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CARIBBEAN DEVELOPMENT BANK

SPECIAL DEVELOPMENT FUND (UNIFIED)

CARIBBEAN DEVELOPMENT BANK'S DRAFT

PRIVATE SECTOR STRATEGY

MAY 2012

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ABBREVIATIONS LIST

[Dollars throughout refer to United States dollars (USD) unless otherwise stated.]

BMCs	-	Borrowing Member Countries
CARIB-CAP	-	Caribbean Microfinance Capacity-Building Programme
CARICOM	-	Caribbean Community
CARTFund	-	Caribbean Aid for Trade and Regional Integration Trust
CDB	-	Caribbean Development Bank
CIDA	-	Canadian International Development Agency
CIFI	-	Corporacion Interamericana para el Financiamiento de Infraestructura, S.A. (Inter-American Corporation for Infrastructure Finance)
CSME	-	Caribbean Single Market and Economy
CSPs	-	Country Strategy Papers
CTCS	-	Caribbean Technological Consultancy Services
DFID	-	United Kingdom Department for International Development
DFIs	-	Development Finance Institutions
EIB	-	European Investment Bank
EPA	-	Economic Partnership Agreement
EU	-	European Union
FMO	-	Nederlandse Financieringsmaatschappij voor Ontwikkelingsladen N.V.
IDB	-	International Development Bank
IIC	-	Inter-American Investment Corporation
LIBOR	-	London Inter-bank Offered Rate
MDBs	-	Multilateral Development Banks
MiCRO	-	Micro Insurance Catastrophe Risk Organisation Fund
mn	-	million

MSME	-	Micro, Small and Medium-sized Enterprise
OECS	-	Organisation of Eastern Caribbean States
PBLs	-	Policy-based Loans
PPPs	-	Public-Private Partnerships
PSS	-	Private Sector Strategy
RMF	-	Results Monitoring Framework
SME	-	Small and Medium-sized Enterprise
SWOT	-	Strengths, Weaknesses, Opportunities and Threats
TA	-	Technical Assistance
WBG	-	World Bank Group

1. BACKGROUND

1.01 The Agreement establishing the Caribbean Development Bank (CDB) defines the Bank's purpose as "to contribute to the harmonious economic growth and development of the member countries in the Caribbean and to promote economic cooperation and integration among them, having special and urgent regard to the needs of the less developed members of the Region". In pursuit of this, the Bank shall, among other aspects, "finance projects and programmes contributing to the development of the Region or any of the regional members", "promote public and private investment in development projects by, among other means, aiding financial institutions in the Region, and supporting the establishment of consortia" and "provide appropriate technical assistance (TA) to regional members". This mission remains fully relevant today.

1.02 The 2002 'Private Sector Development Policy and Operational Guidelines (Board Paper 39/03)' and 2003 'Private Sector Development Strategy Paper (Board Paper 43/01 Add. 2)' sought to give greater prominence and focus to CDB's activities in the private sector[1/] and to provide a framework for such interventions within its Borrowing Member Countries (BMCs). The Private Sector Strategy (PSS) outlined CDB's strategic objective for private sector development as "to improve the global competitiveness of the Region's productive sector on a sustainable basis and reposition Caribbean economies into the mainstream of the world economy". The intention of the PSS was to build capacity at the enterprise level; support the efforts of governments to improve the enabling environment for Private Sector Development; provide further support to financial intermediary lending by facilitating access to credit for both public and private financial intermediaries; and to participate on a selective basis, in direct private sector projects by leveraging resources from other lenders, once such projects meet national development objectives.

1.03 More recently, CDB's Strategic Plan for the years 2010–14 outlined five overarching goals promoting broad-based economic growth and inclusive social development; supporting environmental sustainability and disaster risk management; promoting good governance; fostering regional cooperation and integration; and enhancing organisational efficiency and effectiveness. In the context of the strategic goal of promoting broad-based economic growth and inclusive social development in BMCs, the Bank agreed to support private sector development as one key area in which CDB would focus its assistance to BMCs. One of the four overall strategic themes of Special Development Fund Cycle 7 is strengthening poverty reduction and human development through facilitating the development of the private sector by supporting an enabling environment and contributing to financial sector development.

1.04 Most countries in CDB's BMCs have reached middle-income status and are on track to achieve the majority of the Millennium Development Goals. However, the Region remains vulnerable to economic shocks, crime, natural disasters and climate change. Despite social and economic strides made by the Caribbean, significant levels of poverty still persist at an average level of 26 per cent (%), excluding Haiti (76%). While economic growth is necessary for combating poverty, it is not sufficient. Poverty reduction also depends on the type and pattern of growth and how the benefits are redistributed. The degree of poverty reduction reflects the extent to which, economic growth is broad-based, socially-inclusive, environmentally sustainable, and creating equitable employment opportunities for men and women.

[1/] **Definition of private sector -** The private sector is conceived as a basic organising principle for economic activity in a market-based economy where: physical and financial capital is generally privately owned; markets, competition, and profit-driven allocation and production; as well as decisions are made and risks taken as a result of private initiative.

1.05 Private Sector Development is critical for poverty reduction in two major ways. First, a vibrant private sector is the engine of productivity growth creating more productive jobs and higher incomes. Second, complementary to the role of government in regulation, funding and provision of public goods, private initiative can provide services that empower the poor (men, women and youth) by improving infrastructure and education, two key elements for livelihood improvements.

1.06 In 2009, against the background of slow and variable economic growth, the persistence of high levels of poverty in many BMCs and increasing challenges associated with direct private sector lending, CDB hired consultants to examine PSS implementation over the period 2004-08. The consultancy sought to identify whether there was the need for adjustments at both the operational and organisational level to ensure that CDB remains relevant and continues to provide effective and sustainable solutions for the private sector.

1.07 This Paper will reference the findings arising from the Consultancy and will:

(a) consider the extent to which the PSS has been implemented since inception;

(b) highlight any obstacles or difficulties arising in relation to the implementation of the PSS;

(c) consider a continuing relevance of the existing PSS given the prevailing needs in the Region and CDB's ability to meet these needs; and

(d) propose a revised PSS, which will include interventions that maximise impact of CDB's private sector activities on economic growth and poverty reduction in a manner consistent with its institutional goals.

2. REVIEW OF CDB'S EXISTING PRIVATE SECTOR STRATEGY

2.01 CDB's existing PSS contains a broad range of components aimed at improving the global competitiveness of the Region's productive sector on a sustainable basis and repositioning the economies of CDB's BMCs into the mainstream of the world economy. Emphasis was placed on building enterprise and institutional capacity and increasing the flow of investment capital to business enterprises and improving the enabling environment through collaboration with other development partners.

2.02 Execution of the strategy was facilitated through interventions that provided affordable credit targeted at priority sectors using financial intermediaries as the primary access to reaching MSME bench marks. Direct lending was restricted given CDB's small capital base, operating structure and the need to carefully manage risks. Given the environment and a need to support a framework that encourages growth and sustainability of MSMEs, interventions were designed to provide capacity-building at the level of the enterprise and to support improvement to the enabling environment. Such interventions were designed to provide additionality to work already done by other MDBs and donor agencies and through partnerships with these institutions where it was felt that CDB had limited capacity.

Achievements

2.03 Between 2003 and 2011, 17 lines of credit totalling $166.2 million (mn) were approved for both public and private and financial intermediary lending while, two loans for a value of $19.3 mn were approved for lending directly to the private sector. For the same period, one $25 mn loan to a private financial institution was cancelled. Since 2003, CDB was able to develop credit relationships with four new financial intermediaries. Up until 2009, there had been an average of four financial intermediary loans approved annually. In addition, approval was granted for CDB's participation in two new private equity funds of which one is currently under implementation. In addition, a TA loan of $3.5 mn for capacity-building within the financial sector was approved, along with a range of other TA activities amounting to $7.1 mn to facilitate capacity-building at the enterprise level, as well as to improve the enabling environment for private sector development.

2.04 Indirect lending continues to be the main pillar of CDB's outreach to the private sector in order to provide resources for access by MSMEs. Since 2003, loans approved to financial institutions, net of cancellations, accounted for approximately 83% of total private sector commitments, compared with 4.2% and 6.9%, respectively, for direct loans and equity participation.

2.05 CDB facilitated access by MSMEs in its BMCs to TA through its CTCS Network, a TA programme that uses regional resource persons to build capacity at the enterprise level to improve responsiveness to market opportunities. Since 2003, CDB has approved activities totaling $5.8 mn to facilitate execution through training attachments, direct TA, and national and regional workshops across a range of sectors. Such interventions were designed to improve competitiveness, and address technical and managerial deficiencies of beneficiary enterprises, thereby providing opportunities for them to achieve sustainability.

2.06 Of the over $3.4 billion in cumulative loan approvals made by CDB since operations started in 1970, 62 loans totaling $93.4 mn were approved for direct private sector interventions of which $10.2 mn was subsequently cancelled. More recently, direct lending to the private sector has been restricted as a result of CDB's small resource base, and a lack of suitable deals with a risk profile that fits the Bank's lending appetite, given its prudential exposure limits as outlined in its financial policies. At December 31, 2011, direct private sector loans outstanding stood at $12.9 mn. In addition, loan balances outstanding to six private financial intermediaries are estimated at $57.1 mn.

2.07 In order to facilitate sustainable economic growth and enhance private sector development and competitiveness in the Caribbean, a comprehensive framework, called the *Compete Caribbean Programme* is being undertaken by the Inter-American Development Bank (IDB) in partnership with the Canadian International Development Agency (CIDA) and the United Kingdom Department for International Development (DFID). CDB will execute this Programme on behalf of the IDB in six Organisation of Eastern Caribbean States (OECS) BMCs. This Programme includes TA and investment funding to promote productive development policies, business climate reforms, clusters and MSME development activities within a comprehensive private sector development framework in the 15 independent CARIFORUM countries.

