helped BMCs, CDB, international financial institutions and other development partners to better understand the character and extent of poverty in the region. The CPAs contributed to the development of BMCs' social policies, poverty reduction strategies and programming interventions. CPAs have been widely appreciated for the quality of their data and analysis and merit wide dissemination. Due to their standardised approach they form the nucleus of the Poverty Monitoring System in the Caribbean, which is still at a very early stage of development.¹⁵¹

6.11 The time-bound nature of the knowledge requires regular updates of the CPAs. However, the capacities to undertake CPAs differ significantly across BMCs. It was intended that CPAs transfer the knowledge of undertaking these assessments to the countries. Producing poverty data overwhelmed the ability to adequately build capacity and therefore sustainability of related planning and execution capacities remains a risk in several countries due to a limited cadre of staff. Moreover, high turnover of staff continues to erode capacity building initiatives. CDB's skills transfer, capacity development and institutionalisation in the context of the CPAs therefore need to continue¹⁵², while alternative models for more sustainable sub-regional capacities development are under discussion.

6.12 Capacities for monitoring and evaluating the impact of poverty reduction interventions remain in short supply, though the picture clearly varies from country to country. Countries with weak monitoring capacity will find it difficult to steer their programmes towards greater poverty impact. Sharing of project experiences across the region is not well developed. Nor is there a much of social research effort ongoing which is geared to fostering and transferring poverty reduction knowledge across the region. CDB has not been very visible in this area.¹⁵³

CDB's leadership and advocacy, knowledge development and coordination, and harmonization activities supported by appropriate oversight of project implementation have contributed to framing the poverty reduction agenda in the BMCs.

CDB has worked towards creating greater awareness of poverty and boosting BMCs commitment through a series of integrated instruments with CPAs providing diagnostic data, NPRS orienting policy, CSPs defining the scope of CDB's interventions; and C-MDGs setting the benchmarks and establishing the overall monitoring framework for poverty reduction across the region.

Poverty data has improved, but national systems still do not generate this information on a regular basis. Work is ongoing with CDB's support, on a system (DevInfo) to collect and collate regional statistical data on poverty and development.

The lack of a proper monitoring and evaluation framework for the PRS is a fundamental weakness in the implementation of the strategy. Evidence-based poverty reduction data remain fairly weak although a variety of data points are available to gauge the quality of CDB's contribution to implementation of the poverty reduction agenda in the BMCs.

¹⁵¹ Establishing harmonised poverty monitoring systems across BMCs has been an historical challenge. CDB is currently in the process of assisting with the introduction of DevInfo in BMCs to support the systematic collection of social data.

¹⁵² A CDB supported regional project 'Support for Poverty Assessment and Reduction in the Caribbean (SPARC) provided this type of technical and capacity building support.

¹⁵³ CDB's first "Biennial Social Development Report" published in November 2010 is a notable exception. It provides a comprehensive overview of current major social issues and challenges in the Caribbean.

Organisation and Coordination

6.13 The hallmark of the CDB's PRS was its comprehensive multi-sectoral approach to poverty reduction. CPA and NPRS were to translate this approach into national frameworks. National assessment teams, engaged in CPAs, had the required broad multi-sectoral representation which facilitated analysis of the diverse interventions for effective poverty reduction. However, with purpose-bound NATs in existence only for the duration of the CPA exercise and BMC inter-ministerial coordination surrounding poverty reduction either absent or weak, the implementation of the multi-sectoral national poverty reduction often lacked an organisational driver. The uncertain state of NPRS in several BMCs is symptomatic of this shortcoming.

To convert the poverty reduction focus emerging from CPAs into programmatic commitment, CDB encouraged BMCs to prepare NPRs and PRAPs.

Implementation of the NPRSs lacked organisational drivers when the term of the NATs and inter-ministerial coordination surrounding poverty reduction ended at the completion of the CPAs.

National organisational capacities for implementing an integrated multi-sectoral approach to poverty reduction are inadequate; and national ownership and leadership in BMCs are not effective enough to make greater inroads into the poverty reduction agenda.

6.14 In the absence of effective national framework, coordination around poverty reduction happened at the development partner level. While CPAs and, where available, NPRSs routinely involved development partners, coordination did not go much beyond sharing of information. Complementary coordinating mechanisms at the regional level, in the context of the PSSDDG, helped the development partners to minimise duplication of their efforts through joint discussions of their respective work programmes. The drive towards greater development effectiveness continues with the MfDR framework. Development partners attempt to match their involvement more closely to their respective comparative advantages and adopt a common outcome measurement system.

Implementing the BMC poverty reduction agenda

6.15 As a regional development bank CDB has helped BMCs identify, finance and oversee development projects supporting poverty reduction. Its resource allocation and programme/project identification processes complemented efforts to frame the poverty reduction agenda in the BMCs as they were designed to orient CDB's programmes towards a poverty reduction goal. While there are no systematic monitoring data on the effects of CDB's PRS, a variety of data points are available to gauge the quality of CDB's contribution to the implementation of the poverty reduction agenda in the countries, though not its quantitative impact on poverty reduction outcomes¹⁵⁴.

6.16 Findings from evaluations commissioned by EOJ over the PRS review period are part of the data set that helps illustrate CDB's contribution:¹⁵⁵

- Students Loan Schemes¹⁵⁶

At a broad level, the SLS is perceived to make indirect contributions to poverty reduction in the participating countries because it facilitates opportunities for education and training and helps build country capacities. The SLS, however, has been less successful in providing loans to the poor. The security and guarantee requirements for obtaining student loans limit access

¹⁵⁴ Only a tracer study showing the employment of those benefitting from the educational opportunities will demonstrate the quantitative impact, but that data will not be available until a few years into the future.

¹⁵⁵ The projects evaluated were not part of a PRS-programme and outcomes were not measured and assessed in the context of poverty reduction.

¹⁵⁶ Assessment of the CDB Student Loans Scheme (SLS), March 2005. Volume 1: Final Report.

to the SLS for the poorest segment of the population. Since the special SLS windows to benefit the poor are in early stages of implementation, relatively few students have benefited to date. A recent notable exception is the USD20.0 mn Student Loan Bureau project in Jamaica which targets students in the poorest percentile based on the CPA.

- Social Impact of the Basic Education Project (Second Loan), St. Lucia¹⁵⁷

Construction of three schools through the project has helped to simultaneously improve the skills of beneficiaries and to increase access to education at the primary and secondary levels and thereby impact poverty. Congestion in the schools in Castries has been reduced considerably and the double shift system has been completely discontinued. The de-shifting of the schools has resulted in improved supervision of children and a reduction in associated social ills. The students have all benefited from the improved circumstances in their learning environment, and the result has been an improvement in academic and overall achievement.

- Further Education Project, Turks and Caicos Islands¹⁵⁸

The project was to contribute to poverty reduction by offering greater educational opportunities for residents, thereby increasing their employability, income prospects and social mobility, and to reduce vulnerability of significant numbers of the work force in TCI through capacity enhancement. The project has enhanced the capability to provide improved post-secondary education and training to a wider cross-section of the TCI population by establishing the facilities of the campus for the Turks and Caicos Islands Community College (TCICC). Several government departments and some private sector organisations, including hotels, have benefited from programmes offered by the College. Graduates from the College have developed skills required to meet the country's manpower needs.

- Rural Development Project, Belize¹⁵⁹

The purpose of the project was to enhance the capacities of communities within the poor southern region of Belize by contributing to their social and economic development by investing in four components: community promotion and local organisational empowerment, technical and marketing services, rural financial services, and project management. Yet, the objective was only partially achieved as it reached only half of the intended beneficiary population. Poor implementation, a reduction in the scope of the project and its premature closure were to blame.

- Road Reconstruction – Hummingbird Highway, Belize¹⁶⁰

Poverty reduction was not one of the explicit objectives of the project, but the reconstruction of the highway has increased economic opportunities in the southern part of the country where there are high levels of poverty. The total population of the main villages on the highway more than doubled and several businesses have been established since the reconstruction of the road. Most of the development which has taken place has been Communities along the highway benefited directly from the project through employment and the sale of goods during construction.

¹⁵⁷ Social Impact Assessment of the Basic Education Project (Second Loan), St. Lucia. Final Report, October 2006.

¹⁵⁸ Ex-Post Evaluation Report on Further Education Project, Turks and Caicos Islands, March 2006.

¹⁵⁹ Ex-Post Evaluation Report on Rural Development Project, June 2008.

¹⁶⁰ Ex-Post Evaluation Report on Road Reconstruction (Hummingbird Highway), Belize. December 2004.

6.17 Under the influence of the PRS there has been a sizeable shift of concessional resources towards the needier Group 3 and 4 countries, which received approximately 87% of the SDF 7 resources compared to 75% prior to the implementation of the PRS (refer to Table 5). CDB's decision to include Haiti among its member countries, as well as the decision to bring Jamaica into the fold of the BNTF reaffirmed CDB's growing poverty focus.

TABLE 5: INITIAL SDF CYCLE ALLOCATIONS¹⁶¹

Country Group (CCS)	SDF 4 (1997-2000)	SDF 5 (2001-2004)	SDF 6 (2005-2008)	SDF 7 (2009-2012)
Group 1 and 2 countries	\$28.8mn	\$24.3mn	\$13.2mn	\$18.0mn
Group 3 (Belize, Dominica, Grenada, Jamaica, St. Lucia, St. Vincent and the Grenadines)	\$73.2mn (64.2%)	\$51.1mn (52.7%)	\$53.4mn (59.6%)	\$91.1mn (62.6%)
Group 4 (Guyana)*	\$12.0mn (10.5%)	\$21.5mn (22.1%)	\$22.9mn (25.6%)	\$36.4mn (25%)
Group 3 and 4 countries (allocation as of total)	75.7%	74.8%	85.6%	87.6%
Total Country Allocations (Loans)*	\$114.0mn	\$96.9mn	\$89.6mn	\$145.5mn

6.18 A proxy to assessing the poverty reduction orientation of CDB's portfolio in the BMCs has been the scoring of poverty relevance under the PPES. Poverty relevance, i.e., the poverty reduction potential, remained fairly constant: the entire portfolio attracted an average score of 6.3 (2008, SDF 6) over 6.2 (2004, SDF 5).¹⁶² For countries in Group 3 and 4 (excluding Haiti), average poverty relevance did not change as it stood at 6.47 in 2004 and 6.5 in 2008. Hence, on average, poverty reduction effectiveness appears to have improved in poorer BMCs as a result of performance dimensions other than poverty relevance. In turn, based on aggregate data, there was no evidence of greater poverty selectivity of country portfolios (expressed through a gain in poverty relevance).

6.19 PPES data revealed that overall Project Performance Implementation Index (PPI) across countries remained virtually unchanged from the last year of SDF 5 (2004) to the last year of SDF 6 (2008). Total project performance was scored as satisfactory to highly satisfactory (PPI score was 6.0). For countries in Group 3 and 4 (excluding Haiti), an increase in overall poverty reduction effectiveness could be noted as the average score rose from 6.05 in 2004 to 6.21 in 2008.

