

CARIBBEAN DEVELOPMENT BANK

**PREPARATORY MEETING OF CONTRIBUTORS
ON A REPLENISHMENT OF RESOURCES OF
THE UNIFIED SPECIAL DEVELOPMENT FUND
FOR THE NINTH CONTRIBUTION CYCLE**

TO BE HELD IN BARBADOS

DECEMBER 11, 2015

**MANAGEMENT'S RESPONSE TO THE CONCLUSIONS AND RECOMMENDATIONS
OF THE MID-TERM REVIEW OF SDF 8**

At the Thirty-Second Annual Meeting of the Contributors to the Unified Special Development Fund, held on May 19, 2015 in St. Kitts and Nevis, the Consultants engaged by the Caribbean Development Bank (the Bank) to undertake a Mid-Term Review (MTR) of the Special Development Fund (Eighth Cycle) (SDF 8) presented their report to Contributors. The Report assessed the progress on the implementation of the Seventh Cycle including the results monitoring framework, and progress with respect to the SDF 8 Implementation Plan and the strategic priorities for the cycle.

The attached Management's response to the conclusions, recommendations and next steps contained in the Report of the MTR of SDF 8 is submitted for the consideration of SDF Contributors. The final SDF 8 MTR is presented in the Annex to the paper.

CARIBBEAN DEVELOPMENT BANK



SPECIAL DEVELOPMENT FUND (UNIFIED)

MANAGEMENT'S RESPONSE TO THE CONCLUSIONS AND RECOMMENDATIONS

OF THE MID-TERM REVIEW OF SDF 8

NOVEMBER 2015

ABBREVIATIONS

BMCs	-	Borrowing Member Countries
BNTF 7	-	Basic Needs Trust Fund (Seventh Programme)
CDB	-	Caribbean Development Bank
CGAs	-	Country Gender Assessments
CMDG	-	Caribbean-specific MDG
CPAs	-	Country Poverty Assessment
CSP	-	Country Strategy Paper
DFATD	-	Department of Foreign Affairs, Trade and Development
DFID	-	Department for International Development of the United Kingdom
DPs	-	Development Partners
EE	-	Energy Efficiency
ESPS	-	Energy Sector Policy and Strategy
EU	-	European Union
GDP	-	Gross Domestic Product
GE	-	Gender Equality
IDB	-	Inter-American Development Bank
MDB	-	Multilateral Development Bank
MDGs	-	Millennium Development Goals
MICs	-	Middle-Income Countries
mn	-	million
MTR	-	Mid-Term Review
OECS	-	Organisation of Eastern Caribbean States
PEFA	-	Public Expenditure and Financial Accountability
PRs	-	Poverty Reduction Strategies
RAS	-	Resource Allocation System
RE	-	Renewable Energy
RMF	-	Results Monitoring Framework
RPGs	-	Regional Public Goods
SDF	-	Special Development Fund
SDF 7	-	Special Development Fund (Seventh Cycle)
SDF 8	-	Special Development Fund (Eighth Cycle)
SDF 9	-	Special Development Fund (Ninth Cycle)
SEEC	-	Sustainable Energy for the Eastern Caribbean
SFPs	-	Smart Facilities and Programmes
TA	-	Technical Assistance
TAPOS	-	Technical Assistance Policy and Operational Strategy

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**MANAGEMENT’S RESPONSE TO THE CONCLUSIONS AND
RECOMMENDATIONS OF THE MID-TERM REVIEW OF SDF 8**

1. BACKGROUND

1.01 In the Contributors’ Report on the Special Development Fund (Eighth Cycle) (SDF 8) Replenishment Negotiations, it was agreed that there should be a Mid-Term Review (MTR) of SDF 8, and that this should take place in early 2015. The Review was intended to represent a central accountability mechanism for SDF 8, and to play a key role in Contributor oversight. The objective of the MTR was to assess progress on implementation of the Replenishment and on results achieved.