2.08 CDB has been actively engaged in the area of risk mitigation in the financial sector. In 2011, CDB supported the creation of a multi-donor trust fund capitalised by DFID called the "Micro Insurance Catastrophe Risk Organisation Fund" (MiCRO), which promotes the establishment and operations of a catastrophe micro-insurance facility. This facility aims to provide parametric insurance to protect microfinance institutions and their micro-credit borrowers in Haiti against losses resulting from natural disasters, and in so doing, improves risk management for natural hazard events.

2.09 CDB has gained valuable knowledge on microfinance needs in its BMCs through partnership with IDB in the implementation of the Caribbean Microfinance Capacity Building Programme (CARIB-CAP). This programme was designed to enable microfinance institutions in the Region to improve their financial performance and outreach in order to improve their sustainability and responsiveness to client needs through the provision of TA for capacity-building. CDB has contributed $0.5 mn to this capacity-building programme over its two operational phases.

2.10 CDB is executing the DFID-funded Caribbean Aid for Trade and Regional Integration Trust Fund (CARTFund), which supports private sector interventions that focus on efforts to remove technical barriers to trade. CARTFund also provides effective trade support services for goods and services through improving access to information on exporting intra-regionally, improving access to information on exporting to Europe under the Economic Partnership Agreement (EPA), and strengthening the coalition of service industries and professional associations to encourage export of services. The CARTFund also addresses the institutional framework to support the expansion of exports through the development, review and implementation of national export strategies.

2.11 Based on the review of activities which have been implemented under the existing PSS, a summary of areas in which significant, moderate and limited interventions have been implemented is as follows:

(a) Significant Progress

Significant progress has been made in the areas of:

(i) supporting financial intermediation by assisting financial institutions to channel resources to MSMEs;

(ii) supporting business and product development by providing financing and TA for development of new and expanding businesses and building institutional and enterprise capacity;

(iii) supporting financial sector development through provision of TA for institutional strengthening; and

(iv) institutional strengthening of microfinance institutions.

2.12 CDB's support through such interventions has enabled increased access to credit by MSMEs on more affordable terms. In addition, capital market development was facilitated and work is progressing on enhancing the private sector policy framework in some BMCs.

(b) Moderate Progress

(i) catalysing larger investment flows by mobilising resources and promoting further development of the financial sector including capital market development;

(ii) modernising the legal environment for private sector development to bring legislation designed to speed up government processes and procedures which impact on business development;

(iii) assisting MSMEs to mitigate against risks associated with natural hazards; and

(iv) participating in specialist equity or venture capital funds.

(c) Limited or No Progress

(i) leveraging CDB's preferred creditor status through use of financial instruments such as syndicated loans, B-loan programmes with an A and B-loan component;

(ii) encouraging private sector participation[2/] in the delivery of infrastructure projects;

(iii) using CDB's funds to facilitate the privatisation process[3/];

(iv) providing TA for strengthening of private sector institutions and support for consultative bodies;

(v) use of the Microfinance Guarantee Programme;

(vi) facilitating the development of new instruments and by CDB putting some of its own paper on the market; and

(vii) establishing formal mechanisms to support policy dialogue among social partners.

2.13 Appendix 1 provides a breakdown of the components and achievements of CDB's existing PSS as at December 31, 2011. Table 2.1 identifies the Bank's key strengths, which facilitated execution of the PSS and weaknesses that constrained its execution, as well as potential opportunities and threats (SWOT).

[2/] Other donors provided grant funds to create an enabling environment for private participation in infrastructure through policy revisions and associated legislative and regulatory reforms.

[3/] Funds were used for the corporatisation of an electricity department as a first step to privatisation.

TABLE 2.1: SWOT ANALYSIS OF CDB'S EXISTING PRIVATE SECTOR STRATEGY

Strengths	Weaknesses
(a) CDB's close relationship with regional governments and other Caribbean institutions and agencies, including those of the Caribbean Community and the OECS Secretariat strengthen the Bank's ability to establish and maintain joint regional and international partnerships for addressing critical challenges faced by BMCs. (b) CDB's exclusive focus on the Caribbean region, unlike many of the other MDBs, enables a focused and dedicated approach to programming resources to address the needs of small island development systems with a high degree of vulnerability. (c) CDB's ability to leverage its relationship with members of the OECS to create partnerships with other MDBs, such as IDB, facilitates an effective use of available donor resources. (d) CDB has built up strong capability in the area of' financial intermediary assessments which have given support to the due diligence process to these DFIs in the absence of a regulatory body. (e) CDB's strong capital structure, as evidenced by continuing support from its shareholders and a recent general capital increase.	(a) CDB's policies governing loan limits, pricing structure and security requirements restrict its ability to lend directly to the private sector and in some respects constrain its financial institutions lending, and the financing of infrastructure projects. (b) CDB's limited financial resources constrain its participation in the financing of private infrastructure projects, which tend to require large investment outlays. (c) CDB's small size and limited research capabilities limit its capacity to lead comprehensive programmes in new and emerging sectors. (d) CDB's decision-making structure and associated response times is an impediment to lending to private sector clients and does not allow for the level of flexibility required.

Opportunities	Threats
(a) An improving enabling environment in CDB's BMCs provides opportunities for stimulating economic activity by facilitating innovation and entrepreneurship that can address economic and social challenges. (b) Opportunities exist to strengthen CDB's partnerships with private sector institutions, multilateral organisations, and governments to mobilise greater resources, knowledge, and creativity. These can be facilitated by greater policy dialogue with the regional private sector through hosting or participating in more frequent consultations at global, regional and country levels. (c) Expansion of the CTCS Network to enable greater outreach to MSMEs in order to address technical and managerial deficiencies, thereby promoting opportunities for enhanced sustainability of MSMEs. (d) Expansion of a broader network of financial intermediaries including credit unions, and offering new investment products including alternative security requirements. (e) Replication of successful credit enhancement instruments, such as MiCRO to increase activities in key economic sectors thereby reducing CDB's direct exposure to some high risk sectors. (f) Adoption of strategies utilising a 'pilot' approach to private sector interventions, particularly in new areas in which the Bank has limited expertise, in order to determine their viability and sustainability, prior to duplication in other BMCs. (g) The increased focus by many MDBs on private sector development in the Region has led to their increased participation in the sector and the design and implementation of new initiatives, many of which provides opportunities for collaboration and knowledge transfer (e.g. Compete Caribbean).	(a) Global economic and financial crisis has constrained CDB's ability to lend to public entities given the fiscal challenges of some governments including their high debt overhang that has constrained resource allocation to key economic sectors. (b) The likely cost of raising resources on the capital markets at favourable rates of interest will depend on CDB's ability to retain its AAA rating. (c) Increased competition from other MDBs in the provision of funding for private sector development and TA to facilitate capacity-building both in the private sector, as well as business climate reform to encourage private sector development.

Opportunities	Threats
(h) Increased access to new markets, such as those provided under the EPA provide opportunities for CDB to design initiatives to assist MSMEs exploit trade opportunities and maximise market opportunities. (i) Increased focus on public-private partnerships (PPPs) as an effective strategy for development within BMCs, provides opportunities for CDB's participation in this area. (j) Given the Region's high dependence on oil and related products and at costs that are among some of the highest in the world, there are significant opportunities to develop renewable energy and energy efficiency projects within the private sector which can have positive development potential. (k) Increasing recognition by donors of the importance of female-owned MSMEs to economic development in the Region, provides opportunities for CDB to access funding to promote female-owned business initiatives.	

3. LESSONS LEARNED

3.01 The following lessons learned reflect CDB's observations and experiences arising out of the implementation of private sector interventions, in addition to feedback received directly from the private sector. A number of insights have emerged which are summarised below:

3.02 Existing PSS is too broad: The independent review of CDB's PSS conducted in 2009, indicated that the existing PSS contained too many strategic elements. Given CDB's relatively small asset base compared to other MDBs, it was felt that CDB's ability to achieve significant impact in so many areas was limited.

3.03 Private sector is not homogenous: The private sector within CDB's BMCs does not represent a homogenous group. Instead, it is a complex, multi-dimensional environment including local and foreign-owned enterprises, male and female-owned MSMEs and formal and informal operations. As a result, 'one size fits all' approaches and interventions to private sector development are discouraged. Instead, careful business and governance analyses, and flexible design and delivery models, are necessary on a project-by-project basis to ensure effective and sustainable private sector development initiatives.

3.04 Small capital base limits private sector risk exposure: While direct lending to the private sector is still considered to be relevant, CDB's Ordinary Capital Resources exposure in respect of a single direct private sector loan, shall be limited to 2.5% of its capital (defined as paid-up capital, ordinary reserves and unallocated net income less provisions plus receivables from members). Based on this policy, at December 31, 2011, the maximum loan permitted to a single private sector enterprise was approximately $15.3 mn. As a result, direct private sector lending has been restricted, resulting in a small number of transactions. In the energy sector there is scope for direct lending above this ceiling.

3.05 Inappropriate loan pricing structure: Unlike other MDBs, CDB's pricing of its loans is not LIBOR-based. LIBOR-based pricing facilitates transparent price adjustment of the spread over the LIBOR base to reflect risk on a case-by-case basis, improving predictability in forecasting for borrowers. In addition, the existing risk premium of 2% above the sovereign rate charged by CDB, is considered unacceptable for the pricing of private sector risk. The existing pricing structure has also made participation in syndicated loan transactions difficult.

3.06 Restrictive security requirements: For government-owned development finance institutions, CDB lending policies require that the loan be supported by the guarantee of the government. In the current economic circumstances, where several of the BMCs face debt challenges, opportunities for the provision of such guarantees are limited. This significantly impacts the DFIs' ability to borrow from CDB, and hence CDB's ability to effectively channel resources to MSMEs.