6.20 CDB has been very responsive to economic distress, the consequences of the global financial crisis as well as the string of natural disasters affecting the BMCs. Its programmes have assisted in averting hardship to poor who would have been affected the poor disproportionately affected by these events. The introduction and rapid growth of PBLs as a major programme instrument is a prominent example; growing emphasis on social protection systems is another. By developing operational strategies on environment and gender and reflecting the poverty reduction perspective, CDB is further refining its poverty reduction programming.

CDB has helped BMCs identify, finance and oversee development projects supporting poverty reduction. The RAS and programme/project identification processes complemented efforts to frame the poverty reduction agenda on the BMCs. The RAS delivered a re-balancing of investment resources to countries with higher poverty incidence and to operations supporting a poverty reduction goal.

¹⁶¹ SDF Mid-Term Review 2007 and SDF Annual Report 2009. [*excluding Haiti]

¹⁶² Annual Review of the Performance of the Project/Loan Portfolio under Implementation for 2004 and 2008.

EFFICACY - CONCLUSIONS

6.21 The poverty reduction agenda in the BMCs has made headway since the PRS was adopted. CDB has assisted in sensitising BMC governments to the greater impact of a strategic and coordinated approach to poverty reduction. The visibility of poverty has grown as has its recognition as a major policy issue. Advocacy by CDB has helped to forge a commitment by BMCs around an ambitious regional MDG agenda (CMDGs). However, a fully integrated approach to poverty reduction in the BMCs is still not achieved as NPRSs are not readily embraced in many countries.

6.22 Poverty data has improved, but national systems to generate this information on a regular basis still do not function. Collecting and compiling poverty data hinges, in many instances, on external assistance. Development of a system to compile regional statistical data on poverty and development, DevInfo, is ongoing with the support of CDB. Overall, evidence-based poverty data remain fairly weak. The same is true for monitoring information on the results of poverty reduction interventions.

6.23 Generally, organisational capacities in the BMCs for implementing an integrated multi-sectoral approach to poverty reduction are weak. Coordination by international development partners around the poverty reduction priority is accelerating. Ultimately national ownership and leadership will be necessary to make greater inroads into poverty reduction. Owing to its unique make-up and knowledge CDB has a special role to play in reconciling the poverty agenda of the BMCs.

6.24 The Bank has been playing its role as a development bank as it channels resources to its BMCs to stimulate their growth and development. Under the influence of the PRS and the SDF framework, funds have gone increasingly to operations supporting a poverty reduction goal. CDB has been very responsive to the BMCs needs and helped them to respond to global economic crises and natural disasters while keeping the focus on enhancing national capacities. More resources have gone to poorer countries and across all countries more resources were spent on poverty reduction interventions.

CDB has been very responsive to the BMCs' needs and assisted them to respond to global economic crises and natural disasters while keeping the focus on enhancing national capacities.

More resources have been spent on poverty reduction interventions in the poorer BMCs, supporting income poverty reduction through infrastructure investments for growth, and contributing to environmental goals. The Bank has taken on a significant role in basic, secondary and tertiary education.

+7. LESSONS AND RECOMMENDATIONS

LESSONS

7.01 Focusing on PRS instruments (CPAs, NPRSs) is insufficient to accelerate the national poverty reduction agenda. Consideration of the policy formulation and implementation processes in a holistic manner is necessary to create an enabling environment in which the poverty reduction agenda can be sustainable.

7.02 Focusing on framing the poverty reduction agenda in the BMCs requires more than just assessments and strategies and more than discrete capacity enhancement measures. It requires a sustained focus on the policy formulation and political process to ensure adequate commitment to implementation of poverty reduction. There is an urgent need to rethink the CDB's project-based approach to framing the poverty reduction agenda in the countries.

7.03 An expanded partnership in the service of a fully nationally owned poverty reduction strategy and institutional framework is desirable and should be the standard operating principle as a basic initiative to further mainstreaming of the poverty reduction agenda and enhancing relevance, efficacy and efficiency of national instruments and processes.

7.04 Synergy is necessary with regard to implementing agencies, country processes for planning, implementing and monitoring public actions that are appropriate to each BMC's circumstances and capacity in order to influence the drivers of the poverty reduction agenda in the BMCs (commitment, knowledge, coordination, financial and human resources). National ownership is a critical element of a strategy that focuses on poverty reduction. Commitment to the poverty reduction agenda is essential to ensure implementation and sustainability.

RECOMMENDATIONS

Revised Strategy

7.05. Given the changing socioeconomic operating environment and emerging fiscal and social issues challenging the BMCs, the PRS needs to be revised to:

- (a) outline how CDB intends to deploy its resources and use its competencies according to its comparative advantage to best support the BMCs' poverty reduction efforts; and how its role and responsibilities will complement those of other development partners;
- (b) articulate how poverty reduction interventions are to be prioritised based on prevailing development needs of the BMCs as identified from CPAs, and linked to CSPs, NPRSs and PRAPs;

Progress depends on each BMC's public sector capacity, government-partner relationships, and relations among Donors.

To create an enabling environment in which the poverty reduction agenda would be sustainable can be done by addressing gaps, blockages, weaknesses, threats, and exploiting strengths and opportunities to enhance the positive dynamics of the system for poverty reduction. This entails complementary interventions that will support the CPA and NPRS processes.

The PRS process has highlighted the need for more analytical work to be conducted on how development policies and programmes can lead to poverty reduction.

Wide community participation is a prerequisite for achieving poverty reduction goals.

Parliaments can play a role in the diagnosis and analysis of poverty, serve as a forum for multiparty consensus on poverty reduction priorities, rally country wide support and ownership, and use their oversight function on budget and legislative issues to see that the needs of the poor are met.

- (c) adopt a programmatic approach (versus project-based) that apply results-logic to detail impacts, outcomes, outputs and activity levels; and a system to monitor its results and guide its processes and interventions; and
- (d) incorporate in the PRS, the developments that have occurred in successive SDF cycles, such as the new instruments for poverty reduction (PBLs, MfDR, integration of poverty in CDB's Sector Policies, disaster risk mitigation and climate change, environmental sustainability, gender equity, governance as key concerns in poverty reduction); and emerging issues of violence, crime and citizen security.

Refining Roles and Responsibilities

7.06 CDB's role in poverty reduction in the region needs to be refined to:

- (a) focus on the comparative value-added of its services based on appraisal of its organisational strengths and consideration of its complementarity with development partners;
- (b) adjust CDB's operations to match poverty reduction focus and capabilities including scheduling the preparation of CSPs following the conduct of CPAs and formulation of NPRSs;
- (c) revisit CDB's internal processes to make them interact effectively with development partner capacities, including through joint missions and analytical work; and
- (d) realise CDB's comparative advantage in regional coordination on poverty and poverty reduction and as a knowledge hub for poverty reduction information (to spread best practices and for the dissemination of information).

Revisiting the Instruments

7.07 The PRS instruments should be revisited to:

- (a) strengthen the integration of CPAs and the country portfolio development process against the background of the changing economic and social conditions in the BMCs; and explore the options to make CPAs more up-to-date with changing conditions.
- (b) assess the extent to which CPAs and CSPs can be more closely aligned, as well as greater regional standardisation;
- (c) better integrate CPAs with national medium-term strategies;
- (d) align monitoring information on national poverty reduction interventions more closely with CPA data to inform programme development;
- (e) explore ways to achieve stronger integration of CDB's poverty reduction instruments¹⁶³ with national systems and processes (e.g. by making use of pilot projects, sector development programmes and SIFs that are especially suited to poverty reduction). The poverty reduction framing instruments should rely more on the country's own systems of management and accountability to increase their leverage on poverty reductions efforts at the country level.

¹⁶³ CPAs which collect and analyse information on poverty and the poor; NPRSs which correlate and prioritise poverty reduction actions; and other instruments (such as a monitoring framework) necessary to draw up and support an effective poverty reduction programme.

- (f) review the CPA and NPRS processes, including the NAT mechanism, to determine their actual and potential integration into national policy processes, national budgets, and the governance of the BMCs' poverty reduction agenda. The issues that will have to be addressed relate to the role and relevance of the NAT for the anchoring the assessment/strategy process, the effectiveness of inter-ministerial management and coordination surrounding poverty reduction, national capacity for poverty monitoring and for monitoring poverty reduction outcomes; and
- (f) refine the results monitoring framework to better capture the effectiveness of CDB's contribution to the national poverty reduction agenda by the introduction of indicators that are measurable and time-bound; framing the poverty reduction agenda to introduce outcomes; and measure results at the level of the drivers of poverty reduction identified in this assessment (i.e. commitment and priorities, knowledge and learning, organisation and coordination). A system of triangulation using national poverty and output/outcome monitoring data together with MfDR indicators could be applied.

Rebalancing Capacities

7.08 CDB's capacity should be assessed and rebalanced to:

- (a) reinforce CDB's applied social/poverty reduction research capacity to provide stronger advocacy impact and knowledge brokering of experiences from within the region and from the rest of the world;
- (b) augment CDB's in-house capacity through closer collaboration with the more substantial research capacities of sub-regional, regional and international agencies; and
- (c) boost CDB's technical assistance capacities to provide a more balanced blend of investment assistance, TA (policy advice, training programmes, institution building) and knowledge products in support of poverty reduction programming in the BMCs. The forthcoming technical assistance strategy would be expected to provide additional guidance on how TA can be leveraged to support CDB's investment loans for better poverty reduction results.

**CONSULTANCY SERVICES FOR ASSESSING THE EFFECTIVENESS OF THE
IMPLEMENTATION OF THE POVERTY REDUCTION STRATEGY OF THE
CARIBBEAN DEVELOPMENT BANK**

TERMS OF REFERENCE

1. BACKGROUND

1.01 Poverty reduction is the overarching goal of the Caribbean Development Bank (CDB) and a specific replenishment theme of the Unified Special Development Fund ([SDF (U)]. In 2001, CDB approved the Poverty Prism¹⁶⁴ with three strategic levers: capability enhancement; vulnerability reduction; and pro-poor governance, which are used to guide the Bank's interventions so as to optimise the poverty reduction potential. As an operational approach, the Poverty Prism extends to all stages of the project cycle and the strategic levers cut across all sectors financed by the Bank.

1.02 Consistent with the Bank's mission and strategic objectives, the Poverty Reduction Strategy (PRS) approved in 2004, represented CDB's commitment to promote sustainable economic growth and inclusive social development that would contribute to the systematic reduction of poverty in BMCs and strengthen their resilience to external shocks. The major vehicles for delivery of the Bank's assistance to BMCs are country-focused interventions and regional support geared to reduce vulnerability; to improve community-based operational systems; increase life chances for those living in poverty; modernise government machinery; and regionalise social and economic integration.