1.02 The content and coverage of the MTR included among other issues:

- (a) support for the Borrowing Member Countries (BMCs) in accelerating progress toward the millennium development goals (MDGs) and Caribbean-specific MDG (CMDG) targets, including poverty reduction and human development, environmental sustainability and the climate change agenda, and gender equality (GE);
- (b) progress in terms of the performance measures in the Bank’s Results Monitoring Framework (RMF) and the SDF 8 matrix of priorities, expected outcomes and results indicators;
- (c) progress with respect to the Basic Needs Trust Fund Seventh Programme (BNTF 7), as the flagship programme for community-based poverty reduction and inclusive social and economic development;
- (d) progress and challenges in implementing a more structured and focused approach to support regional cooperation and integration (RCI);
- (e) progress in operationalising a more strategic approach to technical assistance (TA) operations, including in support of good governance and institutional strengthening;
- (f) progress and challenges in strengthening and scaling up the operational programme for Haiti, with its special needs as a fragile state;
- (g) stocktaking of the Bank’s internal reform agenda, as an essential element in strengthening institutional and development effectiveness;
- (h) resource availability and commitment authority for SDF 8 at mid-term, and the application of the revised SDF Resource Allocation System (RAS);
- (i) progress on implementation of the Bank’s Managing for Development Results Action Plan; and
- (j) such other relevant issues as may arise or be requested by Contributors.

1.03 The MTR report was considered by Contributors at the Thirty-Second Annual Meeting of the Contributors to the SDF, held on May 19, 2015 in St. Kitts and Nevis. The Report (presented at Annex 1) has been revised to take account of comments received from Contributors since the 32nd Annual Meeting of the Contributors to the SDF, Management’s response and comments on the conclusions and

recommendations contained in the Report, including steps that the Bank proposes to take on a number of the recommendations and are included in the matrix.

2. INTRODUCTORY COMMENTS

2.01 The Consultants noted the Bank had undertaken a number of changes in the first half of SDF 8 which would position it to perform well in the second half of the cycle. They referred to the recruitment of several key professional staff to respond to chronic under-manning of the Bank; the hiring of a Chief Risk Officer; encouraging the independent evaluation office to undertake rigorous evaluations and strengthening the Bank's capabilities in several high priority areas including GE, environment/climate change. They also noted the increased focus on results as evidenced by the publication of an annual development effectiveness review in (2011, 2012, 2013 and 2014).

2.02 They concluded that while it was not unusual for the first half of the SDF cycle to be slow, it was inefficient and encouraged the Bank to accelerate its activities in the second half of SDF 8 and maintain the momentum into the first half of SDF 9.

3. MANAGEMENT'S RESPONSE

3.01 Generally, Management is of the view that the Report presents a fair assessment of the status of implementation of SDF 8 and specific comments are set out in the matrix relative to each conclusion and recommendation contained in the Report.

**MID-TERM REVIEW OF THE EIGHTH CYCLE
OF THE UNIFIED SPECIAL DEVELOPMENT FUND
MANAGEMENT RESPONSE**

Item	Conclusions	Recommendations	Management Response
1. Formulate a new anti-poverty strategy	<p>CDB has done excellent anti-poverty work at several levels – promoting inclusive growth, investing directly in poor communities and producing knowledge products, including Country Poverty Assessments (CPAs) that help policy makers understand the dimensions and causes of poverty in the Caribbean. However, poverty rates in BMCs have not fallen significantly in recent years and still average over 20% (excluding Haiti which is much higher). Indigence may have been reduced slightly from 2009 to 2015 but by such a small amount that it might be within the measurement error. New thinking is needed on poverty reduction and probably a joint strategy for collective impact. CDB could provide intellectual leadership by commissioning a study to reassess Poverty Reduction Strategies (PRSs) in the Caribbean, building on its work in poverty assessments.</p>	<p>Formulate a new anti-poverty strategy for the Caribbean that promises to be more successful in reducing poverty rates more quickly.</p> <p><i>In the second half of 2015, we recommend that CDB undertake an evaluation of poverty reduction in the Caribbean with the aim of identifying the causal factors for the lack of progress over the past decade and producing a strategy for collective impact that draws on new thinking to identify innovative options.</i></p> <p><i>In SDF 9, we recommend donors fund and CDB implement an enhanced poverty reduction strategy as identified in the earlier study.</i></p>	<p>In March 2015, CDB’s Board approved a new round (2015 to 2020) of Enhanced CPAs aimed at increasing the frequency of collection of poverty-related data, improving the methodology associated with CPAs so as to better recognise the multi-dimensional nature of poverty – in particular, its non-income dimensions, and permitting wider access to poverty data to inform policy and ameliorating interventions.</p> <p>We note that poverty measures (from the CPAs) are relative and not readily comparable across countries. Although sharing some common characteristics, the Bank’s BMCs are diverse economies and societies that will likely require unique approaches to poverty reduction in each instance. In addition, the Bank recognises that PRSs of some BMCs are often separate from and not adequately integrated with overall Medium-Term Development Strategies/frameworks for the country. Consequently, the Bank intends over the current Strategic Plan period to increase efforts to embed specific poverty reduction initiatives in Medium-Term Development Strategies using the Country Strategy Paper (CSP) as an initial point for discussion in country and for agreement on appropriate targets.</p> <p>CDB will be undertaking a study of the changing nature of poverty in the Region to recommend practical solutions which can accelerate the pace of poverty reduction and expand opportunities to promote inclusive prosperity.</p>