3.07 CDB's review process impedes the desired response time by the private sector: There is the perception that CDB's existing structure is not well suited for direct private sector lending, given the high level of risk associated with such lending and CDB's capacity to manage such risks. CDB's decision-making structure and associated response times is considered an impediment to lending to private sector clients and does not allow for the level of flexibility required.

3.08 Need to broaden the range of financial intermediation: Financial intermediation has proven to be a cost effective and efficient way of channelling CDB's resources to MSMEs. As at December 31, 2011, there were 19 lines of credit together with loans outstanding in excess of $200 mn to development finance institutions including private financial institutions. These lines of credit have targeted key economic sectors including agricultural and industrial credit, MSMEs, as well as for student loans schemes, and mortgage financing, targeting lower and lower-middle income families.

3.09 In 2011, by Board Paper BD 6/10, CDB approved funding for a consultancy to evaluate CDB's financial intermediary lending activities and to recommend and develop a clear time-bound action plan in relation to future financial intermediation. The findings indicated that financial institutions lending remains an important source of long-term development funding for MSMEs, mortgages and student loans and CDB needs to broaden its range of financial intermediaries to include non-traditional financial institutions. Also, the security options for intermediary lending needs to be reviewed.

3.10 CDB's risk appetite restricts Direct Private Sector Lending: CDB experienced varying levels of success with respect to direct private sector lending, some successful, while others were affected by technical and operational issues resulting in an inability to service debt. The level of supervision and technical expertise required during and after implementation to resolve such issues were not always readily available to CDB given prevailing resource constraints. In addition, CDB has been unable to approve a significant number of deals with a risk profile consistent with the Bank's risk appetite and operating structure.

3.11 The need for Comprehensive Private Sector Development Programming: One-shot, isolated interventions addressing issues of private sector development as independent variables have proven to be less effective than comprehensive programmes in CDB's BMCs. Feedback from the sector also suggests that country and local ownership of private sector development was felt to be critical to ensuring equitable and sustainable results.

3.12 The need for Evaluation and Impact of Private Sector Interventions is important: The existing PSS does not include a mechanism for the evaluation and review of its private sector operations, lending products or TA instruments. Given CDB's results-based approach to its developmental activities, improving the effectiveness of current and future private sector development programming, in particular through more systematically pursuing and tracking performance and results achieved, will be increasingly important.

3.13 Collaborations with other MDBs to increase development impact: Given CDB's relatively small resource base, the Bank has been able to leverage its TA resources by forging stronger and new alliances with development partners in order to maximise impact within its BMCs. Examples include CARTFund with DFID, Caribbean Technological Support Facility, CARIB-CAP I and CARIB-CAP II implemented in partnership with IDB and the European Union (EU), MiCRO with DFID, and Compete Caribbean with IDB, CIDA and DFID.

3.14 Need to establish separate TA Allocations for the private sector: TA resources to support the private sector are not programmed separately within CDB, and funding for this activity has to compete with other priority areas all seeking funding under the component for capacity-building.

4. CONSTRAINTS FACING THE PRIVATE SECTOR

4.01 Economic performance of the BMCs can be attributed partially to a private sector, which experiences low productivity at the firm level, as a result of the many barriers that impede investment; firm expansion; job creation and sustained growth including market size; limited access to financial services; inadequate infrastructure; a weak enabling environment; limited capacity to manage environmental risks; and inadequate support for innovation and technological development. The constraints facing the private sector are detailed in Appendix 2.

5. ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

5.01 An overview of the primary areas of focus in private sector development by other donors in the Region is presented in Appendix 2. The review was undertaken in order to identify overlaps and gaps in donor programming and to determine where CDB's interventions may best suited to complement the activities and initiatives of development partners.

5.02 The findings of the review indicate that donors are primarily focused on:

(a) providing TA for the creation and support of an enabling environment. This refers to the economic, physical, legal, regulatory, and institutional framework within which businesses operate. An enabling environment is regarded as critical for the encouragement of private investment, both local and foreign.

(b) improving competitiveness of the private sector with an emphasis on MSMEs - donors recognise the role of MSMEs in the development of a healthy, diversified, and resilient economy;

(c) enhancing access to finance for MSMEs via institution and capacity-building and utilising financial intermediation;

(d) promoting business reforms to improve competitiveness and reduce the cost of doing business; and

(e) increasing exports to regional and global markets taking into consideration trade policy arrangements and new trade opportunities. Interventions aimed at removing barriers to trade remain critical to ensure that MSMEs maximise market opportunities.

6. PROPOSED PRIVATE SECTOR STRATEGY

6.01 CDB recognises that given its size and resource capacity, there is need to concentrate on private sector interventions that optimise existing skills and utilise its competitive advantages. As one of several development institutions operating in the Caribbean region, CDB intends to focus its strategy and interventions on areas not adequately covered by other development partners and for which there is valued added. CDB's knowledge of the Region and its good working relations with member governments provide an opportunity for CDB to manage programmes for other donor agencies targeting the private sector. Also, CDB intends to take an approach which focuses on managing risks associated with its private sector interventions. In this regard, the PSS will focus on interventions that support the enabling environment for private sector development through the use of concessionary resources rather than seeking to engage in significant direct private sector lending.

6.02 As a small MDB, with limited options for off balance sheet financing, CDB needs to carefully manage risks associated with non-sovereign exposure. Consequently, CDB must consider alternative ways of assisting the private sector. The Bank will provide support through a range of activities, including: intermediary lending that seeks to improve competitiveness of the private sector and interventions to reach poorer segments of the population, increased social inclusion and improve the enabling environment for private sector growth in BMCs.

6.03 The proposed strategy will seek to access available concessionary resources, particularly in the area of climate financing to support energy efficiency projects, climate resilient agriculture and related activities. Climate change resilience in BMCs is important to their competitiveness and therefore this will be mainstreamed within the PSS.

Climate Change

6.04 Caribbean economies are highly vulnerable to natural hazard events because of their size, geography and location. Increasingly, the impacts of climate change are being felt in the Caribbean through droughts, hurricanes and other weather phenomenon resulting in the destruction of coastal areas, increased water scarcity, reduced agricultural productivity and related health issues, all of which can affect the private sector. Reducing climate vulnerability is expensive and garnering access to climate finance is critical for the Caribbean given its small size and vulnerability to natural hazard events. The Caribbean is already burdened by high public debt in part due to repeated rebuilding after major natural disasters. Given climate change, climate variability and the attendant predicted future rises in frequency and intensity of climate-induced natural hazard events, there is a real risk that a greater number of regional households and communities, particularly those at the fringes, could slip into poverty. The sustainability of livelihoods of Caribbean populations is strongly linked to the resiliency and continuity of MSMEs and the informal sector, which are critical to economic growth and post disaster recovery

6.05 Resiliency to climate change, through climate adaptation and mitigation, will be a central theme embraced within CDB's PSS. Transition to low carbon resilient economic growth is premised on a private sector that is appropriately equipped with the requisite tools, technologies and management approaches. Globally, this is a rapidly growing area of development focus, and for which significant sums of grant and concessional finance are being allocated and programmed by developed countries to developing countries, albeit through a complex architecture. Given its recently articulated climate change policy, past interventions, structure, fund management capacity and clientele, CDB is well positioned to access these finances, on behalf of its BMCs and to contribute meaningful outcomes in respect of regional development in this important area. Such work would augment and be complimentary to other efforts by CDB's Regional Development Partners.

6.06 In the face of the challenges of vulnerability to disasters, the impact of climate change and the primacy of need to be globally competitive, CDB will support climate resilient low carbon development and provide assistance to develop sector capacities to facilitate this type of development. CDB intends to work closely with its BMCs on disaster vulnerability reduction and climate adaptation and will support the private sector through initiatives that address climate resilience and in areas such as improved energy efficiency and the use of renewable energy. To date the Bank's private sector interventions have been designed to build private sector capacity for resiliency and continuity, such as through the development and application of business continuity measures with MSME clients. The current strategy will continue, where feasible and appropriate, to identify, design and implement private sector development programming interventions that continue to build, consolidate and reinforce an all-hazards approach, towards ensuring MSME climate resilience and business continuity.

6.07 The Bank will work in key sectors to support economically feasible climate change adaptation and mitigation projects. CDB will also facilitate national or regional scale-appropriate interventions in MSME sub-sectors where it is able to contribute value-added outcomes for which there is a defined niche for its actions.

6.08 The approach of the new PSS will necessitate a shift in focus by CDB in its private sector programming. Effective implementation will require capacity development of existing staff and/or the recruitment of new staff, as different skill sets will be required to design, appraise, manage and supervise such private sector projects. It is further expected that the Bank will enhance implementation by more optimally, leveraging existing knowledge, drawing upon that which is available across divisions and units. The incoming Climate Finance Advisor and Adaptation Mainstreaming Consultant are resources that are expected to augment the new directional thrust of the private sector programme. While the Bank can readily serve as a regional climate change financial intermediary, private sector climate resilience concessionary finance vehicles will also need to be developed. In order to design appropriate interventions to facilitate replication of economically viable adaptation and mitigation technologies and practices, the Bank will also need to identify and adopt best practices. The design of appropriate interventions such as lines of credit will demand: (a) building climate change private sector specific, market research to enhance knowledge acquisition and monitoring capacities; (b) increasing business viability assessment skill-sets for climate adaptation/mitigation technologies and practices; and (c) procuring design skills for developing flexible, responsive and competitive financial instruments.