1.03 Appendix 1 presents a summary of the specified thematic areas, priorities, expected outputs and outcomes of the PRS which are used to guide the selection, design and formulation of CDB's intervention measures and assistance to BMCs. The PRS is based on four modalities and the application of the three facets of the Poverty Prism. The modalities comprise:

- (a) blending of the Bank's hard (Ordinary Capital Resources - OCR) and soft resources (Special Development Fund - SDF) at the project level allowing for broadening of the Bank's influence on institutional and/or policy issues, as well as providing leverage for innovative funding of interventions which might otherwise be inappropriate for conventional OCR funding;
- (b) applying the new method of project performance evaluation – Project Performance Evaluation System (PPES) which incorporates specific evaluation criteria that permit expeditious identification of projects which score highly on poverty relevance and institutional development;
- (c) using the Resource Allocation Strategy, including the Poverty Reduction Effectiveness Situation (PRES) scoring for indicative country allocations of SDF resources; and
- (d) strengthening inter-organisational cooperation and coordination through active participation in regional groups and other fora focusing on poverty reduction and pro-poor growth.

1.04 Since 2004, the economic and social environment of BMCs has altered significantly. The Caribbean Community (CARICOM) region is presently facing severe economic challenges resulting from the global financial and economic crises. In 2008, an assessment of the status of Caribbean-

¹⁶⁴ The Poverty Prism was developed as an operational concept from the mission statement and core direction set out in CDB's Strategic Plan 2000-2004. It was intended to be a more comprehensive and flexible instrument to support poverty reduction initiatives in BMCs than the previous notion of projects being directly targeted at the poor. PRS, 2004: Page 18 – Paragraph 4.15.

specific Millennium Development Goals (C-MDGs) targets and indicators revealed that “with regard to the eradication of poverty and hunger overall poverty levels in the BMCs are relatively high, with significant pockets also existing in countries with relatively low levels.

1.05 Data for 2009¹⁶⁵ indicated contracted economic output and increased unemployment in most regional economies resulting from the lagged impact of the global economic recession. Some BMCs which continue to experience moderate to severe fiscal deterioration require macroeconomic support. Given the extent and rate of recovery of the major world economies, recovery of regional economies is unlikely to occur before 2011. Furthermore, fiscal constraints continue to exacerbate efforts to achieving the C-MDGs.

1.06 The results of the most recent Country Poverty Assessments (CPAs) indicated that although there was a decline in both the levels of poverty and indigence, the extent of overall poverty in those BMCs was still relatively high. The CPAs also revealed that the “working poor¹⁶⁶” is an increasingly prominent characteristic of poverty in the Region, reflecting a trend which is becoming progressively evident in the BMCs.

1.07 The purpose of the assessment is to determine the effectiveness of the Bank’s performance in implementing the PRS within the changing economic and social environment in BMCs. The assessment should address the following main evaluative issues:

- (a) Alignment of Bank-supported interventions and assistance within the context of the objectives of the PRS;
- (b) The link between the volume of lending and non-lending activities and resource allocation to support poverty reduction activities of BMCs;
- (c) Effectiveness of CDB’s operational programme (country strategies, programmes and projects) in meeting poverty reduction objectives and targets. How has the Bank contributed to poverty reduction at the Country level?
- (d) Alignment of financial (availability and adequacy of the amount of concessionary resources, resource outlook, lending instruments and modalities) and organisational (skills mix, structure, processes, culture) capacity of CDB to effectively implement the PRS;
- (e) Relevance of the PRS to the current and future needs of BMCs given recent data on poverty trends, global economic crisis, debt status of BMCs, and institutional and structural constraints in the BMCs; and
- (f) The extent to which CDB succeeded in improving relationships with other development partners in the implementation of the PRS (e.g.: donor harmonisation and coordination).

2. OBJECTIVES

2.01 The overall objective of the consultancy is to assess the effectiveness of the implementation of CDB’s PRS over the period 2004-2009 within the context of the Bank’s increased emphasis on poverty reduction and pro-poor growth.

¹⁶⁵ Caribbean Development Bank, March 2010: Annual Report 2009.

¹⁶⁶ This group which constitutes employed persons whose consumption levels are below the poverty line, also make up much of the urban poor.

The specific objectives of the consultancy are to:

- (a) assess the implementation progress of the PRS;
- (b) assess the extent to which the PRS has achieved or likely to achieve the results as defined by the monitoring indicators for the PRS;
- (c) derive strategic, policy, programmatic and operational lessons;
- (d) recommend improvements, if necessary, to increase the effectiveness, efficiency, relevance and policy framework; and
- (e) recommend improvements, where appropriate, to the monitoring and evaluation framework of the PRS.

3. SCOPE OF SERVICES

3.01 The consultancy services to be provided will involve, but not be limited to, the following tasks:

- (i) **Relevance**
 - (a) Review of the lending and non-lending activities, and the allocation of concessionary resources to BMCs, over the period 2004-2009 in the context of the PRS's thematic areas and priorities (refer to Annex 1);
 - (b) Assessment of the extent to which CPAs¹⁶⁷ influence the design and formulation of Country Strategy Papers (CSPs);
 - (c) Assessment of the extent to which the priorities and objectives of CDB's PRS, CSPs and the National Poverty Reduction Strategies (NPRS) and Action Plans of BMCs are aligned;
 - (d) Assessment of CDB's system for allocation of resources, suitability of the criteria for allocating technical assistance to the BMCs for the formulation of NPRSs and country programmes/projects;
 - (e) Assessment of the degree of flexibility and adaptability of the PRS in relation to a changing economic environment, and new and emerging priorities of CDB and BMCs;
 - (f) Assessment of the extent to which CDB's PRS has contributed, or is expected to contribute, to a reduction of poverty in BMCs in the context of the 'strategic levers' of capability enhancement, vulnerability reduction and good governance; and
 - (g) Assessment of the degree of integration between country data on poverty, the poverty reduction goals of CDB's PRS, CSPs and Bank-supported assistance for poverty reduction.

¹⁶⁷ CDB provided financial assistance to conduct CPAs in all BMCs and for preparation of NPRSs in eight BMCs. Only Belize and Dominica have completed an NPRS.

- (ii) **Efficacy**
 - (a) Assessment of the outcome, where possible, of the Bank's lending and non-lending policies and activities in contributing to poverty reduction objectives and targets; and
 - (b) Assessment of the qualitative, indirect benefits and/or unplanned results of the PRS.
- (iii) **Bank Performance**
 - (a) Assessment of the effectiveness and sustainability of financial and organisational arrangements for implementation of the PRS;
 - (b) Identification of lessons of experience and recommend areas for improving collaboration with BMCs in respect of country assistance;
 - (c) Identification of any potential risks to the Bank if the objectives of the PRS are not achieved or achievable;
 - (d) Assessment of the extent to which CDB promoted meaningful stakeholder involvement in thematic initiatives and interventions of the PRS;
 - (e) Assessment of CDB's mechanisms for monitoring and reporting on PRS lending and non-lending activities with regard to the adequacy of available information/knowledge to facilitate estimation of the Bank's contribution to poverty reduction and social outcomes; and
 - (f) Assessment of CDB's relationship and extent of networking with development partners (harmonisation, coordination and financing) in the implementation of the PRS.
- (vi) **Borrower and Executing Agency (EA) Performance**
 - (a) Assessment of borrower ownership and commitment within the context of bank-supported assistance;
 - (b) Assessment of the adequacy of the country policy framework for poverty reduction for BMCs with completed NPRSs; and
 - (c) Assessment of the capacity of BMCs with completed NPRSs for monitoring the impact of poverty reduction initiatives and interventions.

4. METHODOLOGY

4.01 The assessment will involve an institutional review (desk study) as it relates to the implementation of the PRS; visits to seven BMCs – Belize, Grenada, Guyana, Jamaica, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines; and a case study of Belize. The case study will be conducted to determine the effects of and analyse changes resulting from CDB's PRS on BMC policy choices, formulation and outcomes; BMCs perception of CDB's performance; performance of CDB's PRS-supported projects/programmes over the period 2004-2009; and implementation issues and constraints to the sustainability of interventions.

4.02 The Consultant (s) will:

- (a) Review relevant published and unpublished materials produced by those development agencies where the cross cutting issues relating to PRS process have been studied;
- (b) Review internationally comparable economic and social data, country poverty data and indicators of country performance;
- (c) Review registry files, bank documents (i.e. appraisal reports, project completion reports, evaluations conducted in thematic areas of the PRS), the project performance management information system, resource allocation system, lending data and technical assistance data.
- (d) The following is a list of available background documents:
- Poverty Reduction Strategy Paper, 2004
 - CDB's Strategic Plan, 2004-2009
 - CDB's Strategic Plan, 2010-2014
 - Evaluation Report on Technical Assistance Operations, 2004-2009
 - Governance Strategy Paper, May 2003
 - Themes, Issues and Timeline for the SDF 6 Process, May 2004
 - Annual Portfolio Performance Reviews, 2004–2008
 - CPAs for the selected BMCs
 - Country Poverty Assessments and Poverty Reduction Strategies Programme in BMCs, May 2006
 - Agreement Between the Caribbean Development Bank and the Inter-American Development Bank to Execute a Programme to Support Country Poverty Reduction in the Caribbean, May 2006
 - CSPs for the selected BMCs
 - Project Supervision Reports, 2004-2009
 - Poverty, People and Potential: BNTF in the Caribbean, CDB 2005
 - BNTF Mid-Term Review, 2008
 - Ex-Post and Programme evaluations, 2004-2009 (Education Sector)
 - Thematic and Sector Evaluations, 2004-2009
 - Independent Evaluations for Rural Development Projects (Rural Development Dominica, St. Lucia, Grenada)
 - Project Completion Reports, 2004-2009
 - CDB Lending Policies
 - SDF(U) Reports and Mid-Term Reviews, 2004-2009
 - Assessment of the CDB Student Loan Scheme, March 2005
 - A new Perspective on Poverty in the Caribbean, the Strength of a Participatory Approach, CDB 2007
 - Progress Report on Implementation of the Caribbean Development Bank's Poverty Reduction Strategy, March 2008
 - Poverty Reduction and Human Development in the Caribbean – Addressing the Millennium Development Goals, July 2008
- (e) Survey relevant personnel from CDB, Borrowers and EAs in the selected BMCs, key stakeholders involved in the formulation of the NPRS and CDB development partners.

4.03 The methodology should take advantage of rapid appraisal techniques, including formal and informal interviews, focus group discussions and other methods selected, according to needs. The Technical Proposal should provide CDB with a method of approach, plan of action for conducting the assessment and an assessment matrix.

5. INPUTS

5.01 CDB will provide the Consultants with all relevant internal documentation to facilitate the completion of the consultancy, as well as, facilitate access to the relevant CDB personnel and BMCs.

6. QUALIFICATIONS AND EXPERIENCE

6.01 The Consultant (s) should possess tertiary level qualifications in social science and economics and specific experience in the fields of programme evaluation, strategic planning and implementation.