Item	Conclusions	Recommendations	Management Response
2. Reaching the poor in Middle-Income Countries (MICs)	CDB needs to consider how to reach poor populations in BMCs that are no longer eligible for SDF funding. The assumption that lower-middle income countries have sufficient resources to undertake significant poverty reduction programmes without help is not well based since, on average, tax revenues are only about 20% of gross domestic product (GDP).	<p>SDF funds should be useable for lending and granting to MICs for certain narrowly defined purposes that are central to the SDF mandate, such as poverty reduction, environmental sustainability and climate change resilience and GE.</p> <p><i>In the second half of 2015, during discussions of SDF 9, we recommend that CDB and SDF Contributors explore options for supporting certain types of CDB activities in MICs.</i></p>	<p>We agree, in principle, with the need for CDB to find suitable entry points to reach the pockets of poverty in those member countries where GDP per capita metrics render them ineligible for direct SDF support. Indeed, within the context of SDF 7 negotiations, a paper entitled ‘Revision of Selected Aspects of the Caribbean Development Bank’s Resource Allocation System – 2012’ was presented to Contributors which discussed the merits of possible changes to the criteria thereby making SDF more relevant and accessible to the poorest segments of the population in the Bank’s BMCs. In light of the still high and rising levels of poverty across BMCs, and their vulnerability to natural disaster events and economic shocks, Management will seek to advance the possibility of a broader coverage of SDF resources within the context of SDF 9.</p> <p>Regarding the issue of “BMC tax revenues around 20% of GDP on average which are insufficient to mount anti-poverty programmes like the conditional cash transfer programmes that have been important in other countries including Brazil”, we note that given the issue of scale (small vulnerable small island developing states) and the importance of the public sector as an employer in most BMCs, the percentage quoted above may not represent a reasonable benchmark or as a comparison with Brazil (other than as a reference to conditional cash transfer programmes) given the differing contexts <i>vis-à-vis</i> our BMCs. There seems to be no distinct link between this measure and poverty. The figures for Brazil – 14%; Singapore – 13%; Bangladesh - 8%; Australia – 20%; UAE - 0.3%; suggest that there is not a straightforward relationship.</p>