Underlying Principles

6.09 The proposed private sector strategy will be anchored within the Bank's Strategic Plan 2010-14, which is based on assisting BMCs to reduce poverty through sustainable economic growth and strengthening the resilience of BMCs to external shocks. In keeping with the Strategic Plan 2010-14, the underlying principles of CDB's new private sector strategy will include the following:

(a) a balanced approach to improving the welfare of BMCs' citizens and ensuring that growth is inclusive, explicitly focused on reducing income and gender disparities, economic and social vulnerabilities and on other inequities, anchored within the framework of its gender equality policy and operational strategy, and that it is environmentally sustainable;

(b) alignment of programming orientation within national poverty reduction and economic development strategies of BMCs;

(c) partnerships with other institutions with which CDB can collaborate in the financing of private infrastructure and other types of projects where it has internal expertise; and

(d) a results-based approach to private sector development programming, which will enable CDB to measure the performance of its initiatives more effectively and consistently, be accountable to partners and stakeholders, and adjust its interventions in light of lessons learned.

Strategic Pillars

6.10 It is proposed that the revised PSS be based on three strategic pillars, as follows:

(a) Enabling and Regulatory Environment for private sector development;

(b) Access to Finance; and

(c) Business Advisory Services and Institutional Capacity-building.

A summary matrix showing the strategy is presented in Table 6.1, which also indicates gender and environmental sustainability as cross cutting themes in the proposed private sector interventions.

TABLE 6.1: SUMMARY MATRIX FOR CDB'S PRIVATE SECTOR STRATEGY

<table>
<tr><td colspan="3">GOAL
Contribute to sustainable development and poverty reduction in the BMCs by promoting broad-based economic growth and inclusive social development through effective private sector development.</td></tr>
<tr><td colspan="3">PURPOSE
Improving the global competitiveness of the productive sectors on a sustainable basis.</td></tr>
<tr><td>OUTCOME 1</td><td>OUTCOME 2</td><td>OUTCOME 3</td></tr>
<tr><td>An enabling business climate conducive to supporting investment and the development of socially and environmentally responsive enterprises.</td><td>Increased availability of and access to, affordable finance for MSMEs.</td><td>Enhanced climate change resiliency, business continuity, environmental stewardship, increased use of renewable energy and competitiveness, demonstrated by MSMEs in BMCs.</td></tr>
<tr><td colspan="3">OUTPUT</td></tr>
<tr><td colspan="3">Private sector development interventions effectively implemented to assist BMCs in achieving equitable sustainable economic growth, improved access to finance and enhanced competitiveness of the private sector.</td></tr>
<tr><td>PILLAR 1</td><td>PILLAR 2</td><td>PILLAR 3</td></tr>
<tr><td>Enabling Environment for Private Sector Development</td><td>Access to Finance</td><td>Business Advisory Services and Institutional Capacity-building</td></tr>
<tr><td>Activities to support the enabling policy, legislative and regulatory environment for private sector development.</td><td>(1) Enhanced financial intermediation through use of a larger network of Financial Institutions; (2) additional financing options to support MSMEs; and (3) limited direct financing for private infrastructure that is consistent with CDB's preferred risk profile.</td><td>Developing appropriate TA strategies to assist MSMEs and institutions that facilitate MSME development.</td></tr>
<tr><td colspan="3">RESPONSIBILITY AREA IN OPERATIONS</td></tr>
<tr><td>Private Sector Development Unit (PSDU)/Economic Infrastructure Division (EID)/ Environmental Sustainability Unit/Economics Department</td><td>PSDU/EID/Social Sector Division</td><td>Technical Co-operation Division/PSDU</td></tr>
<tr><td colspan="3">CROSS-CUTTING THEMES</td></tr>
<tr><td colspan="3">← GENDER EQUALITY AND ENVIRONMENTAL SUSTAINABILITY →</td></tr>
<tr><td colspan="3">PSS to ensure that gender and environmental considerations are incorporated in private sector projects and interventions to enhance sustainability and maximise development impacts and outcomes.</td></tr>
</table>

7. PRIORITY AREAS FOR CDB'S PRIVATE SECTOR INTERVENTIONS

Enhancing Access to Finance

7.01 The future relevance of DFIs continues to be a major area of debate arising from unacceptable performance, prolonged dependence on government support and weak governance structures. Access to credit from the banking system for some MSMEs and low-income groups remains a challenge given the continued preference by commercial banks for consumer lending.

7.02 Consultancies funded by CDB to examine the market for development finance in Belize and, subsequently, to review the performance of DFIs, have demonstrated the need for continuing support to such institutions, including capacity-building to strengthen their governance structures and risk management systems in an effort to lessen their dependence on government support. CDB will continue to support such DFIs and to expand the range of financial intermediaries as they are cost effective channels for providing finance to the private sector. While CDB is committed to providing continued support to DFIs, CDB recognises a need for further market analysis to identify where market failure still persists and possible causes in order to determine, on an ongoing basis, the role and continued relevance of DFIs.

7.03 For DFIs to achieve sustainability, continued support through TA is required to improve lending decisions and implementation of the appropriate regulatory oversight. Current institutional weaknesses within DFIs present opportunities for CDB to provide further support, through strengthening the financial architecture within BMCs and enhancing the viability of such institutions. In addition, CDB is committed to reviewing current security requirements for its financial intermediary lending and will support efforts to enhance credit risk assessments.

Agricultural Sector Diversification

7.04 Agriculture is a major pillar of the economies of some of CDB's BMCs as it accounts for significant employment, essential foreign exchange earnings and other social and economic benefits. Given the potential of the agricultural sector to contribute to improving economic growth and reducing poverty, this sector will continue to be an area of focus. Activities in this sector are primarily driven by the private sector.

7.05 The reform of the EU Regime for agricultural and related products has resulted in progressive price reductions for such commodities as part of a reform programme for agricultural commodities from African Caribbean and Pacific Countries to the EU that previously enjoyed preferential access to EU markets. These reform measures will require major adjustments and transformation aimed at enhancing competitiveness of the agricultural sector and developing complementary economic diversification initiatives that will enable such countries to move up the agricultural and food product value chain.

7.06 In the case of sugar, the EU has announced an eight-year aid scheme to assist Sugar Protocol Countries with economic transformation. To date, Belize is one such beneficiary of development assistance under the Accompanying Measures for Sugar protocol of which part of the assistance involves enhancing the competitiveness and sustainability of the sugar industry including financing for affordable credit to sugar farmers and related TA to support key institutions providing services to the sugar industry. Under this programme, resources are being channelled through CDB for purposes of establishing a revolving fund that will enable access to such resources by the Government of Belize for ultimate use by the private sector.

7.07 Among the most pressing challenges facing the sector is water management. Production systems in CDB's BMCs are largely rain-fed. In most of the countries, however, rainfall is unequally distributed to meet the needs of the sector. Furthermore, with climate impact modeling for the Caribbean predicting an increase in the frequency and intensity of droughts and precipitation, there will be a stronger nexus between the successes of agricultural enterprises and water management. This situation has obvious implications for food security, farmer income and poverty levels - particularly for residents in rural areas given their heavy dependence on agriculture for their livelihood.

7.08 Meanwhile, there is evidence that the use of protected agriculture systems can assist in combating the effects of weather-related stress on the production of high value crops. Protected systems provide a controlled environment for plant development away from excessive precipitation and reduce the incidence and severity of pests and diseases.

7.09 Accordingly, CDB will support interventions related to improved technological adoption at the farm levels, including appropriate greenhouse technologies and water harvesting, which will enable the sector to adapt to climate change, address critical investment gaps, enhance farm productivity, reduce negative externalities and rebuild ecological resources. Additionally, opportunities for the use of renewable energy in the sector will be supported.

Energy and Energy Efficiency

7.10 The Caribbean region is highly dependent on imported fossil fuels to meet its energy needs, the majority of which are used in the production of electricity. Electricity is an essential input in the provision of all goods and services and therefore high and volatile energy prices on the global market have an undesirable knock-on effect across the economies of BMCs. Electricity costs in the Caribbean region are among the highest in the world and with the demand for electricity expected to double over the next 20 years[4/], one of the key challenges for the Region would be to contain the costs of energy. Options will, of necessity, include diversification of energy supply, exploitation of indigenous renewable energy sources and interconnection of energy markets to take advantage of economies of scale in power generation. CDB will work with its development partners and BMCs to respond to this challenge.

7.11 There are promising opportunities in MSMEs and at the consumer level across sectors for renewable energy and energy efficiency projects, which have positive development impact and are consistent with CDB's mandate to improve climate resilience and environmental sustainability. CDB will support initiatives, either directly or through intermediaries, which seek to reduce the carbon footprint of its BMCs and green their economies. CDB's guidelines for lending through financial intermediaries can accommodate some of these activities, but given the current high demand for financing of such projects in the MSME grouping, dedicated lines of credit for renewable energy and energy efficiency projects under the climate change umbrella would be considered.

Infrastructure Development

7.12 Economic infrastructure supports economic activity and its upgrade and expansion is necessary to enhance growth. The need for investment in economic infrastructure, whether through maintenance, replacement or expansion is ever present. Therefore, if the Caribbean region is to raise its growth path, it will be necessary to provide adequate infrastructure at the right time as failure to do so may hamper economic growth. Changes in the economic environment in the Region have caused governments to look

[4/] Joint CDB/World Bank Discussion Forum held on June 8, 2011 on a range of topics including Climate Change, Energy and Food Security.

to the private sector to play a larger role in the provision of economic infrastructure so that more of their scarce resources can be channelled toward the provision of social services. Support for private infrastructure is therefore considered critical for economic and social development. Within several BMCs, critical infrastructure work still needs to be done in areas such as water and sanitation, energy, telecommunications, health care facilities and air and sea transportation. To date, most of the private sector activity in the BMCs has been occurring in the energy and telecommunications sectors, within an enabling environment created through recent policy directives and associated legislative and regulatory reforms. There has been limited private sector activity in the water sector. CDB will mainstream climate resilience in infrastructure projects it finances.