6.02 The Consultant (s) should have at least ten years working experience in his/her respective discipline and the following competencies:

- (a) fluency in English;
- (b) knowledge of poverty reduction, and social policy and analysis;
- (c) knowledge of CDB procedures or experience with multi-lateral development agencies; and
- (d) experience in the application of their skill in the Caribbean Community (CARICOM) Region.

7. DELIVERABLES

7.01 The Consultant (s) will be required to submit the following reports:

- (a) Two copies of an inception report within 2 weeks of commencement of work providing details of the revised work plan and schedule for the consultancy. CDB will provide comments on the Inception Report within 2 weeks of receipt and the Consultants will adjust the work plan in accordance with the comments received and agreed upon;
- (b) Three copies of an Interim Report within 12 weeks of commencement of work with key findings, issues and recommendations after the completion of the required research and travel to the selected BMCs. CDB will provide comments on the report within 2 weeks of receipt and the Consultants shall incorporate these comments in completing the assignment and preparing a Draft Final Report; and
- (c) Three copies of a Draft Final Report within 4 weeks of receipt of CDB's comments, detailing the results, conclusions and recommendations of the evaluation. CDB will provide comments on the report within 2 weeks after its receipt; and
- (d) Three copies of the Final Report incorporating the comments of CDB within 1 week of receiving the comments. The Final Report shall include an Executive Summary with full cross-referenced findings, recommendations and lessons learned (as outlined in the indicative document structure at Appendix 2).

An electronic version of all the reports must also be submitted in a format acceptable to CDB.

8. REPORTING

8.01 The Consultant (s) will report to the Deputy Director, Evaluation and Oversight Division (EOV).

CDB POVERTY REDUCTION STRATEGY 2004 – THEMATIC AREAS, PRIORITIES, EXPECTED OUTPUTS AND OUTCOMES		
THEMATIC AREA	PRIORITIES	SUMMARY EXPECTED OUTPUTS AND OUTCOMES
1. Capability Enhancement	<ul style="list-style-type: none"> • Economic restructuring and development; • Human resource development systems in the formal and informal education and training sectors; and • Donor collaboration and partnership. 	Enhancement of the livelihoods and incomes of the poor; systematic and sustainable poverty reduction; and social wellbeing. (Refer to PRS: Section 5. The Strategy. Pages 23-25 for details).
2. Vulnerability Reduction	<ul style="list-style-type: none"> • Mainstreaming of natural hazard risk management at all levels; provision of disaster rehabilitation loans; and support for each BMC to put measures in place to minimise risks and losses; • Health development, including support for preparation of effective health care strategies; policies and programmes, and collaboration with development partners in health sector interventions such as HIV/AIDS awareness building and prevention; • Housing development via special mortgage interventions targeting low-income; households and the regulation of squatter settlements; and • Supporting community development initiatives, such as Basic Needs Trust Fund and Social Investment Funds. 	Prevention of the poor from descending deeper into poverty and preventing the non-poor from becoming poor; and CDB will support efforts that will reduce the exposure of BMCs to various shocks, minimise their effects and facilitate recovery in the shortest possible time. (Refer to PRS: Section 5. The Strategy. Pages 25-26 for details)
3. Good Governance	<ul style="list-style-type: none"> • Supporting public sector reform in which the development of adequate regulatory systems and social protection measures are efficiently designed and administered and the principles of accountability, effectiveness, equity and pro-poor programming are associated with the efficient delivery of services; • Promoting participation of citizens, including the poor and vulnerable with emphasis on national consensus-building, local development planning and resource allocation that benefit the poor; and • Mainstreaming of governance in CDB’s own operations. 	Efficient, accountable and transparent governments that define objectives and activities appropriate for the development of a modern state; and committed to enhancing the well-being of its citizens. (Refer to PRS: Section 5. The Strategy. Pages 27for details)

Monitoring and Evaluation

Impact indicators to monitor effectiveness of overall poverty reduction efforts in BMCs; and to the extent possible establish the relationship between CDB’s programmes to their poverty reduction goals - poverty rates to show the extent of poverty; Gini Coefficient to measure the distribution of poverty; and the Human Development Index (HDI)

The Bank will use localised country indicators to track the attainment of the MDGs target of reducing extreme poverty by 50% by 2015. (Refer to PRS: Section 6. Monitoring and Evaluation. Pages 29-30 for details).

EVALUATION MATRIX

EVALUATION CONCERNS AND QUESTIONS
1. Relevance of CDB's Poverty Reduction Strategy
<i>1.1 Importance of a region-based structured approach to poverty reduction</i>
What are the characteristics (economic, social, poverty) of the Caribbean nations that would justify a shared approach to poverty reduction? How important are the economies of scale and scope of such an approach? Are there potential drawbacks?
<i>1.2 Institutional relevance of CDB as catalyst for poverty reduction in the region</i>
What qualifies the CDB to be a catalyst for poverty reduction in the region? What sets it apart from other development agencies when it comes to working on poverty reduction in the region? How strong is the CDB's mandate for poverty reduction?
<i>1.3 Relevance of the CDB's strategy (approach and services) for poverty reduction</i>
Has the strategy made a difference in CDB's approach to poverty reduction? How has the Bank contributed to poverty reduction at the country level? Has the CDB become more poverty focused? To what extent are Bank-supported interventions and assistance aligned with the PRS objectives? To what extent are the priorities and objectives of CDB's PRS, CSPs and NPRS and PRAPs aligned? How well are they linked? Have CDB CSP and assistance been shaped by country data on poverty reduction and the PRS? How is the PRS linked to CDB's Social Protection Policy; Environmental and social reviews procedures, disaster management and strategy and operational guidelines, and gender policy? How is the PRS linked to CDB's governance strategy and operational strategy for supporting regional cooperation and integration? Does CDB adequately respond to the poverty challenges in the region? Did CDB promote meaningful stakeholder involvement in thematic initiatives and interventions? Have there been qualitative, indirect benefits and/or unplanned results?

<p>The link between lending and non-lending activities and resource allocation to support poverty reduction activities of BMCs?</p> <p>Is the CDB's PRS sufficiently flexible and adaptable to the changing economic environment poverty trends, global economic crisis, debt status, institutional and structural constraints of BMCs and to new and emerging priorities of CDB and BMCs?</p>
<p style="text-align: center;">2. Effectiveness of CDB's Outputs and Services</p>
<p>What were the changes in outcomes, hence improvements in the relevant conditions for poverty reduction at the country level?</p> <p>To what extent have CDB's lending and non-lending policies and activities (country strategies, programs and projects) contributed to poverty reduction objectives and targets?</p> <p>To which extent has the focus on the strategic levers contributed to poverty reduction?</p> <p>Has there been a proper balance between operations aimed at capability enhancement, vulnerability reduction and good governance?</p> <p>How effective were CDB's activities at framing the poverty reduction agenda in the BMCs?</p>
<p>2.1 Framing the poverty reduction agenda</p>
<p>- What are the achievements of the CDB in terms of reinforcing political commitment and shifting priorities?</p>
<p>2.2 The value and quality of political momentum and commitment arising from CDB's efforts</p>
<p>How have CDB structures and strategies helped to increase awareness in regard to poverty and to enhance the political commitment to addressing the problem? (including CMDGs)</p> <p>What were the primary external and internal reasons for their success or failure?</p> <p>How do they compare to other experiences?</p> <p>Were the CDB interventions in tune with the requirements of evolving nature of poverty?</p> <p>Through which particular channels has CDB been able to raise awareness and forge political and resource commitment at the national and regional level?</p> <p>What worked and what did not?</p> <p>Did the CDB reinforce local initiatives to deal with poverty reduction?</p>
<p>How has CDB contributed to knowledge of poverty and supported learning on poverty reduction?</p> <p>To what extent have CDB knowledge services improved the availability and quality of information on poverty and poverty reduction?</p> <p>Has the information been focused on priority concerns in poverty reduction?</p> <p>To what extent have CDB's services boosted the state of information of BMC policy makers and other actors? Have the latter's decisions and actions become more sensitive to the needs of a poverty reduction? (including CMDGs)</p>

<p>How have CDB's knowledge services been deployed in the BMCs to overcome knowledge deficits and imbalances?</p> <p>Which types of operations were successful / unsuccessful, for what reason and under which circumstances?</p> <p>Are there lessons to be drawn from comparable efforts?</p> <p>Did CDB's knowledge services target critical issues for improving the poverty response?</p> <p>What types of knowledge originating from the CDB were most important to improving poverty reduction in the BMCs?</p> <p>What helped the process of local appropriation of knowledge, what slowed or prevented its effective transmission?</p> <p>Have the knowledge services been sufficiently customised to local circumstances?</p>
<p>What support has CDB provided on coordination and partnerships?</p> <p>To what extent has CDB been successful in forging agreement on and mobilising and entertaining support for a poverty reduction agenda?</p> <p>Has the response (policies, strategies, resource mobilisation and actions) been adequate in view of the nature and development of poverty?</p> <p>How have the institutional mechanisms of CDB contributed to enhancing coordination and improving resource allocation for poverty?</p> <p>What were the primary external and internal reasons for their success or failure?</p> <p>How do they compare to other mechanisms?</p> <p>Have the institutional mechanisms of CDB been sufficiently responsive to nature of poverty and structural constraints in the BMCs?</p> <p>Under which circumstances and how have CDB efforts helped promote greater coordination and more appropriate allocation of resources?</p> <p>Has CDB coordination support been properly adapted to local arrangements and conditions?</p>
<p style="text-align: center;">3. Implementing the poverty reduction agenda</p>
<p><i>3.1 Capability Enhancement</i></p>
<p>Has social impact analysis influenced the way the projects were implemented?</p> <p>Has poverty relevance been a major decision factor in the selection of interventions?</p> <p>Has the project been derived from the CPA and identified in the NPRS?</p> <p>Have projects addressed at VR been mutually supportive?</p> <p>Did the interventions combine capital assistance and TA? If so, were these aspects properly balanced?</p> <p>Was the operation directly targeted to the poor, or was the poverty reduction dimension rather incidental?</p> <p>Are the resources aimed at VR adequate?</p>

<p>How does the CDB intervention relate to the activities of other development agencies in that area?</p> <p>Does the BMC monitor and report on VR? Has there been a measurable impact on poverty, change in the indicators for the CMDG?</p>
<p>3.2 Vulnerability reduction (VR)</p>
<p>Has social impact analysis influenced the way the projects were implemented?</p> <p>Has poverty relevance been a major decision factor in the selection of interventions?</p> <p>Has the project been derived from the CPA and identified in the NPRS?</p> <p>Have projects addressed at VR been mutually supportive?</p> <p>Did the interventions combine capital assistance and TA? If so, were these aspects properly balanced?</p> <p>Was the operation directly targeted to the poor, or was the poverty reduction dimension rather incidental?</p> <p>Are the resources aimed at VR adequate?</p> <p>How does the CDB intervention relate to the activities of other development agencies in that area?</p> <p>Does the BMC monitor and report on VR? Has there been a measurable impact on poverty, change in the indicators for the CMDG?</p>
<p>3.3 Good governance (GG)</p>
<p>Has social impact analysis influenced the way the projects were implemented?</p> <p>Has poverty relevance been a major decision factor in the selection of interventions?</p> <p>Has the project been derived from the CPA and identified in the NPRS?</p> <p>Have projects addressed at GG been mutually supportive?</p> <p>Did the interventions combine capital assistance and TA? If so, were these aspects properly balanced?</p> <p>Was the operation directly targeted to the poor, or was the PR dimension rather incidental?</p> <p>Are the resources aimed at GG adequate?</p> <p>How does the CDB intervention relate to the activities of other development agencies in that area?</p> <p>Does the BMC monitor and report on GG? Has there been a measurable impact on poverty, change in the indicators for the CMDG?</p>
<p style="text-align: center;">4. Implementation and Efficiency of the CDB</p>
<p>Have financial and organisational capacities of the CDB been properly aligned to effectively implement the PRS?</p>
<p style="text-align: center;">4.1 Intervention modalities</p>
<p>To what degree is SDF defining the poverty content of loan projects?</p> <p>Has the blending of OCR and SDF helped to increase the PR impact of the CDB?</p>

How strong does poverty reduction feature in policy-based loans (PBL)?