Item	Conclusions	Recommendations	Management Response
<p>3. Consider three mutually supporting pillars of a new strategic and operational stance</p>	<p>CDB, including the SDF, has been subject to particular competitive pressure in the market environment during the first half of SDF 8. The Bank needs to consider three mutually supporting pillars of a new strategic and operational stance. First it needs to be more competitive with other lenders on price, speed and flexibility. It needs to delegate more decision and approval authorities to professional staff and to provide incentives for staff to achieve targets, and to promote innovation and entrepreneurship.</p>	<p>CDB should undertake a feasibility study(ies) of the three legs of our proposed strategic/operational stance viz the establishment of country offices, country programme managers and improved price competitiveness.</p>	<p>Management agrees with the need for CDB to continuously assess its strategic posture and tactical stance in the competitive space in which it operates. Within that context, the recently approved Strategic Plan provided an excellent platform within which the Bank undertook such analysis. We, therefore, concur with the perception of the need to reflect carefully on the Bank's pricing structure relative to our competitors.</p> <p>With respect to establishment of country offices, management is well seized of the fact that there is a genuine need for the Bank to be the first port of call for development solutions and policy advice required by our BMCs. This is the clearest indicator of our role and relevance and reflect the quality of our franchise value. But the Bank will approach the decision of establishing country offices in a very pragmatic way. The value proposition must exceed the added cost of such an approach for it to have durable appeal.</p> <p>Management is, however, in the process of establishing a country focal point for each BMC and orienting staff around multi-unit country operations teams, comprised of a representative from each operating unit within the Operations Area. The frequency of convene would vary depending on the level of engagement and response to the Bank's strategic priorities for that BMC.</p> <p>With regard to price competitiveness, the Bank will undertake an assessment of its lending and granting instruments as well as its terms of lending under SDF with a view to improving its competitiveness.</p>

Item	Conclusions	Recommendations	Management Response
<p>4. Re-Position BNTF with a new business model</p>	<p>BNTF has been highly relevant to CDB's poverty reduction mission. The context, however, is that, with the possible exception of Haiti, poverty rates have not fallen in the Caribbean over the past five decades and the CMDG target for income poverty reduction by 2015 will not be met. Nevertheless, BNTF seems to have been a bright spot within the broadly unsatisfactory context of stubborn poverty. There are indications that poverty has been reduced more in BNTF-eligible countries than in other BMCs.</p> <p>However, BNTF, although it has typically allocated all of its funds to countries, has been slow to approve sub-projects and disburse funds. At mid-term of SDF 8, approximately \$61.3 million (mn) remained undisbursed in the BNTF programme. In part, this has been because its control systems have been highly detailed and centralised. In the current cycle, procedures have been clarified although not necessarily simplified. Only a major simplification and decentralisation is likely to greatly improve the rate of commitment and disbursement of funds. Alternatively, with substantial grant resources at hand, CDB should consider innovative project ideas that would be "out of the box" of traditional BNTF projects.</p>	<p>In 2015, reposition the BNTF, with a new BNTF operational model that will ensure timely disbursement of funds while maintaining effectiveness and controlling risk in a different way. One option is to radically simplify the BNTF model in 2015 and implement a leaner and faster disbursing programme in 2016. Such a model might perhaps be based on grants to local organisations in response to reasonable proposals, with accountable advances and full payment upon results and accountability for probity and for results ensured through selective risk-based audits rather than centralised detailed review of receipted expenditures.</p>	<p>Among other things, BNTF operations and implementation have been hampered at the country level.</p> <p>The findings from the recent BNTF institutional and organisational assessments highlighted major deficiencies in personnel and leadership (6 of the 10 BMCs ranked as weak) and systems and processes (3 of the 10 BMCs ranked as very weak in decision-making, quality control and strategy and planning).</p> <p>This notwithstanding, consultants have been engaged to undertake a systematic examination of the governance structure and implementation modality for BNTF and make recommendations for the revamping of the programme which will include a more effective governance and operating model.</p>