7.13 The options for supporting the increased participation of the private sector in the provision of infrastructure services are many. These range from full privately-owned infrastructure to various forms of PPPs. Opportunities exist for CDB's intervention through direct private sector lending where the policy, legislative and regulatory frameworks already exist and where it is possible to levy user charges, for example, the energy and water sectors. Given the nature of these types of projects in terms of relatively low commercial risks, high capital intensity and long gestation periods, CDB would consider higher ceiling limits for sectors where projects require large investments and/or partner with other financial institutions in co-financing arrangements. For projects where revenue streams are assured through off-take agreements, CDB could employ financing mechanisms like non-recourse or limited recourse financing. In addition, credit enhancements like partial risk guarantees, political risk guarantees and insurance could strengthen the security position on such financing.

7.14 PPPs are best suited to contracts for construction, management, operation and maintenance of major infrastructure facilities where governments are constrained to raise resources to invest in such facilities, for example, waste management and water treatment. It is recognised that within the existing economic environment, the lack of fiscal space presents opportunity for the various governments of BMCs to participate in well structured and managed PPPs. PPPs can result in sound development outcomes and should be guided by a system of rules, incentives, regulations and agreements. Since 2011, there has been a downward global trend with regard to the use of PPPs to develop new infrastructure, with the first quarter showing the lowest level since the 1990s[5/]. This was mainly due to unavailability of ready financing, but the absence of the necessary policy, legislative and regulatory frameworks would have contributed to the poor activity in BMCs. To this end, CDB will assist BMCs in creating the enabling environment to take advantage of PPP opportunities. Additionally, CDB will provide support for necessary institutional capacity-building to facilitate the selection, evaluation, tendering, negotiation and monitoring of contract compliance and performance of PPPs.

Innovation and Entrepreneurship

7.15 Insufficient investment in innovation activities contributes to large productivity gaps among SMEs within CDB's BMCs. There is need to encourage an environment where new ideas can be harnessed by nurturing talent to take advantage of market opportunities and, in so doing, to unlock the entrepreneurial spirit of a current generation of persons where technology drives innovation. Support for innovative ventures and new products using information technology platforms is necessary for meeting local demand and export opportunities through the creation of business incubators, technology centres and skills development. Special attention will be given to ventures that enhance competitiveness and that facilitate climate resilience. There is need for accompanying financial support for such entrepreneurial endeavours through venture capital, credit guarantees and related capacity building aimed at enhancing the viability of such ventures. CDB will, through its TA operations, support interventions that facilitate product development, intellectual property protection and commercialisation of innovative projects.

[5/] Private Participation in Infrastructure Database of the World Bank.

Proposed Strategic Interventions

7.16 Based on the identified constraints facing the private sector, CDB's developmental mandate in the Region, the findings of the SWOT analysis, particularly as it relates to the Bank's strengths and the proposed policy framework, the following strategic interventions are proposed in Table 7.1.

TABLE 8.1: PROPOSED STRATEGIC INTERVENTIONS

Private Sector Policy Pillar	Problem Addressed	Proposed Strategic Interventions
Enabling and Regulatory Environment for private sector development.	Weak enabling environ-ment in CDB's BMCs, including legal and regulatory barriers, as well as high taxation, and trade restrictions impact the cost of doing business.	(a) Support policy initiatives designed to address country, institutional and enterprise reforms, addressing legal frameworks, property rights, regulation of financial systems and corporate governance. (b) Support initiatives geared towards reducing firm informality, reducing the cost of business creation and expansion and exit. (c) Facilitate policy dialogue with the regional private sector through participation in consultations. (d) Support TA that identifies key structural impediments to building capital markets. (e) Continue to support initiatives, which promote trade and investment facilitation and export value chain development. (f) Continue to support initiatives, which promote trade and investment facilitation and export value chain development. (g) Support initiatives, which improve the policy, legislative, regulatory and institutional frameworks for PPPs; including strengthening analytical capacity for their selection, evaluation and monitoring. (h) Continue to focus on financial sector work through TA that supports the mobilisation of capital and improvement to regulatory structures, for example, reviewing prudential regulation and supervisory framework in financial markets for non-bank financial institutions.

Private Sector Policy Pillar	Problem Addressed	Proposed Strategic Interventions
Access to Finance.	Funding gaps still result in unmet credit needs by MSMEs. Weak financial performance of existing financial intermediaries. Existing CDB lending policies constrain indirect lending (government guarantee requirement) and direct lending to private sector.	(a) Continue to provide indirect lending to MSMEs through financial intermediaries which demonstrate a capacity to be sustainable and where appropriate, provide TA for capacity-building.
		(b) Continue to support strengthening of microfinance institutions.
		(c) Encourage well functioning financial markets in BMCs through the implementation of credit bureaus, payment systems and collateral registers, that encourage borrowers to maintain good credit records, enhances overall surveillance and lowers the cost of credit delivery.
		(d) Facilitate, promote and finance where possible, low carbon, green technologies and services, to regional MSMEs commensurate with BMC commitments and their future development expectations, in relation to: energy efficiency and security, environmental stewardship, business continuity and renewable energy, in their proposed transition to more green economies.
		(e) Develop partnerships with institutions, which have expertise in financing private infrastructure projects, as well as exploiting opportunities for co-financing
		(f) Continue direct private sector lending in sectors where projects have relatively low commercial risks due to off-take agreements, high capital intensity and long gestation periods, example, energy and water.

Private Sector Policy Pillar	Problem Addressed	Proposed Strategic Interventions
Business Advisory Services and Institutional Capacity-building.		(a) Expand the CTCS Network to enable greater outreach to MSMEs in order to address technical and managerial deficiencies, thereby promoting opportunities for enhanced sustainability. (b) Provide TA to strengthen the management and operating capabilities of financial institutions, through training of key management and staff, thereby contributing to enhanced credit delivery and institutional sustainability. (c) Continue to facilitate and promote entrepreneurship and innovation (d) Diagnose private sector needs for environmental risk management, facilitate the development of expertise to meet such needs, and support the development of tools for enhancing environmental management, business continuity, climate change and natural hazard resilience.

8. IMPLEMENTATION PLAN

8.01 At the country level, CDB will continue to address private sector development issues in the context of the Bank's Country Strategy Papers (CSPs). The CSP articulates the Bank's strategic focus and planned support within its BMCs. Regional, sub-regional and country private sector development strategies, such as those developed under the Compete Caribbean programme, along with other investment climate surveys and/or assessments would be used to inform CDB's private sector strategy within the CSP. Private sector development initiatives will also be aligned with national Poverty Reduction Strategies of its BMCs.

8.02 Implementation of the strategy will be guided by the Bank's annual work programme consistent with its priorities and targets as outlined in such work plans.

8.03 Execution will be mainstreamed across the Operations Area of the Bank. Such an approach is necessary given the scope of the proposed interventions and the multifaceted skills required. Successful execution of the PSS will require the Operations Area to be adequately resourced.

8.04 The implementation of the PSS will be supported by relevant training programmes for CDB staff, as well as BMCs, including new programmes focussing on investment climate issues and facilitation of in-country dialogue with the private sector.

8.05 In order to enhance the effectiveness of CDB's PSS, the Bank will seek to engage in consultations with other MDBs and donor agencies to facilitate coordination and consensus building. The Bank will also partner with the private sector, as well as other entities as required, to fulfill its developmental mandate. In this regard, particular attention will be given to ensuring greater participation of male and female entrepreneurs in consultative processes. Work on improving the enabling environment will be a particularly useful vehicle for promoting such collaboration.

9. MONITORING AND EVALUATION

9.01 The PSS is aligned with the Bank's existing RMF and thus will allow the Bank's shareholders and stakeholders to monitor private sector activities to ensure that they are making significant contributions towards helping CDB to achieve its developmental mandate. Table 9.1 below presents the Results Framework output goals for the CDB taken from the Strategic Plan 2010-2014[6/].

TABLE: 9.1: CDB'S CONTRIBUTION TO COUNTRY AND REGIONAL OUTCOMES

No.	Indicators	Programmed Outputs 2010-14	Outputs 2010-11
	Agriculture and Rural Development:		
7.	Land irrigated or improved through drainage, flood and irrigation works (hectares)	6,935	40,260
8.	Stakeholders trained in improved production technology (No.)	3,400	600
9.	Beneficiaries of rural enterprise credit programmes (No.)	5,400	2,280
	Private Sector Development:		
16.	Value of credit made available to the private sector (mn $).	53	23.4
17.	MSMEs benefiting from credit (No.)	325	71
18.	Beneficiaries of mortgage programmes (No.)	200	81
19.	Number of CTCS and other TA interventions.	550	100
20.	Number of beneficiaries of CTCS and other TA interventions.	3,000	1,654
	Environmental Sustainability DRM and Climate Change :		
23.	Climate Change and DRM projects contributing to adaptation, mitigation and improved community resilience (No.)	6	33
24.	Projects with components contributing to improve environmental management (No.)	5	1
25.	Projects with components supporting renewable energy (No.)	2	4

9.02 The effectiveness of the Bank's private sector development assistance to BMCs will depend to a large extent on its ability to monitor and evaluate its work in a measurable manner and to make appropriate adjustments in the design and implementation of initiatives based on results.

9.03 There is also a need to strengthen the mechanism for reviewing and evaluating CDB's private sector operations, lending products and TA instruments. Given the rapidity of changes in the regional and international social and economic landscapes, it is proposed that this strategy covers a period of five years with a mid-term review to be undertaken.

[6/] It is anticipated that beyond 2014, new initiatives will be developed to reflect the development outcomes of the PSS.