Does TA enhance the poverty relevance of projects? Is there a difference between grant versus loan financing of TA?

How is the BNTF impacted by the other modalities? And, vice versa, are BNTF operations influencing other poverty reduction operations?

4.2 Organisation and Management

Is the CDB system for resource allocation favorable to poverty reduction impact?

Are the criteria for allocating technical assistance to BMCs for the formulation of NPRS and country programs/projects suitable (equitable and efficient)?

Who manages the various aspects of the poverty reduction strategy?

Do supervision arrangements for projects facilitate consideration of poverty concerns?

4.3 Operational capacities (skills mix, structure, processes, culture)

Does CDB have the right skills to make CDB's poverty reduction activities effective? Are the social analysts well utilised?

Has the CDB become more sensitised to poverty reduction concerns? Has there been a shift in culture?

Are decision processes with relating to poverty reduction content sufficiently integrated?

4.4 Financing

Are the financial and organisational arrangements for the implementation of the poverty reduction satisfactory?

4.5 Monitoring, evaluation and reporting

Is information to gauge the Bank's contribution to poverty reduction and social outcomes adequate (on lending and non-lending activities)?

4.6 Internal governance and strategic direction of the CDB's PRS

Are there any frictions between the governance arrangements of the SDF and the CDB that may impact the PRS?

5. Partnership

How can collaboration with BMC's in respect to country assistance be improved?

What is the relationship and interaction between CDB and development partners in the implementation of the PRS?

To what extent has CDB succeeded in improving relationships with other development partners in the implementation of the PRS (e.g., donor harmonisation and coordination)?

EVALUATION REPORTS REVIEWED

1. Assessment of the CDB Student Loans Scheme (SLS), March 2005. Volume 1 - Final Report.
2. Social Impact Assessment of the Basic Education Project (Second Loan), St. Lucia. Final Report, October 2006.
3. Ex-Post Evaluation Report on Further Education Project, Turks and Caicos Islands, March 2006.
4. Ex-Post Evaluation Report on Rural Development Project, June 2008.
5. Ex-Post Evaluation Report on Road Reconstruction (Hummingbird Highway), Belize. December 2004.

LIST OF STAKEHOLDERS INTERVIEWED

Belize (8th – 11th March, 2011) – Appointments		
Contact Person	Date / Time	Organisation
Yvonne Hyde, CEO MED Joseph Waight/Yvette Alvarez Dr. Peter Allen, CEO Dr Ellajean Gillett, CEO Cadet Henderson, John Flowers Col. Shelton DeFour	Tuesday, 8 th March, 8:30 – 9:00 a.m.	Ministry of Economic Development (MED) Ministry of Finance (MOF) Ministry of Health (MOH) Ministry of Education (MOE) Ministry of Works (MOW) Ministry of Human Development (MHD) National Emergency Management Organisation (NEMO)
Joseph Waight/Yvette Alvarez Yvonne Hyde,	Tuesday, 8 th March, 9:00 – 11:00 a.m.	Ministry of Economic Development Ministry of Finance
C. Henderson , Chief Engineer,	Tuesday, 8 th March, 1:30 – 3:00 p.m.	Ministry of Works
D. Leacock, CEO Chris Aird	Tuesday, 8 th March, 3:00 – 4:30 p.m.	Ministry of Education
Margarita Gomez Alan Genity Ernest Raymond, Former PM		
Daniel Cano, Executive Director, SIF and SIF Team		SIF Loan and Basic Needs Trust Fund (Executing Agency)
Yvonne Hyde, CEO	Wednesday, 9 th March, 8:30 – 10:30 a.m.	Social Investment Fund
National Assessment Team* ()	Wednesday, 9 th March, 11:00 a.m.	National Human Development Advisory Council Subcommittee , Ministry of Economic Development
NPESAP Monitoring & Oversight Committee**	Wednesday, 9 th March, 2:30 – 4:30 p.m.	Monitoring & Oversight Committee for National Poverty Elimination Strategy Action Plan
MOH Technical staff	Thursday, 10 th March, 9:00 – 11:00 a.m.	Ministry of Human Development
Former PM, Anthony Nicasio	Thursday, 10 th March, 1:30 – 3:00 p.m.	Ministry of Health
Jamillah Bulwer, PMU Emma Grinage-Arthurs, PMU		Project management Unit
Natalie Ewing-Goff, General Manager, DFC		Lines of Credit, Executing Agency
Yvonne Hyde, MED	Thursday, 10 th March, 3:30 - 4:30 p.m.	Ministry of Economic Development - Debriefing/Wrap-up Meeting
Yvette Alvarez	Friday, 11 th March	Ministry of Finance
NEMO Noreen Fairweather, National Emergency Coordinator Col. Shelton DeFour, Deputy Coordinator	Thursday, 10 th March, 8:30 a.m.	Natural Disaster Management, Ministry of Economic Development

Grenada (March 23 – 25, 2011) - Appointments		
Contact Person	Date / Time	Organisation
Mr. Mike Sylvester, Deputy PS Mr. Desmond John	March 23, 2011, 9:00 – 10:00 a.m.	Ministry of Finance
Mr. Learie Barry Mr. Vincent Williams	March 23, 2011, 10:15 – 11:15 a.m.	
Mr. Isaac Bhagwan, Ag. PS	March 23, 2011, 1:30 – 2:30 p.m	Ministry of Health
Ms. Allison Miller & Team	March 23, 2011, 3:00 – 4:00 p.m	
PS Aaron Francois & Team	March 24, 2011, 9:00 – 10:00 a.m	Ministry of Agriculture, Forestry & Fisheries
Senator Keith Clouden	March 24, 2011, 10:30 – 11:30 a.m	
Ms Sandra Ferguson, Rep	March 24, 2011, 1:00 – 2:00 p.m.	IADGO
Mr. Mervin Haynes	March 24, 2011, 2:00 – 3:30 p.m	
Mrs. Sandra Thomas, Permanent Secretary	March 25, 2011, 10:00 – 11:30 a.m	Ministry of Social Development
Mr. Fanuel Antoine and Team	March 25, 2011, 1.30 – 2.30 p.m.	Basic Needs Trust Fund (BNTF)

Guyana (March 28 – 30, 2011) - Appointments		
Contact Person	Date / Time	Organisation
Mr. Tarachand Balgobin, Head, Project Cycle Division.	March 28, 2011, 3:30 – 4:30 p.m.	Ministry of Finance
Ms. Sonya Roopnauth, Director, Office of the Budget		
Col. Chabilal Ramsarup, Director General, (Disaster Management)	March 29, 2011, 9:30 – 10:45 a.m.	Civil Defense Commission
Ms. Denise Fraser, Project Coordinator		
Mr. Michael Singh, Project Manager, BNTF	March 29, 2011, 11:00 – 12:30 a.m.	Basic Needs Trust Fund (BNTF)
Ms. Simone Kellman, Community Liaison Officer, BNTF		
Mr. Edrea Marques, Coordinator, TVET Project	March 29, 2011, 1:30 – 3:15 p.m.	Ministry of Education
Ms. Sonya Roopnauth, Director, Office of the Budget	March 29, 2011, 4:00 – 5:00 p.m.	Ministry of Finance
Mr. Seeuchan, Director, (Ex Manager, Community Enhancement Project)	March 30, 2011, 11:45 – 1:00 p.m.	Regional Development Department
Mr. Neermal Rekha, Financial Secretary	March 30, 2011, 1:30 – 2:15 p.m.	Ministry of Finance
Ms. Sonya Roopnauth, Director, Office of the Budget		
Mr. Hyder Ally, Permanent Secretary	March 30, 2011, 2:30 – 3:30 p.m.	Ministry of Health
Dr. Shamdeo Persaud, Chief Medical Officer		
Mr. Balraj Balram, Permanent Secretary	March 30, 2011, 3:45 – 4:45 p.m.	Ministry of Public Works & Communication
Mr. Ron Rahaman, Highway Engineer		

Jamaica (May 3 – 9, 2011) - Appointments		
Contact Person	Date / Time	Organisation
MOE: J. Gordon-Brown	Tuesday, May 3 rd , 8:30 a.m.	Ministry of Education
OPM: Colette Roberts-Risden	Tuesday, May 3 rd , 2:30 p.m.	Office of the Prime Minister
PIOJ: SPPRD PDU	Wednesday, May 4 th , 2:00 p.m.	Planning Development Unit and the Social Policy and Planning Research Division of the Planning Institute Of Jamaica
MOA: Michael Pryce Carlton Wedderburn	Thursday, May 5 th 8:30 a.m.	Ministry of Agriculture
Ronald Jackson, DG	Thursday, May 5 th 10:30 a.m.	Office of Disaster Preparedness and Emergency Management (ODPEM)
Yvonne Lewars Neville Lindo Edison Galbraith Jacqueline M. Nugent	Thursday, May 5 th 3:00 p.m.	Development Bank of Jamaica (DBJ)
Denzil Thorpe Dunston Bryan	Friday, May 6 th 9:00 a.m.	Ministry of Labour and Social Security (MLSS)
NIC: Milton Henry Lydia Snape	Friday, May 6 th 2:00 p.m.	National Irrigation Development Programme
JSIF: Omar Sweeny Celia Dillon Carl McKenzie	Monday, May 98:30 a.m.	Jamaica Social Investment Fund (JSIF) & BNTF
Mrs. Jacqueline Brown, Public Expenditure Div. Mr. Mark Redwood, Director (Ag), Financial Disbursements	Monday, May 92:00 p.m.	Ministry of Finance and the Public Service (MOFPS)