Item	Conclusions	Recommendations	Management Response
5. The Haiti Programme	<p>CDB has worked effectively with the World Bank and the Inter-American Development Bank (IDB) to deliver \$69 mn SDF funding to Haiti over the past seven years. CDB has added value not only by channeling donor resources through the SDF but also by bringing to the task its expertise in the Caribbean and specifically its experience in poor rural. The logical next step in Haiti might include some autonomous programming by CDB. The Bank should therefore begin to normalise the Haiti programme.</p>	<p>The evaluation of CDB's Haiti programme scheduled for 2016 should be brought forward to 2015 so that the results can be considered during the SDF 9 replenishment discussions. The evaluation should consider whether CDB's partnership approach in Haiti can be gradually complemented by autonomous programming and what resources and capabilities that would require. The evaluation might also assess the prospects in the longer term of closer collaboration of the CDB with France in Haiti; and the possibility of CDB making SDF-only loans to Haiti under certain conditions and with certain guarantees.</p> <p>SDF 9 should be a period during which CDB makes a transition to a more autonomous mode of working in Haiti and puts in place the facilities and staff capabilities to continue with that long-term, gradually integrating Haiti into the normal operations of the Bank.</p>	<p>We agree. An evaluation of the Haiti programme is underway which will distill lessons learned and guide the development of a new strategy aimed at reinforcing and ramping up CDB's programming in Haiti. The strategy will take full account of CDB's strengths and explore opportunities for collaborating with existing as well as new Development Partners.</p> <p>The Bank is exploring options with respect to a more independent mode of working in Haiti, including establishing an in-country presence and undertaking some autonomous programming. It is also in the process of setting up the focal point for Haiti which will strengthen its operations in that BMC.</p>
6. Growth, Country Programme Responsibilities and Incentives	<p>In the consultations during the development of CDB's Strategic Plan for 2015-2019, stakeholders suggested that CDB needs to be strengthened in five main ways. First it needs to be more competitive with other lenders on price, speed and flexibility. Second, it needs to have a stronger presence in BMCs. Third, the Bank needs to delegate more decision and approval authorities to professional staff and to provide incentives for staff to achieve targets, and to promote innovation and entrepreneurship. Fourth, the Bank needs to do more research, and to manage and disseminate its knowledge better. Fifth, CDB needs to grow because it is too small to do all its tasks well.</p>	<p>Consider the common multilateral development bank (MDB) model of providing incentives to country programme managers within a partly decentralised mode of operations.</p> <p><u>Second Half of SDF 8, 2015 and 2016</u></p> <p>CDB should investigate organisation options that would focus and strengthen country portfolio management and also seek decentralisation options to enhance its presence in BMCs.</p> <p><u>During SDF 9</u></p> <p>Assuming that feasibility studies indicate that some form of focused country portfolio management and/or decentralisation are feasible and desirable, the SDF 9 period could be a period of transition to the new organisational mode.</p>	<p>The Bank is considering options to improve its client responsiveness and enhance its service delivery within the boundaries of its administrative envelope.</p> <p>As noted at item 3, Management is in process of establishing a country focal point for each BMC and orienting staff around multi-unit country operations teams, comprised of a representative from each operating unit within the Operations Area.</p> <p>With respect to establishment of country offices, the Bank will approach the decision in a very pragmatic way. The value proposition must exceed the added cost of such an approach for it to have durable appeal.</p>

Item	Conclusions	Recommendations	Management Response
	<p>CDB's organisational model is unusual among MDBs. The MDBs generally organise their operations along two dimensions: (1) technical networks or "practices"; and (2) country programme teams led by a country programme manager. The country programme manager is normally the focus of incentives, responsibility and accountability for all activities in that country, in collaboration with the Bank's networks of technical experts and with the Office of the Chief Economist. As well, country programme management is largely decentralised to country offices.</p>		
<p>7. Price Competitiveness as a Development Lender</p>	<p>CDB is lending at a disadvantage when other MDBs in the Caribbean offer interest rates for Ordinary Capital loans that are currently well below SDF rates. Naturally, this makes some BMCs reluctant to borrow from CDB and when they do borrow it makes them slow to draw down the funds.</p>	<p>Reform the SDF Price Regime</p> <p><i>Second Half of SDF 8, 2015 and 2016, CDB should consider its options as a lender if historically low interest rates persist in capital markets. We suggest that the Bank consider harmonising its lending rates with those of the IDB.</i></p> <p><i>During SDF 9, CDB should institute an interest rate regime for the SDF that is more harmonised with other development lenders and more responsive to capital market conditions.</i></p>	<p>The Bank has engaged a consultant to undertake an assessment of its lending and granting instruments as well as the terms of lending under SDF with a view to improving its competitiveness.</p> <p>This will also involve undertaking simulations of the consultant's proposals to ascertain the impact on the sustainability of the fund.</p>
<p>8. GE Mainstreaming and Programming</p>	<p>CDB has made strides internally in building its GE mainstreaming practices, and has raised its profile on this issue with BMC governments and with regional agencies, but, in our opinion, it has not been as visible a public advocate of GE in the Caribbean as it could have been. The commitment to complete ten Country Gender Assessments (CGAs) has been met. However, there are currently no plans to commission CGAs for the remaining borrowing members.</p>	<p>Consolidate good work in GE mainstreaming, raise CDB's public profiling on the issue and focus attention on a limited number of key GE issues in the Caribbean.</p> <p><u>Second Half of SDF 8, 2015 and 2016</u> - Undertake CGAs for BMCs not recently assessed.</p>	<p>A TA for enhancing CDB's communications on gender and development has been approved. Outputs expected during 2015-2016 include a knowledge and communications plan, strengthening of social media outputs and blogs and the production, publication and wide dissemination of knowledge products based on CDB's experience and best practices in GE.</p>