10. RISKS

10.01 The main risks and mitigation measures that could impact on satisfactory execution of the strategy include:

TABLE 10.1: PRIVATE SECTOR STRATEGY – RISKS AND MITIGATION

Risk	Mitigation Measures
Macroeconomic Risk - Protracted economic difficulties in the economies of several BMCs arising from the persistence of the global economic recession could affect the rate of economic recovery. Given the vulnerability of regional economies to external economic shocks, the inability of CDB's BMCs to record growth could impact on key economic sectors thereby affecting the pace of economic reform and the capacity of the private sector to undertake new investment. Such an environment will negatively affect demand for credit and TA resulting in an inability of CDB to achieve successful execution of key components of the PSPS.	Macroeconomic risks are beyond the influence of CDB. However, CDB will seek to balance its portfolio risks through its funding sources. CDB will focus new private sector interventions in areas which are eligible under SDF where possible.
Poor Donor Coordination - Private sector development is an area where there is involvement by various MDBs and donor agencies. A number of interventions aimed at creating an enabling environment in order to promote competitiveness of MSMEs, encourage entrepreneurship, and are designed to address issues surrounding citizen security, supporting climate change adaptation and mitigation measures. Poor donor coordination can result in duplication of effort and in many instances suboptimal development outcomes.	Ongoing scoping of donor programmes will be necessary in order to identify overlaps and gaps in donor programming and to determine where CDB's interventions may be best suited, in order to complement the activities and initiatives of the main players in the private sector development effort for CDB's BMCs. Pursuing increased harmonisation of aid delivery, through increased collaboration will also contribute to increased aid effectiveness and reduce transaction costs for governments and development agencies.
Limited Uptake of PS Initiatives in CDB's BMCs.	CDB will need to strengthen its partnerships with the private sector institutions, multilateral organisations, and governments to mobilise greater resources, knowledge, and creativity. These can be facilitated by greater policy dialogue with the regional private sector through hosting or participating in more frequent consultations at global, regional and country levels.

Risk	Mitigation Measures
Internal Implementation Capacity of CDB Staff, particularly in new areas of private sector development.	It is critical that CDB is equipped with the necessary resources human and financial to facilitate execution, in order to provide necessary institutional support within its BMCs. Building Staff capacity through ongoing staff training will be critical in order to ensure desired results. CDB will also adopt strategies utilising a 'pilot' approach to private sector interventions, particularly in new areas where the Bank has limited expertise, to determine their viability and sustainability, prior to duplication in other BMCs, such as climate change initiatives.
Insufficient funding for capability enhancement - At the core of the PSS is the need to provide adequate resources for capacity-building initiatives at all levels within the regional private sector.	CDB will need to broaden its funding options including access to non-traditional sources for grant and concessionary resources.

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APPENDIX 1

COMPONENTS AND ACHIEVMENTS OF CDB'S EXISTING PRIVATE SECTOR STRATEGY

Component of Strategy	Achievements
Complement the activities and initiatives of all the players in the overall private sector development effort for CDB's BMCs, particularly in areas where there is demonstrable market failure.	Collaboration with other development partners ongoing and CDB's participating key strategy areas with its limited pool of resources ensuring that its interventions act as a catalyst for participation by other development partners.
Support business and product development by providing financing and TA for development of new businesses and products, expansion of existing enterprises and building institutional and enterprise capacity: (a) to improve competitiveness and facilitating the establishment of new, sustainable, productive enterprises; and (b) to build the capacity of regional and national institutions that support the private sector.	Support from SDF cycles 6 and 7 provided through TA using CTCS to build capacity in a range of MSMEs using the various CTCS modalities. Through CTCS, $5.7 mn was approved for funding to assist MSMEs. Rural business clusters strengthened through interventions in Grenada, which provided affordable credit, technical and business skills of rural enterprises upgraded and linkages between production and markets strengthened. Loan of $7.8 mn approved and a Grant of $0.03 mn to the Government of Jamaica for onlending using Peoples Cooperative Banks to 260 small-scale farmers and entrepreneurs, which contributed to improved production and competitiveness in the agricultural sector and to rural poverty reduction by increased farmer incomes. Support also provided through partnerships with IDB, International Finance Corporation (IFC) and EU to enhance operations of MSMEs and micro-credit institutions through various capacity building incentives that focused on policy development, business climate and risk management systems and general management training.
Catalyse larger investment flows by mobilising resources and promoting the further development of the financial sector, including an integrated capital market.	CDB has partnered with other MDBs, namely CIFI, IFC, Nederlandse Financieringsmaatschappij voor Ontwikkelingsladen N.V. (FMO) and European Investment Bank (EIB) to support investment financing in the Region. CDB's involvement in providing financing to DFIs has encouraged EIB to lend to such institutions using the outcomes of CDB's due diligence process. In addition, CDB's TA interventions in key economic sectors have complemented activities undertaken by other MDBs and donor agencies. CDB has provided $10 mn to AIC Caribbean Fund to facilitate investments in MSMEs. To date, CDB's resources were used to

Component of Strategy	Achievements
	fund two investments, one in telecommunications and the other in insurance, thereby broadening the capital markets and range of investment instruments.
Create an enabling and support policy environment which fosters/encourages domestic savings and foreign and domestic investment through: (a) modernising legal environment for private sector development to bring legislation and regulation in line with modern best practices; (b) speeding up government processes and procedures which impact on business development; (c) improving competitiveness and removing regulatory impediments to trade; (d) facilitating establishment of adequate regulatory frameworks to ensure orderly development and to protect citizens interests, consumers and Government; and (e) strengthening the capacity of regulatory and supervisory agencies to monitor activities that fall under their jurisdiction to ensure compliance.	Work completed with Ministry of Finance and Financial Services Commission in Jamaica through a $5 mn TA project to build capacity within the Ministry and the Commission thereby providing for better supervision of insurance pensions and securities. Supervision framework incorporates tools that are in keeping with internationally accepted best practices. Work ongoing with Financial Services Commission of Barbados through a $3.5 mn TA capacity-building project aimed at establishing a consolidated regulatory entity for oversight of credit unions, pensions, insurance and securities to improve supervision and enhance financial sector soundness. At least two policy-based loans (PBLs) approved and under implementation with conditions requiring governments to develop national export strategies to facilitate growth of the private sector.
Further support financial intermediation (indirect lending) by supporting private financial institutions to channel CDB's resources of the MSME business in the BMCs.	Operations of MSMEs strengthen through 19 ongoing lines of credit under implementation together with loans outstanding in excess of $200 mn to DFIs including private financial institutions used for channelling CDB's resources to MSMEs.
Support development thrust in the financial sector through the provision of TA for institutional strengthening, risk management and governance of financial institutions.	Credit assessments of seven financial institutions completed and to assign credit ratings assessments through TA at a cost of $140,250. Such approvals enhanced the ability of participating financial institutions to access funding from additional sources, which supported efforts to strengthen their sustainability and contributed to greater focus on improving credit quality and operations management within participating financial institutions. TA in the amount of $0.05 mn provided that strengthened the capacity of the regional microfinance sector, through enhanced safety and soundness in the cooperative sector, of which participants and credit unions benefitted from management training workshops for microfinance

Component of Strategy	Achievements
	institutions in the amount of $0.03 mn, and sponsorship of the 7th Microfinance Roundtable in an amount of $0.03 mn. Regional microfinance sector strengthened through CARIB-CAP capacity-building programme, which exposed regional microfinance institutions to best practices and improved then performance, as well as outreach and management. At least three training programmes conducted which contributed to enhanced capacity of financial institutions including strengthening their capacity to identify, measure and mitigate credit risk and improve their corporate governance and strategic planning capabilities. At least 200 staff benefitted from such training across a range of financial institutions in at least 15 BMCs with at least 25 financial institutions participating in such training.
Facilitate the mobilisation of financial resources and seek to diversify the use of financial instruments such as syndicated loans, B-loan programmes with an A and B-loan component, to leverage CDB's preferred creditor status.	Not done given lack of appropriate deals.
Participation in private infrastructure including use of opportunities to co-finance projects funded by CIFI.	Partnered with CIFI, FMO, International Investment Corporation in providing funding for a cogeneration plant that utilises waste from the sugar industry to provide power to the national grid that facilitate diversification of Belize's energy sources.
Use of CDB's funds to facilitate the privatisation process, where there is significant Caribbean national participation, which in turn facilitates faster economic growth through savings achieved in operational and cost efficiencies.	PBL provided to the Government of St. Vincent and the Grenadines supported reforms geared towards ensuring financial sector stability and promoting confidence in the banking system. This intervention enabled restructuring of a state-owned bank that was later privatised.
Strengthen CTCS Network by developing lower-cost alternative modes of delivery, including the use of modern information and communications technology and by decentralisation of the processing, administration and delivery of TA.	A new modality for delivery of services under CTCS Network under consideration by management that will involve greater use of national institutions to provide such services.
The provision of TA to the micro and small enterprise sector would not be limited to CTCS but will include TA to support institutions that deliver services (including financial services) to MSMEs would also be provided where it is demonstrated that such TA would contribute to sustainability of	Two TA interventions provided to strengthen the regulation of the credit union movement in the amount of $50,000.