St Kitts and Nevis (18 - 21 March 2011) - Appointments		
Contact Person	Date / Time	Organisation
Ms. Lavern Queeley, Director, Public Sector Investment Ms. Rena Warner, Senior Policy Analyst Ms Osslyn Ward, Social Planner	9:30 a.m - Friday 18 March	Ministry of Sustainable Development
Mrs. Janet Harris, Financial Secretary Ext 1091	11:00 a.m - Friday 18 March	Ministry of Finance
Mr. Osmond Petty, Chief Education Officer	1:30 p.m - Friday 18 March	Ministry of Education and Information
Mr. Elvis Newton, Permanent Secretary	3:00 p.m - Friday 18 March	Ministry of Health and Social Services
Ms Beverly Harris, Director	4:00 p.m. – Friday 18 March	Statistical Dept, Min of Sustainable Development
Mr. Laurie Lawrence, Financial Secretary Ms Eren Hanley, Director Statistics	9:00 p.m – Monday 21 March	Ministry of Finance, Economic Planning & Statistics, Nevis
Mr. Carl Herbert, Coordinator	2.30 p.m - Monday 21 March	National Emergency Management Agency (NEMA)
Dr. Hermia Morton-Anthony, Permanent Secretary	3:00 p.m - Monday 21 March	Ministry of Agriculture
Mr. Calvin Cable Executive Director	3.30 p.m - Monday 21 March	St. Kitts and Nevis Chamber of Industry and Commerce
Mr. Osbert Desuza, Manager,	4:30 p.m - Monday 21 March	Basic Needs Trust Fund (BNTF)
Mr. George Gilbert, Acting Director	5:15 p.m – Monday 21 March	Ministry of Public Works
Ms Sharon Rattan, Permanent Secretary Ms Azilla Clarke, Director of Community Dev & Social Services	5:30 p.m – Monday 21 March	Ministry of Community Development, Culture and Gender Affairs

Saint Lucia March 2 – 4, 2011 - Appointments		
Contact Person	Date / Time	Organisation
Mr. Donovan Williams Mr. John Calixte Mrs. Norma Cherry-Fevrier	Wednesday, March 2, 2010, 9:00 a.m. – 9:15a.m.	MoST, Ministry of Finance
Mr. Donovan Williams	Wednesday, March 2, 2010, 9:15 a.m. – 10:00 a.m.	MoST, Ministry of Finance
Kerry Joseph Charms Gaspard	Wednesday, March 2, 2010, 10:00 a.m. – 10:30.a.m.	Ministry of Health
Marinus Pascal	Wednesday, March 2, 2010, 10:30 a.m. – 11:30 a.m.	MoST, Ministry of Finance
Ezra Jn. Baptiste Project Manager	Wednesday, March 2, 2010, 11:30 a.m. – 12:30 p.m.	SALCC Transformation Project
Lucian Isidore Kimari Storey	Wednesday, March 2, 2011, 2:00 p.m. – 3:00 p.m.	Ministry of Housing Ministry of External Affairs
Anthony George	Wednesday, March 2, 2011, 3:00 p.m. – 4:00 p.m.	St. Lucia Development Fund (SSDF)
Esther Joseph Myrtene Cenac	Thursday March 3, 2011, 9:00 a.m. – 10:00 a.m.	Ministry of Education OECS Court of Appeal
Darnley Lebourne	Thursday March 3, 2011, 10:00 a.m. – 11:00 a.m.	Office of the Prime Minister
Martha Blanchard Augustus Cadette	Thursday March 3, 2011, 11:00 a.m. – 12:30 p.m.	MoST, Ministry of Finance
Dale Bernard Norma Cherry-Fevrier	Thursday March 3, 2011, 2:00 p.m. – 2:30 p.m.	Ministry of Finance
Mary Wilfred	Thursday March 3, 2011, 2:30 p.m. – 3:30 p.m.	United Nations Development Programme (UNDP)
Edwin St. Catherine Euphemia Edmund	Friday March 4, 2011, 9:00 a.m. – 10:00 a.m.	Statistics Department
Lancia Isidore	Friday March 4, 2011, 10:00 a.m. – 11:00 a.m.	National Council of and for persons with disabilities
John Victorin	Friday March 4, 2011, 11:00 a.m. – 12:00 noon	Civil Society – National Development Centre
Donovan Williams and John Calixte	Friday March 4, 2011, 2:30 p.m. – 4:00pm	MoST, Ministry of Finance

St. Vincent and the Grenadines (15 -17 March 2011) - Appointments		
Contact Person	Date / Time	Organisation
Ms. Shervone Alexander, Coordinator	Tuesday 15 th , 9:30 am Central Planning Conference Room	National Assessment Team
Mr. Maurice Edwards, Director General Finance & Planning Mr. Kenneth Douglas, Project Manager	Wednesday 16 th , 10 am Office of the Basic Needs Trust Fund	Ministry of Finance & Planning
Ms. Houlida Peters, Dep. Director (Ag.)	Wednesday 16 th 2 pm Central Planning Division	National Emergency Management Organisation
Mrs. Nicole Bonadie- Baker, Permanent Secretary	Thursday 17 th , 10 am Ministry of Education	Ministry of Education, Culture & Women's Affairs Education Project Management Unit of the Ministry of Finance & Planning

Barbados (14-18 March 2011) - Appointments		
Contact Person	Date/Time	Organisation
Ms. Wang Lin Alternate Director for China to CDB; and First Secretary	Monday, March 14 10.00 am-11.00 am	Embassy of the People's Republic of China
Mr. Doug Williams Director for Canada to CDB & Minister Counsellor (Development)	Monday, March 14 11.30 am-12.30 pm	Canadian High Commission
Dr. Cedric Lazarus Livestock Development Officers	Tuesday, March 15 10.00 am-11.00 am	Food and Agriculture Organisation of the United nations (FAO)
Other Officers of the Sub-Regional Office for the Caribbean		
Mr. Norman Cameron Division Chief, Project Services Division	Tuesday, March 15 11.30 am-12 noon	Caribbean Development Bank
Mrs. Yvonne Moses-Grant Division Chief, Social Sector Division	Tuesday, March 15 3.00 pm-4.00 pm	Caribbean Development Bank
Mrs. Michelle Gyles-McDonnough Representative; and Ms. Marsha Caddle Programme Manager for Poverty Reduction	Wednesday, March 16 10:00 am -11:00 am	United Nations Development Programme (UNDP)
Dr. Denny Lewis-Bynoe Director, Economics Department	Wednesday, March 16 2:30 pm – 3:30 pm	Caribbean Development Bank
Mrs. Juanita Thorington-Powlett Director for Barbados; and Permanent Secretary, Investment	Wednesday, March 16 4:00 pm – 5:00 pm	Ministry of Finance & Economic Affairs
Mrs. Anneke Jessen Representative And Mr. Desmond Thorne Country Economist	Thursday, March 17 10:00 am – 11:00 am	Inter-American Development Bank
Mrs. Tessa WilliamsRobertson Director, Projects Department	Friday, March 18 3:00 pm – 4:00 pm	Caribbean Development Bank

Barbados (24-28 January 2011) - Appointments		
Contact Person	Date/Time	Organisation
Mr. Elbert Ellis Operations Officer (Social Analyst), Project Services Division	Tuesday, January 25 3:00 pm – 4:00 pm	Caribbean Development Bank
Mr. Andrew F.D. Dupigny Portfolio Manager, OIC, Economic Infrastructure Division	Wednesday, January 26 9:00 am – 10:00 am	Caribbean Development Bank
Mr. Mc Donald Thomas Operations Officer (Social Analyst), Project Services Division	Wednesday, January 26 2:00 pm – 3:00 pm	Caribbean Development Bank
Mr. Adrian Debique Deputy Director, Acting Director, Corporate Planning Division (CPPD)	Wednesday, January 26 3:30 pm – 4:30 pm	Caribbean Development Bank
Monica La Bennett Chief Policy/Programme Analysis, Acting Deputy Director, CPPD		
Mrs. Anne Marie Chandler Operations Officer (Social Analyst), Project Services Division	Thursday, January 27 10:00 am – 11:00 am	Caribbean Development Bank
Mr. Harry Hagan Head DFID Caribbean & UK Director CDB	Thursday, January 27	Department For International Development (DFID)

LIST OF DOCUMENTS REVIEWED

Policy and strategy documents

Poverty Reduction Strategy Paper, 2004
CDB's Strategic Plan, 2004-2009
CDB's Strategic Plan, 2010-2014
Governance Strategy Paper, May 2003
CDB Lending Policies
Progress Report on Implementation of the Caribbean Development Bank's Poverty Reduction Strategy, March 2008
Guidelines and recommendation to operationalise CDB's Poverty Reduction Strategy. Draft, May 2006
The Focus of SDF 7: Poverty, human development, environmental sustainability and regional integration, CDF Board Paper BD 101/08, 2008.
Procedures for the preparation of Country Strategy Papers (CSPs), Draft, CDB: May 2005.

Evaluation reports

Evaluation Report on Technical Assistance Operations, 2004-2009
Ex-Post and Programme evaluations, 2004-2009 (Education Sector)
Thematic and Sector Evaluations, 2004-2009
Independent Evaluations for Rural Development Projects (Rural Development Dominica, St. Lucia, Grenada, Belize)
Assessment of the CDB Student Loan Scheme, March 2005

Programme/project reviews and reports

Annual Portfolio Performance Reviews, 2004-2008
BNTF Mid-Term Review, 2008
SDF(U) Reports and Mid-Term Reviews, 2004-2009
Project Completion Reports, 2004-2009
Project Supervision Reports, 2004-2009

Country Poverty Assessments and Strategy Papers

CPAs for the selected BMCs
CSPs for the selected BMCs

Policy Papers/Board Papers

Themes, Issues and Timeline for the SDF 6 Process, May 2004
Agreement Between the Caribbean Development Bank and the Inter-American Development Bank to Execute a Programme to Support Country Poverty Reduction in the Caribbean, May 2006
Country Poverty Assessments and Poverty Reduction Strategies Programme in BMCs, May 2006
Poverty, People and Potential: Basic Needs Trust Fund (BNTF) in the Caribbean, CDB 2005
A new Perspective on Poverty in the Caribbean, the Strength of a Participatory Approach, CDB 2007
Poverty Reduction and Human Development in the Caribbean – Addressing the Millennium Development Goals, July 2008
Country Poverty Assessments and Poverty Reduction Strategies - Programme in Borrowing Member Countries, Board Paper BD 13/06, 2006

SDF THEMES AND PRIORITIES

SDF 1 (1983–1987)

- Employment-Intensive Projects Benefiting The Poor
- Economic infrastructure
- Lines of credit to financial intermediaries for on-lending to small and medium-scale enterprises
- Assistance to the agriculture sector

SDF 2 (1988–1991)

- High Priority Development Activities In Poor Countries
- TA to support loan operations and provide economic policy advice
- First contribution to the Basic Needs Trust Fund
- Use of country groups to set lending terms
- The blending of SDF and Ordinary Capital Resources to achieve a lower effective interest rate

SDF 3 (1992–1995)