Item	Conclusions	Recommendations	Management Response
		<p><u>During SDF 9</u> - A synthesis of all the CGAs should help elucidate CDB strategy in promoting GE and should suggest the few key issues on which it should focus in SDF 9.</p>	<p>The Bank will engage in thematic packaging of CGAs to transmit to gender-related statistics and analysis Project staff, CSP teams and stakeholders in BMCs as part of its communications strategy on gender and development.</p> <p>The Bank acknowledges that CGAs and other gender assessments are important for gender planning at the level of the CSP and Country projects. To facilitate the integration of these papers with the CSPs, during 2015-2016 new gender assessments are being aligned strategically with the CSP pipeline. This is anticipated to deepen the gender-related statistics and analysis in priority areas of the CDB-supported Country programmes; enhance the Bank's gender policy dialogue with BMCs and facilitate better targeted outcomes at the project level.</p> <p>A Draft Synthesis report has been received. The Status Report on the Implementation of the Gender Equality Policy and Operational Strategy (2014) recommended an update of the 2008 operational strategy in 2015-2016: <i>“Undertake a review of the operational strategy for alignment with the objectives and priorities of CDB's new Strategic Plan 2015-2019, to recalibrate the Bank's performance targets on GE and in light of emerging GE priorities for BMCs in the post-2015 sustainable development agenda”</i>. This work has begun and is being informed by key priorities highlighted in the Draft Synthesis Report and Caribbean regional gender priorities for the post-2015 and Sustainable Development Goals agendas, and is aligned to CDB's Strategic framework 2015-2019.</p>

Item	Conclusions	Recommendations	Management Response
<p>9. Resilience - Vulnerability Reduction, Environmental Sustainability and Mitigation of Climate Change</p>	<p>Improving resilience to natural disasters has traditionally been a strength of CDB and this has continued to be the case in SDF 8. Commitments to Contributors have been met. However, in 2013 and 2014, the Bank had not yet found a significant role in renewable and sustainable energy projects.</p>	<p>After many years of important work in this area, we suggest that some stocktaking is in order. CDB should assess how much resilience has in fact improved in BMCs, where the main risks remain, what options there are for collective action to improve resilience and where can CDB add the most value.</p> <p><i>In the remainder of SDF 8, CDB should commission a study to assess whether resilience in BMCs has in fact improved, with better environmental sustainability, mitigation of the adverse effects of climate change and lowered vulnerability to natural disaster.</i></p> <p>CDB needs to focus on achieving results in renewable energy (RE) and energy efficiency (EE) in the remainder of SDF 8 to build credibility for an expanded programme in SDF 9. One important issue at present is how BMCs react to sharply lower oil prices. Among the oil importing BMCs, this could reduce the incentives for energy conservation and efficiency. In the short term, the financial viability of RE initiatives may be less and private vehicle usage greater, with its damaging effects on the environment. CDB can provide the intellectual leadership to help think through a long-term perspective and strategy.</p>	<p>CDB and other development partners working in the Region have sought to align its work programme to the new Regional Comprehensive Disaster Management Strategy and Programme Framework 2014 - 2024, coordinated by the Caribbean Disaster Emergency Management Agency. The new Caribbean Disaster Management Framework clearly lays out the areas where work is required and CDB's work programme with regional institutions and has sought to reflect these priorities in its national country strategies with BMCs. It is in keeping with this alignment that we have recently benefitted from two large grants and just begun implementation of the: ACP-European Union (EU) Disaster Risk Reduction Grant and the Community Disaster Risk Reduction Fund (DFATD, DfID). CDB will take stock after some progress has been made with implementation of these large programmes.</p> <p>Over the past year and a half, CDB has taken a number of significant steps which, <i>inter alia</i>, target the achievement of impactful results in RE and EE, while also seeking to respond to reduced motivation on the part of BMCs arising from lower oil prices. These have also laid the basis for an expanded programme in SDF 9. These include:</p> <p>(a) the development of an Energy Sector Policy and Strategy (ESPS) which was recently approved, and which provides the framework to guide its interventions in promoting sustainable energy. This focus is consistent with the Bank's mandate of supporting inclusive, sustainable economic growth and poverty reduction in BMCs and the Bank's own recognition of the critical role of the energy sector as a vehicle for achieving business competitiveness, economic competitiveness, and growth. A key goal of the Bank's ESPS is the transformation of the energy sector to significantly increase energy security and sustainability, enabling economic growth by assisting BMCs with the timely provision of adequate, affordable, reliable, and clean energy services to all; establishing the energy sector as a dynamic economic sub-sector; focused on a green energy industry.</p>