Component of Strategy	Achievements
the institutions.	
The provision of TA for strengthening of private sector institutions and support for consultative bodies.	Interventions executed that enabled attendance of 50 SME representatives at the 2009 Commonwealth Business Forum, which provided new opportunities for business networking and partnerships in a variety of sectors at a cost of $149,900. Representatives from the regional private sector also participated in the CARICOM/Canada Private Sector Forum coordinated by Caribbean Association of Industry and Commerce of which CDB's contribution was $21,000.
Assist private enterprises to progress towards full compliance with international standards; reduce risks associated with pollution as they increase production levels; and mitigate risks associated with natural hazards and occupational safety and health.	Some CTCS interventions facilitated improvement in food hygiene at the level of MSMEs, as well as work done with regional and national standards bodies to improve product labelling standards. Between 2007 and 2010, training provided through CTCS for compliance with international standards through Bureau of Standards in Antigua and Barbuda and St. Lucia for metrology standards. For the same period, 130 persons were trained in food hygiene and safety practices, hazard analysis, critical point procedures, food preparation and costing techniques. During 2011, 27 MSME practitioners trained in business continuity planning through the delivery of regional workshop in which 12 BMCs participated.
Use the Microfinance Guarantee Programme to provide a guarantee of lines of credit from commercial lenders to specialised microfinance institutions.	No applications received.
Use TA to support research and development through TA activities for business and product development.	Between 2007 and 2010, CTCS assisted several MSMEs in conducting market assessments and business plans that contributed to improved business efficiency, as well as developed six new technical publications designed to improve technical and product development.
Facilitate the development of new instruments (for example, asset-backed securities) and by CDB putting some of its own paper on the market.	None.

Component of Strategy	Achievements
Facilitate the development of money and capital markets through the establishment of a central clearing facility, training of market participants, revision and harmonisation of companies' laws in BMCs, conduct of education and sensitisation programmes for the private sector.	Equity investment of $270,000 made by CDB in Eastern Caribbean Securities Exchange that enhanced trading of securities in primary and secondary markets in OECS. This intervention facilitated listing and trading in 13 securities including cross listings, as well as sovereign and commercial debt instruments for six OECS countries. Opportunities provide for saving mobilisation and capital market development. Support provided for the establishment of Caribbean Information and Credit Rating Services Limited through an equity investments of $160,000. To facilitate credit ratings for national and regional institutions. Over 25 credit assessments conducted, both in the public and private sectors in ten of CDB's BMCs across a range of sectors thereby providing risk management systems. These two institutions are important vehicles in regional capital market development, as they facilitate securities trading and credit assessments respectively.
CDB will develop risk management models for management of its private sector portfolio. The model should incorporate most of the risk that CDB faces when lending the private sector – credit risks, interest rate risk, liquidity risk and foreign exchange risk.	CDB approved a grant in the amount of $60,450 to assist six participating DFIs in the OECS with a consultancy to develop a credit risk management framework including a risk rating system, loan pricing models and preparation of appropriate policies and procedures to enhance their credit delivery to the private sector.
Establish formal mechanisms to support policy dialogue among social partners.	A private sector task force was established but meetings were not frequent.
Encourage private sector participation in the delivery of infrastructure services by supporting efforts of BMCs to: (a) create an appropriate regulatory environment; (b) build institutional capacity for efficient operation of the regulatory agencies and to undertake sector reform and tariff studies; (c) participate as lender to privately-owned companies to ensure relevant technical, financial, economic and environmental criteria are satisfied; and	(a) Water sector capacity-building through the application of strategies for Utility Reform, including outsourcing of some activities to the private sector. (b) Strengthened BMCs' capacity for the design, financing and execution of performance-based contracts for road maintenance. Twenty-two persons trained. (c) Tariff studies undertaken in two projects.

Component of Strategy	Achievements
(d) partner with the Public-Private Infrastructure Advisory Facility, a multi-donor TA facility, to assist with improving the quality of infrastructure through private sector involvement.	(d) Introduced strategies for the expansion and involvement of regional private sector for contractors involved in road construction projects in CDB's BMCs as part of road maintenance activities. (e) Provided support to a privately-owned power company for the improvement in operational efficiency and system reliability through the financing of additional equipment, upgrade of instrumentation and controls and increased fuel storage capacity.
Limited CDB equity involvement to specialist equity or venture capital funds where it can be clearly demonstrated that CDB's involvement would serve as a catalyst to attract other investors.	Approval granted for $10 mn in AIC Caribbean – a private equity Fund to provide investments in MSMEs in CDB's BMCs. Approval of a second regional private equity fund based in Trinidad and Tobago has not progressed. Equity investment of $0.4 mn made in Caribbean Financial Services Corporation, a private DFI, as a demonstration of support for strengthening its capital base, given its sub-regional client base comprising mainly of OECS territories.
Interventions that improve investment decisions focussed on:	
(a) building capacity for improved tax administration, particularly revenue collection;	At least two PBLs contained reform measures to improve tax administration and collection systems.
(b) developing capacity for improved policy management and coordination;	Policy matrix in PBLs included reform to facilitate foreign and domestic investment through improved service delivery and removal of excessive bureaucracy.
(c) strengthening implementation capacity, particularly in relation to the delivery of services;	
(d) improving accountability in the public sector, private sector and in regional institutions; and	
(e) establishing strong legal and regulatory frameworks, especially in relation to private sector development.	

CONSTRAINTS FACING THE PRIVATE SECTOR

Market Size and Economies of Scale

1. Small market size, both at the national and regional levels is a fundamental constraint facing the Caribbean private sector. As a result, many of their industries are unable to realise the benefits associated with economies of scale. Many MSMEs also face challenges when attempting to access new markets including high transport costs, packaging requirements and shipping costs which often render the price of the product prohibitive on the export market and uncompetitive. Inadequate inter-firm linkages, and cluster development programmes also inhibit bulk purchasing, consolidated production and shipping, and joint marketing arrangements. These challenges are further compounded by limited access to information on exporting requirements both intra-regionally and extra-regionally. Many MSMEs also remain uninformed with respect to current trade policy arrangements and how to exploit trade opportunities. Interventions aimed at removing these barriers to trade remain critical if MSMEs intend to maximise market opportunities.

Limited Access to Financial Services and Capital Markets

2. The Region's financial systems are largely bank-based, with relatively less reliance on capital markets to provide long-term debt and equity. MSMEs are particularly affected by limited access to finance. As a result, MSMEs rely on internally-generated resources and/or less secure and higher cost informal sources of finance and therefore are less able to fund productivity-enhancing investments, thereby constraining profitability. The absence of innovative financial products in some BMCs (insurance, factoring and leasing) also impacts the sector. This is also compounded by limited assets which MSMEs can offer as security. Access by MSMEs to financing is a function, not only of availability, but also the prevailing economic environment, the regulatory framework, weak balance sheets and lack of adequate financial information.

Inadequate infrastructure for Competitiveness and Global and Regional Integration

3. Inadequate infrastructure is a binding constraint to competitiveness at the level of the firm and to integration at the regional level. International competition has brought into sharp focus the importance of infrastructure as a key factor in becoming more competitive. Inter-firm linkages can facilitate access to global markets, knowledge transfer, finance and other resources that otherwise would not be available to individual firms. High transport costs, mainly due to high energy costs, infrequent and limited transportation options and low availability of broadband also compound the problem.

Weak Enabling Environment

4. An enabling environment is required for firms to invest, grow and create jobs that offer both economic stability and growth prospects for such institutions. The demand for policy, legal and institutional reform that underlie a favourable business environment is well documented in surveys like *Doing Business* and the World Economic Forum's *Competitiveness Indices* where only a few countries from the Region, rank in the top quartile. Policy actions required to address deficiencies include interventions to reduce legal and regulatory barriers that adversely affect enterprise expansion; and address inadequate and gender inequitable property rights, outdated incorporation law, ineffective bankruptcy procedures, cumbersome procedures and registration processes and weak investment and commercial codes.

Lack of Management Skills

5. Many private entrepreneurs still lack appropriate management skills, however, there have been some success stories. Where businesses have failed, it was due to overly ambitious expansion policies, inappropriate spending and inadequate capitalisation. Managerial talent is also in scarce supply, further hampering the ability of firms to compete in increasingly globalised markets. There are also issues related to inflexible labour codes and other direct and indirect labour costs. In addition, an insufficient supply of skilled workers limits the degree of specialisation, raises costs, and reduces flexibility of firms in responding to market opportunities in the Region.

Inadequate Support for Innovation and Technological Development

6. Insufficient investment in innovation contributes to large productivity gaps of MSMEs and constrains the private sector in responding to market opportunities than can unlock technology-driven projects. A number of factors constrain MSMEs investment in innovation and firm upgrade, including:

(a) the inability to recoup research and development costs;

(b) limited access to protection for intellectual property even where systems exist;

(c) limited access to finance due to asymmetric information associated with financing technological investments; existing financial instruments do not provide incentives for technological shifts by MSMEs;

(d) limited access to specialised skills needed for researching technology, and risk-taking with new technologies;

(e) relatively higher costs for hardware and software, connectivity, and adaptation of information and communications technology to new business practices; and

(f) absence of mechanisms to facilitate inter-firm collaboration that could otherwise promote innovation by speeding-up technology diffusion and avoiding the duplication of research costs.

Limited Capacity to Manage Environmental Risks

7. The Caribbean private sector has also been challenged to mainstream and implement environmental management, disaster risk reduction, business continuity, and climate change adaptation, and mitigation measures. There have been advances in some sub-sectors and in some BMCs, namely tourism, power, oil and gas, where high consumer and market demand, global standards and economic drivers, including but not limited to cost and production efficiencies, have been significant driving factors. Cumulatively, however, significant gaps remain. The challenge is primarily attributable to the capacity of enterprises to pay for, and to readily access, appropriate knowledge and skills to adapt and to translate these issues into business appropriate practices. The challenge has also been correlated to the relative size of the enterprise, whether micro, small or medium. Outdated regulatory frameworks and weak enabling environments have further contributed to the lack of impetus to overcome the challenge.