- Projects Directly Targeting The Poor (25% Of Resources To Finance Projects Benefiting The Poor)
- Small-scale enterprise development programme
- BNTF
- Allocations for TA, disaster rehabilitation, social infrastructure and lines of credit

SDF 4 (1996–2000)

- Poverty Reduction With Supporting Themes: Human Resource Development, Environment Protection, Water And Sanitation, And Institutional Strengthening

SDF 5 (2001–2004)

- Poverty Reduction Through Capability Enhancement, Vulnerability Reduction And Good Governance, Together With Broad-Based Sustainable Growth, And Introduction Of The Use Of The Poverty Prism
- Development of Caribbean-specific Millennium Development Goals
- Introduction of Resource Allocation Strategy (RAS) and set-aside allocations for supporting regional TA projects, initial operations in new BMCs, an emergency reserve for natural disasters, major transitions in economic structure and other emergencies, i.e. HIV/AIDS
- Development and broadening of partnerships
- Strategic direction and internal governance
- Introduction of Project Performance Evaluation System

SDF 6 (2005–2008)

- Contributors agreed on objectives similar to SDF 5, and for the completion of unfinished SDF 5 programmes during the SDF 6 cycle. Other themes established for SDF 6 include:
- Poverty Reduction And Broad-Based Economic Growth
- Addressing the MDGs
- Strengthening development effectiveness and results-based management
- Planning for and implementing the expansion of BMC membership

SDF 7 (2009-2012)

- Strengthening Poverty Reduction And Human Development
- Supporting environmental sustainability and advancing the climate change agenda
- Supporting regional cooperation and regional integration
- Enhancing development effectiveness
- Gender Equality (cross-cutting), SDF Annual Report 2006 for SDF 1 to SDF 6, SDF 7

SDF COUNTRY GROUPS CLASSIFICATION

COUNTRY GROUPS FOR SDF 7	
Group 1 Bahamas, The British Virgin Islands Cayman Islands	Group 2 Anguilla Antigua and Barbuda Barbados [†] Montserrat [†] St. Kitts and Nevis Trinidad and Tobago [†] Turks and Caicos islands
Group 3 Belize Dominica Grenada Jamaica St. Lucia St. Vincent and the Grenadines	Group 4 Guyana Haiti

[†] In the case of Barbados and Trinidad and Tobago, the same terms as for Group 1 would continue to apply, as in the past. Montserrat would continue to receive the same terms as for Group 3 in recognition of the impact of natural disasters.

Source: SDF Annual Report 2008

**MANAGEMENT RESPONSE TO THE CONCLUSIONS AND
RECOMMENDATIONS OF THE ASSESSMENT OF THE EFFECTIVENESS
OF THE IMPLEMENTATION OF THE POVERTY REDUCTION
STRATEGY OF THE CARIBBEAN DEVELOPMENT BANK
OVER THE PERIOD 2004-2009**

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.1 LESSONS (<i>Chapter 7</i>)	
7.01 Focusing on PRS instruments [Country Poverty Assessment (CPA), National Poverty Reduction Strategy (NPRS)] is insufficient to accelerate the national poverty reduction agenda. Consideration of the policy formulation and implementation processes in a holistic manner is necessary to create an enabling environment in which the poverty reduction agenda can be sustainable.	Noted. Where applicable, greater focus will be given by the Bank to the policy implications of CPAs and to the formulation and implementation of relevant policies, when programming resources to the borrowing member countries (BMCs).
7.02 Focusing on framing the poverty reduction agenda in the BMCs requires more than just assessments and strategies and more than discrete capacity enhancement measures. It requires a sustained focus on the policy formulation and political process to ensure adequate commitment to implementation of poverty reduction. There is an urgent need to rethink CDB's project-based approach to framing the poverty reduction agenda in the countries.	Noted. The establishment of the National Assessment Team (NAT) by BMC Governments to work closely with consultants in conducting CPAs and developing NPRSs are examples of BMC commitment to the poverty reduction agenda. NATs are usually made up of representatives from Government, private sector and civil society. In Belize and St. Kitts and Nevis, they were also established with representation of the official Parliamentary Opposition. This facility, therefore, provides a medium for the Bank to dialogue both with BMC Government officials, the official opposition and civil society representatives, on the importance of addressing poverty issues as a national imperative. Management intends to use this facility and other ways in pursuing a more holistic and integrated, programmatic approach in its engagement with BMCs and to assist them in implementing the policies that emanate from their respective NPRSs.
7.03 An expanded partnership in the service of a fully nationally-owned poverty reduction strategy (PRS) and institutional framework is desirable and should be the standard operating principle as a basic initiative to further mainstreaming of the poverty-reduction agenda and enhancing relevance, efficacy and efficiency of national instruments and processes.	Noted. A fully country-owned NPRS supported with functioning institutional support constitutes good development practice. However, as a result of capacity limitations, BMCs are challenged to establish and maintain robust institutional arrangements. In order to address this deficiency, the Bank's technical assistance (TA) to BMCs will continue to include support in institutional capacity-building in keeping with the needs identified by BMCs