Item	Conclusions	Recommendations	Management Response
			<p>Two pertinent elements of the ESPS which both increase focus around RE and EE, and in part address the risk of a waning of motivation on the part of BMCs in face of lower oil prices are: (i) increased engagement in BMCs on RE and EE; and (ii) continued development and use of Smart Facilities and Programmes (SFPs) to overcome selected barriers and providing incentives to various segments of the market.</p> <p>(b) CDB has established energy security as a cross-cutting theme (in the Strategic Plan 2015-2019), and has committed to mainstreaming RE and EE across its operations. Mainstreaming of RE/EE aspects in projects can also serve to encourage actors to include RE/EE dimensions in projects, thereby counter to some degree disincentives caused by lower oil prices.</p> <p>(c) Mobilisation of appropriate resources: to support SFPs' instruments – which are an important ingredient of the strategy for addressing barriers and risks, including the potential for diminished motivation on the part of BMCs. In this regard, in addition to pursuing accreditation to the Green Climate Fund and the Adaptation Fund, in 2014, CDB signed a Memorandum of Cooperation with the IDB and Japan International Cooperation Agency to make available soft financing for the development of the geothermal industry in the Organisation of Eastern Caribbean States (OECS) countries. Also, in partnership with IDB, the EU Delegation of the Eastern Caribbean and Barbados, CDB has also been leading efforts to establish a regional Geothermal Energy Facility and along with EU-CIF and the Department for International Development of the United Kingdom, CDB is executing the Sustainable Energy for the Eastern Caribbean (SEEC) Programme. SEEC will combine grant resources with CDB's loan and grant resources, thereby making concessional resources available to the public and private sectors for implementation of EE and RE initiatives.</p> <p>Also increased engagement with Partners facilitates resource mobilisation, capacity strengthening, as well as coordination for greater impact of CDB's strategies.</p>

Item	Conclusions	Recommendations	Management Response
10. RCI and Regional Public Goods (RPGs)	CDB made a commitment to SDF 8 Contributors to be more strategic in its support of RPGs, including RCI especially in the OECS. During the first half of SDF 8, the Bank showed strategic intellectual leadership in funding several studies and workshops that focused on RPGs in diverse areas including regional transportation, potable water supply, waste management, youth employment, public-private partnerships and statistics.	CDB should accelerate its activity in RCI and RPG in 2015 and 2016, and build a pipeline to maintain momentum into SDF 9. CDB needs to develop innovative approaches to RCI and RPG for implementation in SDF 9.	<p>Management believes that Regional approaches remain most appropriate for addressing many of the Region's pressing problems. The Bank therefore intends to extend and significantly increase its support to the implementation of the Region's RCI agenda especially in relation to regional cooperation and the provision of RPGs.</p> <p>Management concurs with the recommendation and has taken steps to put in place a focal point for RCI/RPGs to lead the process of building a pipeline. The Bank will also partner with key organisations to ensure effective and efficient approaches to RCI/RPGs.</p>
11. TA and Training	Technical cooperation and training was slow during 2013 and 2014 but, with the building of internal capacity and approval of a major programme in 2014, it is expected to be active in 2015 and 2016.	<p>CDB should accelerate its activity in TA and training in 2015 and 2016, and build a pipeline to maintain momentum into SDF 9.</p> <p><i>The second half of SDF 8 will see a major effort to implement an expanded programme of TA and training. At the same time, we recommend that an evaluation of CDB's TA would be timely.</i></p>	<p>Management concurs with the recommendation that there should be an expanded effort to increase TA activities within its BMCs.</p> <p>The Bank's internal capacity has been strengthened to implement its new Technical Assistance Policy and Operational Strategy (TAPOS) and to deliver on its Technical Cooperation programme. This will also enable adequate programmatic planning of training activities and active monitoring of the Bank's TA.</p> <p>Management is also cognizant of the need to evaluate its TA programme. However, given the delay in operationalising TAPOS and the Project Cycle Management programme, Management contends that an evaluation be done at a later stage, so as to benefit from the new changes in TA management within the Bank and its BMCs.</p>