Widespread Informality for Micro-enterprises

8. A significant proportion of all micro-enterprises operate outside the formal legal system, contributing to widespread informality. The informal economy, or informal sector, is characterised by economic activities that are small-scale, highly unregulated, and usually undertaken by self-employed women and men. In many instances, entrepreneurs and enterprises that operate informally cannot access capital at the required levels or at a reasonable cost. Moreover, workers' rights and protections in the informal sector stand up poorly to those in the formal sector. This persistent informality can be attributed in many instances to the constraints faced by MSMEs on entering the formal sector. The overarching issue is one of costs versus benefits for the individual entrepreneur who has to choose between formal and informal operations. In the Region, it is costly to be formal, particularly with respect to taxation. Regulations and government requirements are also complex, and compliance costs high. As a result, entrepreneurs see little benefit in formalising their operations. While formal businesses can raise capital by mortgaging their assets, this is often not possible in many countries where mortgage laws are weak and banks prove reluctant to finance small players. Bankruptcy laws, which protect formal players, are also often ineffective, exposing formal entrepreneurs to even more risks (due to more visibility) than if they remained informal.

Gender

9. The socioeconomic environment in the Caribbean is characterised by low levels of participation by women in the formal labour market. Women are clustered in stereotypical activities as employees and concentrated in low growth, low status and low paying sectors usually associated with the home and informal in nature. This hierarchical structure in occupations is a culmination of a number of social factors, including traditional socialisation norms and an education system, which reinforces the traditional career choices by men and women.

10. This social constraint has implications for access to productive resources, particularly physical and human capital. Access to finance for women continues to be one of the central barriers to growth, due to limited ownership of requisite collateral to access credit from traditional banking sectors. Among micro and small entrepreneurs, there is a lack of business skills to enable them to communicate effectively with finance providers, lack of initiatives for graduating from informal to formal financing institutions. To the extent that women businesses are generally considered as too "small scale" and are not perceived as having entrepreneurial acumen, these female-owned businesses are unable to fully take advantage of opportunities for innovation and enhanced competitiveness.

APPENDX 3

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
Department for International Development	N/A	**Supporting economic growth** through private sector development to create business and job opportunities and increase exports to regional and global markets; Working with Caribbean countries to reduce violent and organised **crime** and to create safer communities; and Improving the Region's ability to deal with and recover from the impacts of **climate change** and natural disasters.	**The Wealth Creation Programme** will help create business opportunities and jobs by enabling the private sector to develop innovative products and services to strengthen regional exports. DFID will promote business environment reforms to improve competitiveness and reduce the cost of doing business in the Region. The aim of CARTFund is to help to implement trade agreements and improve competitiveness, fund macroeconomic policy advice and training including establishing better debt management. **The Security and Governance Programme** will support the Government of Jamaica in its fight against corruption and crime and help to restore good police/community relations. Our programmes will target the most vulnerable people (mainly young men) in Jamaica, living in some of the world's most violent communities and offer them an alternative to criminal gangs. DFID will also support Eastern Caribbean States to tackle organised crime by tracking and seizing the criminal profits.

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
			The Climate Change Programme will help people in vulnerable, coastal communities (60% of the population lives within 1.5 km of the coast) prepare for and cope with the impact of natural disasters and climate change. DFID will support the development of affordable insurance products for small businesses and farmers to help preserve their incomes when a disaster strikes. We will provide protection measures, including effective warning, for homes, and livelihoods from flooding, storms and sea level rise. We will also provide support to strengthen the Caribbean's position in global negotiations and its access to resources from global funds.
Inter-American Development Bank	The Structured and Corporate Finance Department of the IDB provides direct loans, and guarantees, to companies and financial institutions. It also provides indirect funding for private firms through local financial institutions and investment funds, as well as loans and guarantees to eligible state-owned enterprises without a sovereign guarantee.	**Improving the Business Environment and Fostering Productivity** The IDB works with governments in the region to improve the quality of the institutions, rules and regulations and policies that affect the business climate and productivity of firms, through grants for TA.	Compete Caribbean is a multimillion dollar grant facility established by the Inter-American Development Bank, the UK's DFID, and the Canadian International Development Agency (CIDA) to provide grant funding to support productive policies, business climate reforms, clustering initiatives and small and medium-sized enterprises within a comprehensive private sector development framework in the Caribbean. **Private Sector Development Strategies for the Organization of Eastern Caribbean States (OECS) member countries and for the sub-region,- the objective** of this non-reimbursable programme is to develop identifying

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
	The Opportunities for the Majority Initiative provides medium and long-term loans and partial credit guarantees to private sector companies of all sizes that are interested in supporting sustainable business models and market-based solutions to benefit low income populations in Latin America and the Caribbean.		projects to support the private sector in the OECS member countries and generating linkages and synergies with the IDB's regional operations in the Caribbean Community.

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
World Bank Group	International Bank for Reconstruction and Development (IBRD)/ International Development Association (IDA) Project lending that target interventions such as improvements in the investment climate, privatisation, direct assistance to enterprises and social funds. IBRD/.IDA Adjustment lending which supports procedural, regulatory and legal reforms. International Finance Corporation (IFC) investments to help develop the private sector through innovative projects, primarily in the financial infrastructure and manufacturing sectors. IFC syndicated loans. Multilateral Investment Guarantee Agency (MIGA) provides guarantees against risks, including political risks	Advisory Services to governments, private sector institutions and firms. Economic and sector work including diagnostic assessments. Research. Training capacity-building and knowledge dissemination. Arbitration, standard setting and ratings. Partnerships and consultations.	**Caribbean Catastrophe Risk Insurance Facility** -to help provide a better mechanism for dealing with catastrophic risks initially in the Caribbean region by supporting an (sic) establishment and operations of the Caribbean Catastrophe Risk Insurance Facility. **CARIB-GEF**-Implementation of adaptation Measures in Coastal Zones -to 'support the efforts of Dominica, St. Lucia, and St. Vincent and the Grenadines to implement specific, integrated pilot adaptation measures that primarily address the impacts of climate change on their natural resource base, with a focus on biodiversity and land degradation along coastal and near-coastal areas. **The Grenada Technical Assistance Project** -to: (i) improve the efficiency and effectiveness of Customs; (ii) improve the efficiency of tax administration and decrease transaction costs of paying taxes and consequently increase tax compliance; (iii) modernise investment promotion; and (iv) enhance the Government's support to the export sector through improve access to trade information.

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
	like expropriation of assets, civil disturbance, currency transferability and breach of contract. The IBRD guarantees against non-political risks such as currency fluctuations, long-term servicing of commercial debt and performance of state sector contractors.		**The Conservancy Adaptation Project (CAP)** -to reduce the vulnerability of catastrophic flooding in Guyana's low-lying coastal area that is currently threatened by sea level rise resulting from global climate change. **Guyana Bagasse Cogeneration Project-** to utilise in an efficient manner the bagasse by-product of the new Skeldon sugar factory in generating electricity for internal use, as well as for sale to the national grid. The project will displace the use of light fuel oil in diesel engine driven generators operated by the Guyana Power and Light Company (GPL), the national utility, in the Berbice region. **Improving Climate Data and Management (Jamaica)** **Energy Security and Efficiency Enhancement Project (Jamaica**) **-** to increase energy efficiency and security through the implementation of the borrower's national energy policy. **E-Government for Regional Reform Programme for Organization of Eastern Caribbean States (OECS)** countries - to promote the efficiency, quality, and transparency of public services through the delivery of regionally integrated e-government

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
			applications that apply economies of scale. **Adaptable Program Loan of the Eastern Caribbean Energy Regulatory Authority (ECERA) Programme -**to establish and operationalise a regional approach to the development of the electricity sector in participating countries, by supporting the establishment of the ECERA. **The Disaster Vulnerability Reduction Project** aims at measurably reducing vulnerability to natural hazards and climate change impacts in the Eastern Caribbean sub-region. **Nariva Wetland Restoration and Carbon Sequestration Project** for Trinidad and Tobago is to contribute to efforts to restore and conserve the Nariva wetlands, through the recognition of the services it provides as a carbon sink and a biodiverse ecosystem **Partnership for CARICOM Private Sector Development (PCPSD) -** this project addresses challenges facing the private sector in CARICOM member countries mainly by means of TA. The TA focuses on three areas: (1) catalysing private sector participation and investment in transport, power, water and communications infrastructure; (2)

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
			enabling financial institutions to increase the number of loans they provide to underserved MSMEs; and (3) promoting regulatory simplification as aid to private sector development.
Canadian International Development Agency		Creating an Enabling Environment Supporting policy, legal, and regulatory reforms that address constraints to doing business faced by entrepreneurs in developing countries, with particular attention to specific constraints faced by smaller enterprises and those operated by women entrepreneurs and entrepreneurs in rural areas; and	EPIC - Programmne for Entrepreneurship and Business Incubation on the Caribbean - (CIDA in partnership with the World Bank). The programme will address: 1. Support and expand the Caribbean network of business incubators and

ROLE OF DEVELOPMENT PARTNERS IN PRIVATE SECTOR DEVELOPMENT

Institution/Donor	Financing	Priority Non-Financial Activities	Current Programmes in CDB's BMCs
		fostering a level playing field for SMEs through improving registration and incorporation procedures. (a) Connecting to Markets Helping developing countries integrate into the global trade system; facilitating sustainable economic opportunities for entrepreneurs in new local, regional, or international markets; and providing assistance in implementing trade agreements, reforming trade policy, and developing export strategies. (b) Promoting Entrepreneurship Helping entrepreneurs in developing countries access the finance, skills, knowledge, and technologies they need for innovation and growth, with a focus on reducing barriers to access by SMEs and women entrepreneurs.	assisting the Caribbean Business Incubator Association (CBIA). 2. Skills upgrading for incubator managers and resources for regional policymakers. 3. Establishment of a regional MSME Seed Fund CAD$3 million.