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.1 LESSONS (Cont'd) (Chapter 7)	
<p>7.04 Synergy is necessary with regard to implementing agencies, country processes for planning, implementing and monitoring public actions that are appropriate to each BMC's circumstances and capacity in order to influence the drivers of the poverty reduction agenda in the BMCs (commitment, knowledge, coordination, financial and human resources). National ownership is a critical element of a strategy that focuses on poverty reduction. Commitment to the poverty reduction agenda is essential to ensure implementation and sustainability.</p>	<p>Noted. In keeping with the NPRS principle of country leadership and ownership, the process provides for engagement of NAT and a coordinating government ministry, usually the Ministry of Finance and/or Economic Development, which is essential for securing active inter-ministerial involvement. The NPRS process also includes widespread dialogue with key stakeholders during the development stage, and mechanisms to ensure broad-based stakeholder participation in its implementation are articulated as part of the Action Plan.</p>
1.2 RECOMMENDATIONS (Chapter 7) Revised Strategy	
<p>7.05 Given the changing socio-economic operating environment and emerging fiscal and social issues challenging BMCs, the PRS needs to be revised to:</p> <ul style="list-style-type: none"> (a) outline how CDB intends to deploy its resources and use its competencies according to its comparative advantage to best support the BMCs' poverty-reduction efforts; and how its role and responsibilities will complement those of other development partners (DPs); (b) articulate how poverty reduction interventions are to be prioritised based on prevailing development needs of the BMCs as identified from CPAs, and linked to CSPs, NPRSs and PRAPs; 	<p>Management does not fully concur with this recommendation to revise the PRS. The PRSs were prepared when multi-lateral development banks (MDBs) were trying to demonstrate how their poverty reduction goal was being pursued through specific modalities and instruments. These were strategic framework statements that illustrated in broad terms how the MDBs poverty reduction agenda would be achieved.</p> <p>In the case of CDB, the PRS was prepared towards the end of the SDF 5 Cycle, at a time when the Bank was beginning to make sense of what the "new" emphasis on poverty reduction meant for its operations. Unlike a conventional strategy, the PRS was not intended to set out how the Bank should undertake its poverty reduction mandate but rather, it was intended to map out the ways in which poverty reduction was already incorporated in the Bank's operations; and to articulate an approach through which the mainstreaming process would be scaled up. The PRS therefore, provided a broad framework setting out the modalities (the strategic levers), through which its poverty reduction objectives would be realised. It also catalogued the different ways in which the Bank's resources would be applied toward this end. Given the multi-faceted nature of poverty, and in order to be effective, the PRSs took all key elements into account. These key elements are incorporated in the Bank's interventions in its BMCs.</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
<p>1.2 RECOMMENDATIONS (Cont'd) (Chapter 7) Revised Strategy</p>	
<p>(c) adopt a programmatic approach (versus project-based) that apply results-logic to detail impacts, outcomes, outputs and activity levels; and a system to monitor its results and guide its processes and interventions; and</p> <p>(d) incorporate in the PRS the developments that have occurred in successive SDF cycles, such as the new instruments for poverty reduction PBLs, Management for Development Results (MfDR), integration of poverty in CDB's Sector Policies, disaster risk mitigation and climate change, environmental sustainability, gender equity, governance as key concerns in poverty reduction); and emerging issues of violence, crime and citizen security.</p>	<p>As was stated in the report, the original context in which the PRS was designed to operate has changed. This change was brought about quite substantially by the implementation of the PRS itself, to the extent that, as the report indicated, "reference to poverty reduction in the Bank's discourse is now the norm" (p.25). This was not the case during the period before PRS was implemented. This change also includes the recent adoption of gender equality as a cross-cutting theme and the introduction of an MfDR framework by the Bank.</p> <p>Management is therefore of the view that the PRS as a stand-alone document has fulfilled its purpose and its utility would be demonstrated by the extent to which poverty reduction is integrated in operations. A review of the experience of other MDBs, indicates that the Inter-American Development Bank did not revise its 1997 PRS following its evaluation of the Strategy in 2003. Similarly, the World Bank (WB), although deciding after an evaluation, to revise its 1990 <i>Strategy and Operational Guidelines</i>, did not follow through on this decision but focused instead on adopting a Comprehensive Development Framework and Poverty Reduction Strategy Papers (PRSP) in conjunction with the International Monetary Fund (IMF) in 1999, as the basis for both the WB's and the IMF's concessionary lending. Instead of preparing a revised strategy, the WB focused on assisting countries to improve the effectiveness of their PRSPs which, in effect, became the country-specific PRSs for WB. The only exception in this regard, is the Asian Development Bank (ADB) which prepared an enhanced PRS in 2004 as an updated version of its 1999 PRS to incorporate gender equality and MfDR objectives. No other revisions have been done and instead, poverty reduction was integrated in its 2008 corporate strategy entitled, "Strategy 2020."</p> <p>Like the ADB, poverty reduction is fully integrated in CDB's 2011-2014 Strategic Plan, and instead of revising the PRS, the Bank intends to add greater value to BMCs poverty reduction efforts by:</p> <p>(a) preparing a Poverty Reduction Policy that sets out the guiding principles which govern the Bank's approach to poverty reduction in the BMCs. Some of these principles would include the application of MfDR and gender equality, and the use of a holistic approach to supporting NPRSs and the policy formulation and implementation processes in BMCs; and</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS (Cont'd) (Chapter 7) Revised Strategy	
	<p>(b) strengthening the integration of poverty reduction into existing and new operational instruments (as borne out in the lesson in paragraph 7.01 of the report).</p> <p>These instruments will include the Special Development Fund (SDF) Strategy, Country Strategy Papers (CSPs), the Framework for Policy-Based Lending, Disaster Management Guidelines and Operational Strategy, current sector policies and strategies, and those for emerging issues such as climate change and citizen security. Integrating poverty reduction into these operational instruments will involve an articulation of expected poverty reduction outcomes along with:</p> <ul style="list-style-type: none"> (a) outlining how the Bank's resources and comparative advantage will be employed to support the achievement of outcomes; (b) indicating the specific role and responsibilities of the Bank in relation to its DPs; (c) linking the instruments to the relevant development needs identified in the CPAs, NPRSs etc.; and (d) adopting a holistic approach and the application of results management and monitoring frameworks. <p>With regard to MfDR principles, the Bank has already started to incorporate some of the elements both in its operations and its engagement with BMCs. A regional MfDR sensitisation workshop was held for senior OECS public officials in July 2009. Subsequent action planning workshops were conducted in four of these BMCs in conjunction with the IDB. These have also provided useful entry points. This will be pursued further as MfDR is infused in all of the Bank's interventions.</p>
1.2 RECOMMENDATIONS Cont'd (Chapter 7) Refining Roles and Responsibilities	
<p>7.06 CDB's role in poverty reduction in the Region needs to be refined to:</p> <ul style="list-style-type: none"> (a) focus on the comparative value-added of its services based on appraisal of its organisational strengths and consideration of its complementarity with DPs; 	<p>Management concurs. As stated in the Bank's Strategic Plan 2010-2014, "<i>CDB is recognised as an important regional 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 the 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 their</i></p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS Cont'd (Chapter 7) Refining Roles and Responsibilities	
<p>(b) adjust CDB's operations to match poverty reduction focus and capabilities including scheduling the preparation of CSPs following the conduct of CPAs and formulation of NPRSs;</p>	<p><i>development challenges in the medium term.”</i> In this regard, the Bank collaborates with DPs in order to create synergies in BMCs and in regional initiatives and to maximise development results. CDB has developed a comparative advantage in assisting BMCs in conducting CPAs and developing NPRSs. It also engages DPs in these processes from the development of the draft Terms of Reference for these assignments through to providing comments on draft reports, and participation in review activities, including in-country reviews and national consultations. CDB values such collaboration as it recognises the importance of forging partnerships, and coordinating its activities and initiatives with other DPs. Similar approaches are used in the preparation of CSPs and sector strategies. The Bank will continue to engage in partnerships with a wide range of international development agencies, multilateral and bilateral institutions, the private sector, non-governmental organisations and community-based organisations. The Bank will explore various means for deepening these partnerships including the strengthening of on-the-ground capabilities in BMCs.</p> <p>Management concurs, however, the scheduling of CPAs which are country-led, to coincide with CSP preparation which are CDB-led, produces some practical challenges. The cost of conducting a CPA, both human and financial, is the greatest of these challenges. Although most BMCs have agreed to conduct CPAs in five-year intervals, this schedule is not always achievable.</p> <p>To address this, the Bank, in conjunction with the United Nations Development Programme (UNDP), is considering the development of a programme of support for BMCs to conduct shorter exercises every two years. This programme will include Core Welfare Indicators Questionnaire Surveys which have been used in the BMCs to update key social and quality of life indicators and poverty monitoring. In this way, the gap between the availability of updated indicators would be reduced substantially thereby making it possible for BMCs to update their NPRSs more frequently and for CDB to access up-to-date information when preparing CSPs. It will also link CSPs to updated NPRSs. Further discussions will be held this year with participating BMCs to finalise the formulation of this programme.</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS Cont'd (Chapter 7) Refining Roles and Responsibilities	
<p>(c) revisit CDB's internal processes to make them interact effectively with development partner capacities, including through joint missions and analytical work; and</p> <p>(d) realise CDB's comparative advantage in regional coordination on poverty and poverty reduction and as a knowledge hub for poverty reduction information (to spread best practice and for the dissemination of information).</p>	<p>Management concurs. Some of this has already been done through the multi-donor Support for Poverty Assessment and Reduction in the Caribbean (SPARC) initiative coordinated by UNDP, and in other areas such as agriculture and rural development, education and social protection. In keeping with the MfDR principles, efforts are made to harmonise the Bank's operations with those of its DPs working in BMCs. Some of these include a review of the CPA approach by the United Nations Children's Fund prior to rolling out a Multi-sector Indicators Cluster Survey programme in the OECS, to minimise duplication and excessive demand on the participating countries. Another is the Belize Country Gender Assessment which involved a joint National Consultation with UNDP (Belize) which was undertaking a similar exercise at the same time. Some joint activities are informal and efforts will be made to create additional formal opportunities for collaboration.</p> <p>Management concurs. CDB, through its participation in the Poverty and Social Sector Development Donor Group shares information on its poverty reduction activities and receives feedback on the CPAs, NPRSs and other social and poverty reduction initiatives. The CPA reports are posted on the Bank's website and, with the agreement of BMCs, the data are shared with other MDBs and research institutions for further analysis. CDB staff produce occasional papers on the CPA findings, make presentations at training programmes, panel discussions and other national and regional fora, and contribute articles on poverty reduction and social development to the SPARC newsletter. Arrangements are being made with the Sir Arthur Lewis Institute for Social and Economic Studies, UWI, Mona, for warehousing the CPA data sets in its data bank in order to provide greater access and use of the rich data collected over the last two decades. In the context of CDB's Knowledge Management and Communications Strategies and the Information Disclosure Policy to be rolled out in the near future, along with the proposed investment in the DEVInfo Project, CDB will position itself as a hub for poverty reduction information.</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS Cont'd (Chapter 7) Revisiting the Instruments	
<p>7.07 PRS instruments should be revisited to:</p> <p>(a) strengthen the integration of CPAs and the country portfolio development process against the background of the changing economic and social conditions in the BMCs; and explore the options to make CPAs more up-to-date with changing conditions;</p> <p>(b) assess the extent to which CPAs and CSPs can be more closely aligned, as well as greater regional standardisation;</p> <p>(c) better integrate CPAs with national medium-term strategies;</p> <p>(d) align monitoring information on national poverty-reduction interventions more closely with CPA data to inform programme development;</p> <p>(e) explore ways to achieve stronger integration of CDB's poverty reduction instruments with national systems and processes (e.g. by making use of pilot projects, sector development programmes and SIFs that are especially suited to poverty reduction). The poverty reduction framing instruments should rely more on the country's own systems of management and accountability</p>	<p>Management concurs. This will be undertaken in keeping with the objective outlined also in the response to 7.06. (b). In addition, "the CDB Model" for conducting CPAs includes a standardised core questionnaire for data collection and establishes a standard for conducting comprehensive poverty assessments in BMCs.</p> <p>Management concurs. CPAs provide BMCs with updated social and poverty indicators which are usually used in the preparation of national medium-term strategies. However, what would provide greater utility to BMCs is the integration of NPRSs into national medium-term strategies. Such an approach would ensure that the country's poverty reduction objectives articulate fully with BMC development plans. BMCs have used this approach recently: e.g. Dominica's Growth and Social Protection Strategy and Grenada's Growth and Poverty Reduction Strategy which combined their medium-term economic strategies and poverty reduction strategies into one document. Other BMCs will be encouraged to adopt a similar approach as requests for assistance to prepare NPRSs are considered.</p> <p>Management concurs. The more recent NPRSs, since 2010, i.e. Grenada and St. Kitts and Nevis, reflect the changed approach.</p> <p>Management concurs. This is in keeping with the MfDR principle of alignment which is being pursued by the Bank. CDB will continue to work with BMCs to strengthen their systems and develop their capacity.</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS Cont'd (Chapter 7) Revisiting the Instruments	
<p>to increase their leverage on poverty reductions efforts at the country level;</p> <p>(f) review the CPA and NPRS processes, including NAT mechanism, to determine their actual and potential integration into national policy processes, national budgets, and the governance of BMCs' poverty reduction agenda. The issues that will have to be addressed relate to the role and relevance of NAT for anchoring the assessment/strategy process, the effectiveness of inter-ministerial management and coordination surrounding poverty reduction, national capacity for poverty monitoring and for monitoring poverty reduction outcomes; and</p> <p>(g) refine the results monitoring framework to better capture the effectiveness of CDB's contribution to the national poverty reduction agenda by the introduction of indicators that are measurable and time-bound; framing the poverty-reduction agenda to introduce outcomes; and measure results at the level of the drivers of poverty reduction identified in this assessment (i.e. commitment and priorities, knowledge and learning, organisation and coordination). A system of triangulation using national poverty and output/outcome monitoring data together with MfDR indicators could be applied.</p>	<p>Management concurs. The issue of institutionalisation of the functions of the NAT is a very important one. NAT which comprises technical personnel from various Government ministries, non-governmental organisations and other stakeholders, is meant to be an <i>ad hoc</i> body set up specifically to coordinate the conduct of CPAs and, in some cases, also NPRSs. The training and experience received by the members of the team, provide skills that are useful for future CPAs and NPRSs and for monitoring the poverty indicators between CPAs.</p> <p>As a result, the Bank has been encouraging BMCs to retain NAT as an advisory body over an extended period of time after the CPA is completed, and/or, to incorporate NAT's functions into the work of an existing Government agency. In this way, the capacity-development benefits derived during CPA exercise would be retained. Benefits associated with the strengthened capacity include the maintenance of a system for monitoring poverty indicators, and management of the NPRS and repeat CPAs.</p> <p>Management is of the view that the Level 2 indicators of the SDF results monitoring framework (RMF) capture the Bank's contribution to poverty reduction. RMF is refined, updated and reported on regularly. In addition, each CSP contains sector-level indicators. Output and outcome indicators are also included in an RMF for each project financed by CDB.</p>

CONSULTANTS' LESSONS AND RECOMMENDATIONS	MANAGEMENT RESPONSE
1.2 RECOMMENDATIONS CONT'D (Chapter 7) Rebalancing Capacities	
<p>7.08 CDB's capacity should be assessed and rebalanced to:</p> <p>(a) reinforce CDB's applied social/poverty reduction research capacity to provide stronger advocacy impact and knowledge brokering of experiences from within the Region and from the rest of the world;</p> <p>(b) augment CDB's in-house capacity through closer collaboration with the more substantial research capacities of sub-regional, regional and international agencies; and</p> <p>(c) boost CDB's TA capacities to provide a more balanced blend of investment assistance, TA (policy advice, training programmes, institution building) and knowledge products in support of poverty reduction programming in the BMCs. The forthcoming TA strategy would be expected to provide additional guidance on how TA can be leveraged to support CDB's investment loans for better poverty-reduction results.</p>	<p>Management concurs. This approach is already being incorporated into the recently developed NPRSs cited above.</p> <p>In addition, under the SPARC programme undertaken by the Bank in collaboration with IDB, support has been provided through a number of statistical and qualitative capacity-building training programmes in BMCs that involve data collection, data analysis and interpretation. As part of this programme, the Bank has also facilitated expert attachments to statistics offices in BMCs in order to strengthen their data management and processing capacity. The Bank is collaborating with WB and the OECS Secretariat in the provision of training in poverty research for OECS Member States.</p> <p>Management concurs. The identification of a TA Focal Point in the new Technical Cooperation Division of the Projects Department will provide the necessary focus for the Bank's TA operations. This is articulated in the new TA Policy. CDB already provides significant TA support in the areas recommended, with the objective of supporting poverty reduction programming in its BMCs.</p>