Item	Conclusions	Recommendations	Management Response
12. Performance-Based Resource Allocation	<p>The initial SDF 8 allocation was completed in 2013 using a formula that included, for the first time, a variable (POOR) that was a measure of the actual number of poor people in each country.</p>	<p>In the second half of SDF 8, CDB will undertake a mid-term reallocation of SDF funds. The results of that reallocation should be reported to the first Contributors' meeting to discuss the SDF 9 replenishment.</p> <p><u>During SDF 9</u></p> <ul style="list-style-type: none"> • Reconsider the usefulness of standard terms and conditions for country groups. The trend in other MDBs is towards more flexibility on a country-by-country and loan-by-loan basis. Now that CDB has augmented its expertise in risk and risk analysis, it may be opportune to consider whether interest rates and terms and conditions for SDF loans might better be set on a case-by-case basis in future. • In the Resolution and Report of Contributors for SDF 8, the Contributors requested that a review of experience with the revised country groups be undertaken at the end of SDF 8. • Contributors may wish to reconsider the appropriate weight for the POOR variable. • CDB Economics Department is presently reviewing the instrument and methods for assessing country performance. Contributors might wish to consider the results of that review. 	<p>A reallocation of SDF loan funds to eligible BMCs was undertaken in mid-2015 and will be reported in the paper: <i>Status Report on the Implementation of SDF 8</i> as well as the 2015 SDF Annual Report.</p> <p>Most MDBs still use a performance-based allocation system which combine 'need' and 'performance' factors. The planned review of the Bank's instruments and lending terms will take these recommendations into account.</p> <p>A review of the experience of the revised country groups will be undertaken at the end of SDF 8 as per the commitment given to Contributors.</p> <p>It is difficult to assess the 'appropriate' weight of the POOR variable in the formulae. It may be more instructive to consider the distribution of resources as a result of the inclusion of the variable and assess the extent to which resources have been used to drive down poverty levels in beneficiary countries. This information may help guide approaches to the allocation formulae going forward.</p>

Item	Conclusions	Recommendations	Management Response
		<ul style="list-style-type: none"> <li data-bbox="835 235 1335 544">CDB Corporate Planning Department might wish to consider whether the “performance:” side of the equation, which was unchanged in the SDF 8 reforms, might also be improved to provide a more direct incentive for countries to improve their policy and institutional performance. For example, the improvement in Public Expenditures and Financial Accountability scores might be a useful addition. <p data-bbox="879 581 1335 732">We note that the CDB now has a decade of experience with the RAS. It may be timely for the Independent Evaluation Office to undertake an assessment of its relevance, efficiency and effectiveness.</p>	<p data-bbox="1354 235 1957 386">The inclusion of PEFA and other performance-based metrics can be supported in principle since they help inform and explain the variance in country performance outcomes. However, we need to balance this with the availability or lack thereof, of a common and full data set.</p> <p data-bbox="1354 581 1957 699">Noted. However, over the past decade, the RAS has been reviewed three times and enhancements made to the system. We do not agree that an evaluation should be undertaken at this stage.</p>